

Wipro Shanghai Limited

Auditors' Report and Financial Statements

For The Year Ended December 31, 2021

WIPRO SHANGHAI LIMITED
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
(FOR THE YEAR ENDED DECEMBER 31, 2021)

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Auditor's Report

PCPAR (2022) No. ZA40846

To Board of Directors of Wipro Shanghai Limited,

Opinion

We have audited the accompanying financial statements of Wipro Shanghai Limited (“the Company”), which comprise the statement of financial position as at December 31, 2021, 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, 2021, and its operating results 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 China Standards on Auditing (“CSAs”). 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 Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the 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 the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable 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, if 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 CSAs 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 CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) 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.
- (2) Obtain and understand 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.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) 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.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

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.

s/d

BDO China Shu Lun Pan CPAs LLP

s/d

Certified Public Accountant of China: Gao Fei

s/d

Certified Public Accountant of China: Li Ke

Shanghai, China

Date: June 6, 2022

This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Wipro Shanghai Limited
Statement of Financial Position
As at December 31, 2021
(All the amounts are denominated in CNY unless otherwise stated.)

Assets	Note	As at December 31, 2021	As at December 31, 2020
Current assets:			
Cash and cash equivalents	5.1	14,657,336.38	16,440,156.33
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	5.2	301,213.83	10,225,912.90
Receivables financing			
Advances to suppliers	5.3	13,038.98	16,964.08
Other receivables	5.4	498,738.74	19,104,374.07
Inventories			
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	5.5	1,154,276.16	1,154,778.18
Total current assets		16,624,604.09	46,942,185.56
Non-current assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instrument			
Other non-current financial assets			
Investment properties			
Fixed assets	5.6	125.00	3,462.00
Construction in progress			
Productive biological assets			
Oil and natural gas assets			
Right-of-use assets			
Intangible assets			
Development costs			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		125.00	3,462.00
Total assets		16,624,729.09	46,945,647.56

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

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited
Statement of Financial Position (Continued)
As at December 31, 2021
(All the amounts are denominated in CNY unless otherwise stated.)

Liabilities and owners' equity	Note	As at December 31, 2021	As at December 31, 2020
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.7	52,286.56	104,848.10
Advances from customers			
Contract liabilities			
Employee salaries payable	5.8	275,931.70	172,430.72
Taxes and surcharges payable	5.9	69,926.87	
Other payables	5.10	586,048.41	6,481,250.10
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities			
Total current liabilities		984,193.54	6,758,528.92
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		984,193.54	6,758,528.92
Owners' equity:			
Paid-in capital	5.11	10,773,085.00	10,773,085.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserves			
Other comprehensive income			
Special reserves			
Surplus reserves	5.12	3,134,008.08	2,941,403.36
Retained profits	5.13	1,733,442.47	26,472,630.28
Total owners' equity		15,640,535.55	40,187,118.64
Total liabilities and owners' equity		16,624,729.09	46,945,647.56

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

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited
Statement of Comprehensive Income
2021

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

Items	Note	2021	2020
1. Revenue from operations	5.14	3,286,363.64	5,166,904.42
Less: Cost of operations	5.14	2,459,321.94	3,151,698.26
Taxes and surcharges	5.15	4,502.82	1,994.65
Selling and distribution expenses			
General and administrative expenses		438,751.27	253,511.02
Research and development expenses			
Financial expenses	5.16	-1,661,779.01	1,146,623.57
Including: Interest expenses	5.16		
Interest income	5.16	311,636.55	356,220.62
Plus: Other income	5.17	121,557.17	
Investment income ("- for loss)			
Including: Investment income from associates and joint ventures			
Terminating recognition of income of financial assets measured at amortized cost ("- for loss)			
Income from net exposure hedging ("- for loss)			
Gain from changes in fair value ("- for loss)			
Losses from credit impairment ("- for loss)	5.18	-170,677.73	
Losses from assets impairment ("- for loss)			
Gain on disposal of assets ