

**Wipro (Chengdu) Limited**

**Auditors' Report and Financial Statements**

**For the Year Ended December 31, 2019**

**Wipro (Chengdu) Limited**  
**Auditors' Report and Financial Statements**  
(For the Year Ended December 31, 2019)

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## **Auditors' Report**

PCPAR (2020) No. ZA41064

### **To shareholders of Wipro (Chengdu) Limited**

#### **Opinion**

We have audited the accompanying financial statements of Wipro (Chengdu) Limited (hereafter referred to as “the Company”), which comprise the statement of financial position as at December 31, 2019, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the reporting year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

#### **Basis for opinion**

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for devising and maintaining a system of internal accounting controls necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO China Shu Lun Pan CPAs LLP

Certified Public Accountant of China

Gao Fei

Li Ke

Shanghai, China

Date: June 1, 2020

**Wipro (Chengdu) Limited**  
**Statement of Financial Position**  
**As at December 31, 2019**

(All the amounts are denominated in CNY unless otherwise stated.)

Assets	Notes	As at December 31, 2019	As at December 31, 2018
Current assets:			
Cash and cash equivalents	5.1	58,603,276.33	32,521,411.33
Financial assets measured at fair value through profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	5.2	63,419,380.57	68,594,264.72
Advances to suppliers	5.3	1,798,140.68	2,487,043.09
Other receivables	5.4	136,078.97	1,342,139.56
Inventories			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	5.5	8,988,684.85	5,609,013.02
<b>Total current assets</b>		132,945,561.40	110,553,871.72
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables	5.6	14,881,903.69	7,215,300.04
Long-term equity investments			
Investment properties			
Fixed assets	5.7	52,078,181.00	24,700,326.00
Construction in progress			
Productive biological assets			
Oil and natural gas assets			
Right of use assets	5.8	12,751,814.00	
Intangible assets			
Development costs			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	5.9	376,433.98	1,080,240.40
Other non-current assets			
<b>Total non-current assets</b>		80,088,332.67	32,995,866.44
<b>Total assets</b>		213,033,894.07	143,549,738.16

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI  
Accountant in Charge: Carrie Li  
Sd/-

Chief Accountant: Carrie Li  
Sd/-

**Wipro (Chengdu) Limited**  
**Statement of Financial Position (Continued)**

As at December 31, 2019

(All the amounts are denominated in CNY unless otherwise stated.)

Liabilities and owners' equity	Notes	As at December 31, 2019	As at December 31, 2018
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value through profit and loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.10	27,021,695.71	15,598,698.61
Advances from customers			
Employee benefits payable	5.11	5,004,948.07	4,773,295.45
Taxes and surcharges payable	5.12	5,786,145.10	8,632,921.82
Other payables	5.13	22,891,457.34	22,330,612.71
Liabilities held for sale			
Non-current liabilities maturing within one year	5.14	10,343,407.69	
Other current liabilities			
<b>Total current liabilities</b>		<b>71,047,653.91</b>	<b>51,335,528.59</b>
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liability	5.15	13,759,798.54	
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>13,759,798.54</b>	
<b>Total liabilities</b>		<b>84,807,452.45</b>	<b>51,335,528.59</b>
Owners' equity:			
Paid-in capital	5.16	38,084,972.00	38,084,972.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserves			
Other comprehensive income			
Specific reserves			
Surplus reserves	5.17	9,014,146.97	5,412,923.76
Retained profit	5.18	81,127,322.65	48,716,313.81
<b>Total owners' equity</b>		<b>128,226,441.62</b>	<b>92,214,209.57</b>
<b>Total liabilities and owners' equity</b>		<b>213,033,894.07</b>	<b>143,549,738.16</b>

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Sd/-

Sd/-

**Wipro (Chengdu) Limited**  
**Statement of Comprehensive Income**

**For the Year Ended December 31, 2019**  
**(All the amounts are denominated in CNY unless otherwise stated.)**

Items	Notes	2019	2018
1. Revenue from operations	5.19	145,602,896.96	172,497,969.09
Less: Cost of operations	5.19	93,980,560.12	106,629,506.61
Taxes and surcharges	5.20	44,185.15	65,568.67
Selling and distribution expenses			
General and administrative expenses		8,255,618.72	10,671,159.46
Research expense			
Financial expenses	5.21	891,755.64	-2,719,952.42
Including: Interest expenses	5.21	607,313.10	
Interest income	5.21	932,108.65	480,502.21
Plus: Other income	5.22	259,221.49	185,540.86
Investment income (“-” for loss)			
Including: Investment income from associates and joint ventures			
Gain on changes in fair value (“-” for loss)			
Impairment of assets (“-” for loss)	5.23	-137,091.02	46,157.54
Gain on disposal of assets (“-” for loss)			
2. Profit from operations (“-” for loss)		42,552,907.80	58,083,385.17
Plus: Non-operating income			
Less: Non-operating expenses	5.24		138,872.00
3. Profit before tax (“-” for loss)		42,552,907.80	57,944,513.17
Less: Income tax expenses	5.25	6,436,386.95	7,507,241.85
4. Net profit (“-” for loss)		36,116,520.85	50,437,271.32
Gain or loss from continued operations		36,116,520.85	50,437,271.32
Gain or loss from discontinued operations			
5. Other comprehensive income net of tax			
(1) Other comprehensive income not to be reclassified as profit or loss			
(i) Movements arising from remeasurements of the defined benefit plan			
(ii) Shares of other comprehensive income not to be reclassified as profit or loss under the equity method			
(2) Other comprehensive income to be reclassified as profit or loss			
(i) Shares of other comprehensive income to be reclassified as profit or loss under the equity method			
(ii) Gain on changes in fair value of available-for-sale financial assets (“-” for loss)			
(iii) Held-to-maturity investments reclassified as gain on available-for-sale financial assets (“-” for loss)			
(iv) Effective gain on hedged cash flows (“-” for loss)			
(v) Differences arising from the translation of foreign currency financial statements			
(vi) Others			
6. Total comprehensive income		36,116,520.85	50,437,271.32

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Sd/-

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**Wipro (Chengdu) Limited**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**  
**(All the amounts are denominated in CNY unless otherwise stated.)**

Items	Notes	2019	2018
<b>1. Cash flows from operating activities</b>			
Cash receipts from the sale of goods and the rendering of services		161,512,733.28	151,698,655.06
Cash receipts of tax refunds			
Other cash receipts relating to operating activities		1,996,043.47	1,841,255.85
Sub-total of cash inflows from operating activities		163,508,776.75	153,539,910.91
Cash payments for goods purchased and services received		43,471,274.93	98,654,868.17
Cash payments to and on behalf of employees		33,091,321.57	34,143,074.24
Cash payments of all types of taxes and surcharges		8,632,498.70	3,226,390.42
Other cash payments relating to operating activities		5,064,589.35	15,001,531.29
Sub-total of cash outflows from operating activities		90,259,684.55	151,025,864.12
<b>Net cash flows from operating activities</b>	5.26	73,249,092.20	2,514,046.79
<b>2. Cash flows from investing activities</b>			
Cash receipts from disposal and redemption of investments			
Cash receipts from returns on investments			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			14,411,979.05
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities			14,411,979.05
Cash payments to purchase or construct fixed assets, intangible assets and other long-term assets		40,030,625.80	18,387,585.79
Cash payments to acquire investments			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		40,030,625.80	18,387,585.79
<b>Net cash flows from investing activities</b>		-40,030,625.80	-3,975,606.74
<b>3. Cash flows from financing activities</b>			
Cash receipts from investments			18,252,912.00
Cash receipts from absorption of borrowings			
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities			18,252,912.00
Cash repayments of borrowings			
Cash payments for distribution of dividends, profits, or interest expenses			
Other cash payments relating to financing activities		5,930,006.37	
Sub-total of cash outflows from financing activities		5,930,006.37	
<b>Net cash flows from financing activities</b>		-5,930,006.37	18,252,912.00
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-1,206,595.03	2,253,197.29
<b>5. Net increase in cash and cash equivalents</b>		26,081,865.00	19,044,549.34
Plus: Opening balance of cash and cash equivalents		32,521,411.33	13,476,861.99
<b>6. Closing balance of cash and cash equivalents</b>	5.26	58,603,276.33	32,521,411.33

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Sd/-

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**Wipro (Chengdu) Limited**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2019**  
**(All the amounts are denominated in CNY unless otherwise stated.)**

Items	2019								
	Paid-in capital	Other equity instruments			Capital reserves	Other comprehensive income	Specific reserves	Surplus reserves	Retained profit
Preference shares		Perpetual debts	Others						
1. Balance as at December 31, 2018	38,084,972.00						5,286,672.59	47,580,053.24	90,951,697.83
Plus: Adjustments for changes in accounting policies							-10,428.88	-93,859.92	-104,288.80
Adjustments for correction of accounting errors in prior periods							126,251.17	1,136,260.57	1,262,511.74
Others									
2. Balance as at January 1, 2019	38,084,972.00						5,402,494.88	48,622,453.89	92,109,920.77
3. Increase in 2019 ("-" for decrease)							3,611,652.09	32,504,868.76	36,116,520.85
(1) Total comprehensive income								36,116,520.85	36,116,520.85
(2) Capital contributions or withdrawals by owners									
(i) Capital contributions by owners									
(ii) Capital contributions by other equity instrument holders									
(iii) Share-based payments charged into owners' equity									
(iv) Others									
(3) Profit distribution							3,611,652.09	-3,611,652.09	
(i) Appropriation for surplus reserves							3,611,652.09	-3,611,652.09	
(ii) Profit distribution to owners (or shareholders)									
(iii) Others									
(4) Internal transfer of owners' equity									
(i) Transfer of capital reserves into paid-in capital (or share capital)									
(ii) Transfer of surplus reserves into paid-in capital (or share capital)									
(iii) Surplus reserve covering losses									
(iv) Transfer of movements of the defined benefit plan into retained income									
(v) Others									
(5) Special reserves									
(i) Appropriation during the current period									
(ii) Consumption during the current period									
(6) Others									
4. Balance as at December 31, 2019	38,084,972.00						9,014,146.97	81,127,322.65	128,226,441.62

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI

Sd/-

Chief Accountant: Carrie Li

sd/-

Accountant in Charge: Carrie Li

**Wipro (Chengdu) Limited**  
**Statement of Changes in Equity (Continued)**  
**For the Year Ended December 31, 2019**  
**(All the amounts are denominated in CNY unless otherwise stated.)**

Items	2018									
	Paid-in capital	Other equity instruments			Capital reserves	Other comprehensive income	Specific reserves	Surplus reserves	Retained profit	Total owners' equity
		Preference shares	Perpetual debts	Others						
1. Balance as at December 31, 2017	19,832,060.00						369,196.63	3,322,769.62	23,524,026.25	
Plus: Adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior periods										
Others										
2. Balance as at January 1, 2018	19,832,060.00						369,196.63	3,322,769.62	23,524,026.25	
3. Increase in 2018 ("-" for decrease)	18,252,912.00						5,043,727.13	45,393,544.19	68,690,183.32	
(1) Total comprehensive income								50,437,271.32	50,437,271.32	
(2) Capital contributions or withdrawals by owners	18,252,912.00								18,252,912.00	
(i) Capital contributions by owners	18,252,912.00								18,252,912.00	
(ii) Capital contributions by other equity instrument holders										
(iii) Share-based payments charged into owners' equity										
(iv) Others										
(3) Profit distribution							5,043,727.13	-5,043,727.13		
(i) Appropriation for surplus reserves							5,043,727.13	-5,043,727.13		
(ii) Profit distribution to owners (or shareholders)										
(iii) Others										
(4) Internal transfer of owners' equity										
(i) Transfer of capital reserves into paid-in capital (or share capital)										
(ii) Transfer of surplus reserves into paid-in capital (or share capital)										
(iii) Surplus reserve covering losses										
(iv) Transfer of movements of the defined benefit plan into retained income										
(v) Others										
(5) Special reserves										
(i) Appropriation during the current period										
(ii) Consumption during the current period										
(6) Others										
4. Balance as at December 31, 2018	38,084,972.00						5,412,923.76	48,716,313.81	92,214,209.57	

The accompanying notes form an integral part of these financial statements.

Legal Representative: BALAJI RAMAKOTI  
Sd/-

Chief Accountant: Carrie Li  
Sd/-

Accountant in Charge: Carrie Li

**Wipro (Chengdu) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(All the amounts are denominated in CNY unless otherwise stated.)

**1. Company profile**

Wipro (Chengdu) Limited (“the Company”), jointly invested by Wipro Limited and Wipro Networks Pte. Limited, is a foreign sole proprietorship limited liability company approved to be established in Chengdu province on October 21, 2008.

As at December 31, 2019, the company’s registered capital is USD 5,850,000.00. Its uniform social credit code No. is 91510100679680363N. It is located in 2 floor, building D2, Tianfu Software Park, 765 Tianfu Avenue, Chengdu high tech Zone.

The Company’s parent company are Wipro Limited and Wipro Networks Pte. Limited.

The Company is mainly engaged in R & D, development, produce of company software; sales of self produced products; provide technical advice and technical services; the wholesale, import, export and commission agents (excluding the auction) of the computer hardware and related equipment (which do not involve the state trade management commodities, involving quotas, licenses to manage commodities, and apply for the application according to the relevant regulations of the state); design, debugging and maintenance of system integration; air ticket booking and cancellation of business data processing services (excluding sales); through voice and Internet media in customer contact, customer information input, company management consulting, logistics management consulting, human resource management consulting and outsourcing services (excluding intermediaries), financial management and outsourcing services (The above items are prohibited except by state laws and regulations).

**2. Basis of preparation for financial statements**

**2.1 Basis of preparation for financial statements**

The Company recognizes and measures its accounting items on a going concern basis in compliance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards, the Application Guidance on the Accounting Standards for Business Enterprises, the Explanation on the Accounting Standards for Business Enterprises, and other relevant regulations published by the Ministry of Finance (all of which known as “the Accounting Standards for Business Enterprises”) on the basis of actual transactions and events,

and prepares its financial statements on the above basis.

## **2.2 Going concern**

The Company is able to continue to operate as a going concern for the Foreseeable future since the end of the reporting period, and there are no significant events affecting its ability to continue as a going concern.

## **3. Principal accounting policies and accounting estimates**

### **3.1 Statement on compliance with the Accounting Standards for Business Enterprises**

The financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

### **3.2 Accounting year**

The accounting year is from January 1 to December 31.

### **3.3 Operating cycle**

The Company's operating cycle is 12 months.

### **3.4 Functional currency**

The Company adopts CNY as the functional currency.

### **3.5 Recognitioin criteria of cash and cash equivalents**

For the purpose of preparing the statement of cash flows, the term "cash" refers to cash at hand and bank deposits readily available for payment purposes. The term "cash equivalents" refers to short-term (maturing within three months on acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **3.6 Accounting for foreign currency transactions**

Transactions arising in foreign currencies are translated into CNY at exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary assets and liabilities are translated into CNY at that date. Exchange differences arising from these translations are expensed. Contributions to paid-in capital made in foreign currencies are translated into the

CNY denominated paid-in capital account at the stipulated exchange rates at the date of contribution.

### **3.7 Financial instruments**

Financial instruments include financial assets, financial liabilities and equity instruments.

#### **3.7.1 Recognition and measurement of financial instruments**

##### Receivables

The debtors arising from selling goods or rendering services by the Company and other debtors from other enterprises held by the Company (excluding liability instruments quoted in an active market), including accounts receivable, other receivables, etc., are initially recognized at the contract or agreement price. If the receivable is financing in nature, it shall be initially recognized at present value.

Differences between the amounts received and book value of the receivables are charged to profit or loss for the current period upon collection or disposal.

### **3.8 Allowance for bad debts of receivables**

#### **3.8.1 Receivables with significant single amount and individual provision for bad debts:**

Provision method for receivables with significant single amount and individual provision for bad debts: where an impairment test is performed separately, if there is objective evidence showing that it has been impaired, provision for bad debts shall be made based on the difference between the present value of the expected future cash flows and its book value, and shall be included in the current profit or loss. Receivables that have not been impaired upon separate tests shall be classified into the corresponding portfolio to make provision for bad debts.

#### **3.8.2 Receivables with provision for bad debts accrued by portfolio with credit risk characteristics**

Provision methods for bad debts accrued by portfolio with credit risk characteristics	
Third parties	Aging analysis method
Intercompany	Separate test for impairment

Among which, allowance for bad debts made by aging analysis:

Aging	Proportion of allowance for bad debts of accounts receivable (%)
Within 180 days	0.00
181 to 360 days	35.00
Over 360 days	100.00

### 3.9 Fixed assets

#### 3.9.1 Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when all the following criteria are satisfied:

- i) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- ii) The costs of the fixed assets can be measured reliably.

#### 3.9.2 Depreciation methods of fixed assets

Depreciation is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. If the useful lives of various categories of fixed assets are different, or economic benefits are generated from various fixed assets in different ways, then different depreciation rates or methods shall be selected by the Company for the fixed assets.

The estimated depreciation methods, depreciation periods, residual rates and annual depreciation rates of fixed assets are listed by their respective categories as follows:

Categories	Depreciation methods	Depreciation periods (years)	Residual rates (%)	Annual depreciation rates (%)
Computer & Equipments	straight-line method	2-4	0.00	24.75-49.50

Categories	Depreciation methods	Depreciation periods (years)	Residual rates (%)	Annual depreciation rates (%)
Office Equipment	straight-line method	5-21	0.00	4.71-19.80
Furniture and Renovation	straight-line method	5	0.00	19.80

### 3.10 Employee benefits

#### 3.10.1 Accounting for short-term benefits

The short-term benefits incurred during the period when the employees render services to the Company shall be recognized as liabilities and charged to profit or loss for the current period or costs of relevant assets.

Social insurance fees and housing provident funds paid by the Company for the employees, as well as labor union fees and labor education fees accrued during the period when the employees render services to the Company shall be recognized as employee benefits payable according to the stipulated basis of calculation and proportion.

The employee welfare expenditure in the form of benefits in kind shall be measured at fair value.

According to regulations, insurances and accumulation fund paid to labour and social insurance institutions are based on accrued payroll and can't excess certain limited. The rates for insurances and accumulated fund are as follow:

Type	Rate
Endowment Insurance	19.00%
Basic hospitalization insurance	7.50%
Unemployment insurance	0.60%
Maternity insurance	0.80%
Injury on Work Insurance	0.14%
Basic housing accumulated fund	10.00%



### **3.10.2 Accounting for post-employment benefits**

#### Defined contribution plans

The Company participates in the basic pension schemes and unemployment insurance programs as required by the local government. The Company calculates the amount payable according to the base and proportion of payment stipulated by the local government and recognizes the amount payable as liabilities, and charges it to profit or loss for the current period or includes it in costs of relevant assets.

### **3.10.3 Accounting for termination benefits**

If the Company has no right to revoke plans or offer for termination of the employment relationship or the Company recognizes the cost or expenditure relevant to restructuring involving termination benefits, whichever is earlier, the termination benefits shall be recognized as provisions and charged to profit or loss for the current period.

## **3.11 Revenue**

### **General principles for recognition of revenue from sale of goods**

Starting and completing in the same accounting year, the income is confirmed when the service is completed. If the start and completion of the labor service belong to different accounting years, if the result of the labor transaction can be reliably estimated, the relevant labor income will be recognized on the balance sheet date according to the percentage of completion. As a service transaction results can not reliably estimated, the labor cost can be compensated by the compensation amount, to confirm the income, have been labor costs as incurred; if have labor costs can not be compensated by the labor cost has occurred as expense, no revenue.

## **3.12 Government grants**

### **3.12.1 Classification**

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are classified into government grants relating to assets and government grants relating to income.

Government grants relating to assets are those acquired by the Company for the purpose of purchasing, constructing or forming long-term assets in other ways, including fiscal grants for purchase of fixed assets or intangible assets, and subsidized interest for specific loans relating to fixed assets. Government grants relating to income are grants other than those relating to assets.

### **3.12.2 Accounting treatments**

For government grants relating to assets, the carrying amounts of relevant assets shall be reversed, or they are recognized as deferred income and amortized over the useful lives of assets and charged to profit or loss for the current period by stage (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income).

Government grants relating to income to compensate future expenses or losses shall be recognized as deferred income and shall be charged to profit or loss for the current period (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income) during the period when the relevant expenses or losses are recognized, or the relevant expenses or losses shall be reversed. The government grants relating to income to compensate incurred expenses or losses shall be directly recognized as profit or loss for the current period (those relevant to the normal operations are recognized as other income and those not are recognized as non-operating income), or the relevant expenses or losses shall be reversed.

### **3.13 Deferred tax assets and deferred tax liabilities**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

### **3.14 Leases**

#### **Accounting policies adopted from January 01, 2019**

A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company determine whether a contract is a lease or contains a lease at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## **1. Lessee accounting**

### **(1) Right-of-use assets**

At the commencement date, the company recognizes the right of use assets for leases other than short-term leases and low-value asset leases. Right of use assets are initially measured at cost.

The cost includes:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the lessee; and
- d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the company measure the right-of-use asset applying a cost model. Depreciation is provided on each lease agreement basis using the straight-line method. If the lease transfers ownership of the underlying asset to the company by the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise a purchase option, the company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

### **(2) Lease liabilities**

At the commencement date, the company recognizes lease liabilities for leases other than short-term leases and low-value asset leases. The lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- a) fixed payments less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees;

- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option ; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the company use the incremental borrowing rate.

After the commencement date, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

After the commencement date, the company recognise in profit or loss, any variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occur.

After the commencement date, the lease liabilities will be remeasured by discounting the revised lease payments using a revised discount rate to reflect changes to the lease payments, if either:

- a) there is a change in the amounts expected to be payable under a residual value guarantee;
- b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- c) here is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances.

The amount of the remeasurement of the lease liability shall be recognized as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, any remaining amount of the remeasurement will be recognized in profit or loss.

### (3) Short-term lease and leases of low-value assets

The lease payments associated with short-term lease and leases of low-value assets are recognized as an expense on straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset. A low-value asset is defined as a leased asset with low value when it is a brand new asset. If assets are subleased or expected to subleased, the

the head lease will not be recognized as a lease of a low-value asset.

#### (4) Lease modifications

The company account for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company shall:

- a) allocate the consideration in the modified contract;
- b) determine the lease term of the modified lease; and
- c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

## 2. Lessor accounting

The company classify each of leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. In classifying a sublease, the sublease is classified by reference to the right-of- use asset arising from the head lease.

#### (1) Operating leases

Lease income from assets surrendered under operating leases should be recognized over the lease terms (including rent-free periods) on a straight-line basis. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the current period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income.

If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

(2) Finance leases

At commencement of the lease terms, the Company shall recognize the differences between the undiscounted rents receivable plus unguaranteed residual value and their present value as unrealized finance income, and shall amortize it over the lease terms as lease income. Initial direct costs relating to lease transactions incurred by the Company shall be included in the initial measurement of the rents receivable and the lease income recognized over the lease terms shall be reduced accordingly.

**Accounting policies adopted until January 01, 2019**

**1. Accounting treatments for operating leases**

- i) The lease payments for assets acquired under operating leases should be recognized as expenses of the current period over the lease terms (including rent-free periods) on a straight-line basis. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the current period.

If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the current period.

- ii) Lease income from assets surrendered under operating leases should be recognized over the lease terms (including rent-free periods) on a straight-line basis. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the current period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income.

If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

**2. Accounting treatments for finance leases**

- i) Assets acquired under finance leases: At commencement of the lease terms, assets acquired under finance leases should be recorded at the lower of their fair value and the present value of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts the effective interest rate method. The unrecognized finance

charges shall be amortized over the lease terms as finance expenses. Initial direct costs incurred by the Company shall be included in the costs of leased assets.

- ii) Assets surrendered under finance leases: At commencement of the lease terms, the Company shall recognize the differences between the undiscounted rents receivable plus unguaranteed residual value and their present value as unrealized finance income, and shall amortize it over the lease terms as lease income. Initial direct costs relating to lease transactions incurred by the Company shall be included in the initial measurement of the rents receivable and the lease income recognized over the lease terms shall be reduced accordingly.

### 3.15 Changes in major accounting policies and accounting estimates

#### 3.15.1 Changes in major accounting policies

(1) Implementation of the Circular of the Ministry of Finance on Issuing the Amended General Corporate Financial Statement Templates for the Year 2019

On April 30, 2019, the Ministry of Finance issued the Circular on Issuing the Amended General Corporate Financial Statement Templates for the Year 2019 (Cai Kuai (2019) No.6), which requires an amendment to the general corporate financial statement templates. The major impacts of the Company's implementation of the above standards are as follows:

Changes in accounting policies and their reasons	Affected accounting items and amounts
(1) "Notes receivable and accounts receivable" in the balance sheet is divided into "notes receivable" and "accounts receivable" for presentation; "notes payable and accounts payable" is divided into "notes payable" and "accounts payable" for presentation; comparative data is adjusted accordingly.	"Notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable", "notes receivable" CNY 0.00 in 2019, CNY 0.00 in 2018; "accounts receivable" CNY 63,419,380.57 in 2019, CNY 68,594,264.72 in 2018; "notes payable and accounts payable" is divided into "notes payable" and "accounts payable", "notes payable" CNY 0.00 in 2019, CNY 0.00 in 2018; "accounts payable" CNY 27,021,695.71 in 2019, CNY 15,598,698.61 in 2018.

(2) Implementation of Accounting Standards for Business Enterprises No. 21-Leases

The Ministry of Finance revised "Accounting Standards for Business Enterprises No. 21-Leases" (referred to as "the standard") in 2018. The company adopted the standard from January 1, 2019.

According to the accounting standard, the company elects to apply this standard by:

- a) recognising a lease liability at the date of initial application for leases previously classified as an operating lease. Lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate (4.57%) at the date of initial application.
- b) recognising a right-of-use asset at the date of initial application for leases previously classified as an operating lease. The company chooses, on a lease-by-lease basis, its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application to measure that right-of-use asset.

The company recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at the date of initial application and didn't restate the comparative information.

The major impacts of the Company's implementation of the above standards are as follows:

Changes in accounting policies and their reasons	Affected accounting items and amounts
(1) Recognition of the operating lease existing before the initial application date.	Right of use right asset: increase by CNY 9,488,467.38; Lease liability: increase by CNY 9,611,160.08; Deferred asset: increase by CNY 18,403.90; Retained profit: decreased by CNY 93,859.92; Surplus reserves: decreased by CNY 10,428.88.

**3.15.2 Changes in major accounting estimates**

None.



### 3.15.3 Early accounting error correction

Retrospective restatement

Accounting error correction	Affected item name for each comparison period	Cumulative affected amount
Adjustment for the deferred tax of 2018	Deferred tax assets	1,080,240.40
	Deferred tax liabilities	-182,271.34
	Income tax expenses	-1,262,511.74
	Surplus reserves	126,251.17
	Retained profit	-126,251.17

### 3.15.4 Comparative information restatement

Item	Affected item name	Affected amount
Reclassification of the rent deposit	Advances to suppliers	27,824.00
	Other receivables	-509,594.80
	Long-term receivables	481,770.80

## 4. Taxation

### 4.1 Major tax types and tax rates

Tax types	Basis of tax assessment	Tax rates
Value added tax (VAT)	Output VAT is calculated and paid on taxable revenue from sale of goods and provision of services, and VAT is paid at the net amounts after deducting input VAT for the current period.	6%
Urban maintenance and construction tax	Urban maintenance and construction tax is calculated and paid on VAT and excise tax actually paid.	7%
Education surcharges	Education surcharges is calculated and paid on actually paid business tax, VAT and excise tax.	5%
Corporate income tax	Corporate income tax is calculated and paid on taxable profits.	15%

#### 4.2 Tax incentives and exemptions

According to Caishui (2014) No.59 issued by the State Administration of Taxation on October 19, 2014, corporate income tax shall be levied at a reduced rate of 15% for recognized advanced technology service enterprise from 2014. The company obtained the certificate of advanced technology service enterprise in 2017. (No.20172102000017; valid until 1 November 2019). And the new certificate license was obtained on September 26, 2019 (No. 20195101000023).

### 5. Notes to the main items of financial statements

#### 5.1 Cash and cash equivalents

Items	As at December 31, 2019	As at December 31, 2018
Cash at bank	58,603,276.33	32,521,411.33
<b>Total</b>	<b>58,603,276.33</b>	<b>32,521,411.33</b>

Amounts denominated in foreign currencies are listed as follows:

Items	As at December 31, 2019			As at December 31, 2018		
	In foreign currency	Exchange rates	Equivalent to CNY	In foreign currency	Exchange rates	Equivalent to CNY
USD	701,300.90	6.96	4,880,156.69	1,309,483.90	6.87	8,998,038.21
Total equivalent to CNY			4,880,156.69			8,998,038.21

## 5.2 Accounts receivable

### 5.2.1 Classified disclosure of accounts receivable

Categories	As at December 31, 2019					As at December 31, 2018				
	The carrying amount		Provision for bad debts		The book value	The carrying amount		Provision for bad debts		The book value
	Amount	Proportion (%)	Amount	Proportion of allowance for bad debts (%)		Amount	Proportion (%)	Amount	Proportion of allowance for bad debts (%)	
Accounts receivable with significant single amount and individual provision for bad debts										
Accounts receivable with provision for bad debts accrued by portfolio with credit risk characteristics	63,574,039.87	100.00	154,659.30	0.24	63,419,380.57	68,613,913.18	100.00	19,648.46	0.03	68,594,264.72
Accounts receivable with insignificant single amount and individual provision for bad debts										
Total	63,574,039.87	100.00	154,659.30		63,419,380.57	68,613,913.18	100.00	19,648.46		68,594,264.72

Among which, allowance for bad debts of accounts receivable made by aging analysis:

Aging	As at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of allowance for bad debts (%)
Within 180 days	31,480,290.20		
181 to 360 days	281,713.83	98,599.84	35.00
Over 360 days	56,059.46	56,059.46	100.00
<b>Total</b>	<b>31,818,063.49</b>	<b>154,659.30</b>	

Among which, allowance for bad debts of accounts receivable accrued by other methods:

Items	As at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of allowance for bad debts (%)
Intercompany	31,755,976.38		
<b>Total</b>	<b>31,755,976.38</b>		

### 5.2.2 Provision, reversal or recovery of provision for bad debts in the current period

Items	As at December 31, 2019	As at December 31, 2018
Opening balances	19,648.46	65,806.00
Writedowns	135,010.84	19,648.46
Reverses		65,806.00
Writeoffs		
<b>Closing balances</b>	<b>154,659.30</b>	<b>19,648.46</b>

### 5.3 Advances to suppliers

#### 5.3.1 Aging analysis of advances to suppliers

Aging	As at December 31, 2019		As at December 31, 2018	
	Amounts	Proportion (%)	Amounts	Proportion (%)
Within 1 year	1,798,140.68	100.00	2,487,043.09	100.00
Total	1,798,140.68	100.00	2,487,043.09	100.00

### 5.4 Other receivables

Items	As at December 31, 2019	As at December 31, 2018
Interest receivable		
Dividends receivable		
Other receivables	136,078.97	1,342,139.56
Total	136,078.97	1,342,139.56

#### 5.4.1 Other receivables

1. Disclosure of other receivables by category:

Categories	As at December 31, 2019					As at December 31, 2018				
	The carrying amount		Provision for bad debts		The book value	The carrying amount		Provision for bad debts		The book value
	Amount	Proportion (%)	Amount	Proportion of allowance for bad debts (%)		Amount	Proportion (%)	Amount	Proportion of allowance for bad debts (%)	
Other receivables with significant single amount and individual provision for bad debts										
Other receivables with provision for bad debts accrued by portfolio with credit risk characteristics	69,167.24	50.06			69,167.24	1,287,924.33	95.96			1,287,924.33
Other receivables with insignificant single amount and individual provision for bad debts	68,991.91	49.94	2,080.18	3.02	66,911.73	54,215.23	4.04			54,215.23
<b>Total</b>	<b>138,159.15</b>	<b>100.00</b>	<b>2,080.18</b>		<b>136,078.97</b>	<b>1,342,139.56</b>	<b>100.00</b>			<b>1,342,139.56</b>

Among which, allowance for bad debts of accounts receivable accrued by other methods:

Items	As at December 31, 2019		
	Other receivables	Provision for bad debts	Proportion of allowance for bad debts (%)
Intercompany	69,167.24		
Total			

2. Provision, reversal or recovery of provision for bad debts in the current period

Items	As at December 31, 2019	As at December 31, 2018
Opening balances		
Writedowns	2,080.18	
Reverses		
Writeoffs		
Closing balances	2,080.18	

3. Breakdown of other receivables

The nature of payment	As at December 31, 2019	As at December 31, 2018
Due from related parties	69,167.24	1,287,924.33
Due from employees	55,135.66	50,563.86
Others	13,856.25	3,651.37
Total	138,159.15	1,342,139.56

5.5 Other current assets

Items	As at December 31, 2019	As at December 31, 2018
Deductible input VAT	8,988,684.85	5,609,013.02
Total	8,988,684.85	5,609,013.02

## 5.6 Long-term receivables

### 5.6.1 Breakdown of long-term receivables

Items	As at December 31, 2019			As at December 31, 2018		
	Carrying amounts	Provision for impairment	Net book value	Carrying amounts	Provision for impairment	Net book value
Due under finance leases	14,385,589.24		14,385,589.24	6,733,529.24		6,733,529.24
Including: Unrealized finance income	684,756.05		684,756.05	190,171.57		190,171.57
Deposits	496,314.45		496,314.45	481,770.80		481,770.80
Total	14,881,903.69		14,881,903.69	7,215,300.04		7,215,300.04

## 5.7 Fixed assets

### 5.7.1 Fixed assets and disposal of fixed assets

Items	As at December 31, 2019	As at December 31, 2018
Fixed assets	52,078,181.00	24,700,326.00
Disposal of fixed assets		
Total	52,078,181.00	24,700,326.00



**5.7.2 Breakdown of fixed asset**

Items	Office Equipment	Furniture and Renovation	Computer and Equipments	Total
<b>1. Carrying amounts</b>				
(1) As at December 31, 2018	8,645,871.37	6,064,362.42	44,308,249.92	59,018,483.71
(2) Increases	392,179.79		42,943,866.69	43,336,046.48
— Purchases	392,179.79		42,943,866.69	43,336,046.48
(3) Decreases			5,788,564.17	5,788,564.17
— Disposals or scraps			5,788,564.17	5,788,564.17
(4) As at December 31, 2019	9,038,051.16	6,064,362.42	81,463,552.44	96,565,966.02
<b>2. Accumulated depreciation</b>				
(1) As at December 31, 2018	8,488,322.37	6,003,486.42	19,826,348.92	34,318,157.71
(2) Increases	86,420.79	45,859.00	11,228,411.02	11,360,690.81
— Accruals	86,420.79	45,859.00	11,228,411.02	11,360,690.81
(3) Decreases			1,191,063.50	1,191,063.50
— Disposals or scraps			1,191,063.50	1,191,063.50
(4) As at December 31, 2019	8,574,743.16	6,049,345.42	29,863,696.44	44,487,785.02
<b>3. Net book value</b>				
(1) As at December 31, 2019	463,308.00	15,017.00	51,599,856.00	52,078,181.00
(2) As at December 31, 2018	157,549.00	60,876.00	24,481,901.00	24,700,326.00

## 5.8 Right of use assets

Items	Buildings and constructions	Computer and Equipments	Total
<b>1. Carrying amounts</b>			
(1) As at December 31, 2018			
(2) Increases	6,514,223.50	11,729,309.36	18,243,532.86
-Lease in	6,514,223.50	11,729,309.36	18,243,532.86
(3) Decreases			
(4) As at December 31, 2019	6,514,223.50	11,729,309.36	18,243,532.86
<b>2. Accumulated depreciation</b>			
(1) As at December 31, 2018			
(2) Increases	137,937.50	5,353,781.36	5,491,718.86
-Accruals	137,937.50	5,353,781.36	5,491,718.86
(3) Decreases			
(4) As at December 31, 2019	137,937.50	5,353,781.36	5,491,718.86
<b>3. Net book value</b>			
(1) As at December 31, 2019	6,376,286.00	6,375,528.00	12,751,814.00
(2) As at December 31, 2018			

## 5.9 Deferred tax assets

Items	As at December 31, 2019		As at December 31, 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Accrued expenses	524,075.80	78,611.37	2,845,665.50	426,849.83
Depreciation expenses	1,612,718.92	241,907.84	4,336,288.68	650,443.30
Rent expenses	216,025.73	32,403.85		
Provision for bad debts	156,739.48	23,510.92	19,648.46	2,947.27
<b>Total</b>	<b>2,509,559.93</b>	<b>376,433.98</b>	<b>7,201,602.64</b>	<b>1,080,240.40</b>

## 5.10 Accounts payable

Items	As at December 31, 2019	As at December 31, 2018
Purchases of service	27,021,695.71	15,598,698.61
Total	27,021,695.71	15,598,698.61

## 5.11 Employee benefits payable

### 5.11.1 Breakdown of employee benefits payable

Items	As at December 31, 2018	Increases	Decreases	As at December 31, 2019
Short-term benefits	4,773,295.45	33,322,974.19	33,091,321.57	5,004,948.07
Total	4,773,295.45	33,322,974.19	33,091,321.57	5,004,948.07

### 5.11.2 Breakdown of short-term benefits

Items	As at December 31, 2018	Increases	Decreases	As at December 31, 2019
(1) Salary, bonus, allowance and subsidies	4,773,295.45	33,220,876.47	32,989,223.85	5,004,948.07
(2) Employee welfare		102,097.72	102,097.72	
Total	4,773,295.45	33,322,974.19	33,091,321.57	5,004,948.07

## 5.12 Taxes and surcharges payable

Items	As at December 31, 2019	As at December 31, 2018
Corporate income tax	5,713,345.33	8,587,482.25
Individual income tax	72,799.77	45,439.57
Total	5,786,145.10	8,632,921.82

### 5.13 Other payables

Items	As at December 31, 2019	As at December 31, 2018
Interest payable		
Dividends payable		
Other payables	22,891,457.34	22,330,612.71
<b>Total</b>	<b>22,891,457.34</b>	<b>22,330,612.71</b>

#### 5.13.1 Other payables

##### 1. Breakdown of other payables

Items	As at December 31, 2019	As at December 31, 2018
Due to related parties	19,606,040.29	18,790,538.15
Purchase of equipment	330,046.41	1,340,139.05
Accrued expenses	2,955,370.64	2,199,935.51
<b>Total</b>	<b>22,891,457.34</b>	<b>22,330,612.71</b>

### 5.14 Non-current liabilities maturing within one year

Items	As at December 31, 2019	As at December 31, 2018
Lease liabilities due within one year	10,343,407.69	
<b>Total</b>	<b>10,343,407.69</b>	

### 5.15 Lease liabilities

Items	As at December 31, 2019
Lease liabilities	14,332,223.08
Less: unamortized interests	572,424.54
<b>Total</b>	<b>13,759,798.54</b>

### 5.16 Paid-in capital

Items	As at December 31, 2018	Movements(“+”for plus,”-“for less)				As at December 31, 2019
		Capital contributions by owners	Transfer of reserved funds into paid-in capital	Others	Subtotal	
Wipro Limited	3,411,950.00					3,411,950.00
Wipro Networks Pte.Limited	34,673,022.00					34,673,022.00
<b>Total</b>	<b>38,084,972.00</b>					<b>38,084,972.00</b>

### 5.17 Surplus reserves

Items	As at December 31, 2018	Increases	Decreases	As at December 31, 2019
Statutory surplus reserves	5,412,923.76	3,611,652.09	10,428.88	9,014,146.97
<b>Total</b>	<b>5,412,923.76</b>	<b>3,611,652.09</b>	<b>10,428.88</b>	<b>9,014,146.97</b>

### 5.18 Retained profit

Items	As at December 31, 2019	As at December 31, 2018
Opening balance of retained profit before adjustment	47,580,053.24	3,322,769.62
Adjustment of retained profit (“+” for gain, “-” for loss)	1,042,400.65	
Opening balance of retained profit after adjustment	48,622,453.89	3,322,769.62
Plus: Net profit	36,116,520.85	50,437,271.32
Less: Appropriation of statutory surplus reserves	3,611,652.09	5,043,727.13
Closing balances of retained profit	81,127,322.65	48,716,313.81

### 5.19 Revenue from operations and cost of operations

Items	2019		2018	
	Revenue	Cost	Revenue	Cost
Major operations	145,602,896.96	93,980,560.12	172,497,969.09	106,629,506.61
Total	145,602,896.96	93,980,560.12	172,497,969.09	106,629,506.61

### 5.20 Taxes and surcharges

Items	2019	2018
Stamp duty	44,185.15	65,568.67
Total	44,185.15	65,568.67

### 5.21 Financial expenses

Items	2019	2018
Interest expense	607,313.10	
Less: Interest income	932,108.65	480,502.21
Exchange loss (“-” for gain)	1,206,595.03	-2,253,197.29
Others	9,956.16	13,747.08
Total	891,755.64	-2,719,952.42

## 5.22 Other income

Items	2019	2018
Government grant	153,377.33	185,540.86
Tax rebate	105,844.16	
<b>Total</b>	<b>259,221.49</b>	<b>185,540.86</b>

## 5.23 Asset impairment loss

Items	2019	2018
Loss on bad debts	-137,091.02	46,157.54
<b>Total</b>	<b>-137,091.02</b>	<b>46,157.54</b>

## 5.24 Non-operating expenses

Items	2019	2018
Loss on scrap of fixed assets		138,872.00
<b>Total</b>		<b>138,872.00</b>

## 5.25 Income tax expenses

### 5.25.1 Breakdown of income tax expenses

Items	2019	2018
Current income tax expense	5,714,176.63	8,587,482.25
Deferred income tax expense	722,210.32	-1,080,240.40
<b>Total</b>	<b>6,436,386.95</b>	<b>7,507,241.85</b>

## 5.25.2 Reconciliation between income tax expenses and accounting profit

Items	2019	2018
Profit before tax	42,552,907.80	57,944,513.17
Tax computed at statutory (15%) tax rate	6,382,936.17	8,691,676.98
Effect of adjustment of prior period's income tax	831.30	
Effect of non-deductible costs, expenses and losses	52,619.48	78,076.61
Effect of the utilization of recoverable losses for which no deferred tax assets have been recognized in prior periods		-1,262,511.74
Total income tax expense	6,436,386.95	7,507,241.85

## 5.26 Supplementary information of the statement of cash flows

### 5.26.1 Supplementary information of the statement of cash flows

Items	2019	2018
1. Adjustments to reconcile net profit to net cash flows in operating activities:		
Net profit	36,116,520.85	50,437,271.32
Plus: Provision for impairment of assets	137,091.02	-46,157.54
Depreciation of fixed assets, etc.	11,360,690.81	14,269,583.79
Depreciation of right of use assets	5,491,718.86	
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gain)		-68,111.76
Loss on scrap of fixed assets ("-" for gain)		138,872.00
Financial expense ("-" for gain)	1,813,908.13	-2,253,197.29
Decrease in deferred tax assets ("-" for increase)	722,210.32	-1,080,240.40
Decrease in operating receivables ("-" for increase)	-2,821,439.36	-28,571,639.89
Increase in operating payables ("-" for decrease)	20,428,391.57	-30,312,333.44
Net cash flows from operating activities	73,249,092.20	2,514,046.79
2. Significant investing and financing activities not involving cash receipts or payments		



Items	2019	2018
3. Net increase in cash and cash equivalents		
Cash at the end of the year	58,603,276.33	32,521,411.33
Less: Cash at the beginning of the year	32,521,411.33	13,476,861.99
Net increase in cash and cash equivalents	26,081,865.00	19,044,549.34

#### 5.26.2 Breakdown of cash and cash equivalents

Items	2019	2018
1. Cash	58,603,276.33	32,521,411.33
Including: Cash at bank readily available for payments	58,603,276.33	32,521,411.33
2. Cash equivalents		
3. Balance of cash and cash equivalents at the end of the year	58,603,276.33	32,521,411.33

## 6. Related parties and related party transactions

### 6.1 The parent of the Company

Parent company	Registered location	Shares held by the parent company (%)	Voting rights held by the parent company (%)
Wipro Limited	India	8.97	8.97
Wipro Networks Pte Limited	Singapore	91.03	91.03

### 6.2 Other related parties of the Company

Other related parties	Relationship with the Company
Wipro (Shanghai) Limited	Controlled by the same ultimate holding company
Wipro (Dalian) Limited	Controlled by the same ultimate holding company
Wipro LLC	Controlled by the same ultimate holding company
Wipro Travel Services Limited	Controlled by the same ultimate holding company
Wipro Technologies S.A DE C.V	Controlled by the same ultimate holding company
Appirio Inc	Controlled by the same ultimate holding company

### 6.3 Related party transactions

#### 6.3.1 Sale of goods/provision of services and purchase of goods/receipt of services

##### Purchase of goods/receipt of services

Related parties	Description of transactions	2019	2018
Wipro (Shanghai) Limited	Receipt of services	1,676,549.50	3,437,843.70
Wipro (Dalian) Limited	Receipt of services	7,884,187.04	4,160,981.76
Wipro Limited	Receipt of services	8,959,577.71	12,268,359.19
Wipro LLC	Receipt of services	174,458.70	

##### Sale of goods/provision of services

Related parties	Description of transactions	2019	2018
Appirio Inc	Provide services	1,580,342.40	
Wipro (Dalian) Limited	Provide services	82,081.71	
Wipro LLC	Provide services	338,729.51	1,387,214.68
Wipro Technologies S.A DE C.V	Provide services	845,944.41	1,533,068.31
Wipro Limited	Provide services	47,762,214.06	38,347,153.10

#### 6.3.2 Asset transfer and debt restructuring with related parties

Related parties	Description of transactions	2019	2018
Wipro Shanghai Limited	Purchase of fixed assets	556,800.00	16,056,541.33

## 6.4 Receivables and payables with related parties

### 6.4.1 Receivables

Items	Related parties	As at December 31, 2019		As at December 31, 2018	
		Carrying amounts	Allowance for bad debts	Carrying amounts	Allowance for bad debts
Accounts receivable					
	Wipro LLC	120,566.01		116,108.15	
	Wipro Limited	29,908,199.70		22,470,664.18	
	Wipro Technologies S.A DE C.V	60,791.81		1,534,050.57	
	Appirio Inc	1,580,342.40			
	Wipro (Dalian) Limited	86,076.46			
Other receivable					
	Wipro Limited	69,167.24		1,287,924.33	

### 6.4.2 Payables

Items	Related parties	As at December 31, 2019	As at December 31, 2018
Accounts payable			
	Wipro (Dalian) Limited	7,151,119.11	263,825.38
	Wipro Limited	15,863,489.10	10,555,980.89
	Wipro (Shanghai) Limited	2,717,016.64	939,874.16
	Wipro Travel Services Limited	24,477.84	24,744.01
	Wipro LLC	174,458.70	
Other payable			
	Wipro Limited	168,766.24	164,950.21

Items	Related parties	As at December 31, 2019	As at December 31, 2018
	Wipro (Shanghai) Limited	19,436,248.05	18,625,587.94
	Wipro (Dalian) Limited	1,026.00	

## 7. Government grants

### 7.1 Government grants relating to income

Items	Amounts	Amounts charged into profit or loss for the current period or reversing the relevant costs, expenses and losses		Items charged into profit or loss for the current period or reversing the relevant costs, expenses and losses
		2019	2018	
Maternity allowance	57,905.72	57,905.72	81,390.11	Other income
Job stabilization subsidies	90,471.61	90,471.61	104,150.75	Other income
ChengDu High-technology Government Award	5,000.00	5,000.00		Other income

## 8. Commitments and contingencies

### 8.1 Significant commitments

There is no significant commitment needs to be disclosed.

### 8.2 Contingencies

There is no material contingency needs to be disclosed.

## 9. Subsequent events

There is no subsequent event needs to be disclosed.

**10. Other significant events**

There is no other significant event needs to be disclosed.

**Wipro (Chengdu) Limited**  
**(Corporate seal)**  
**June 1, 2020**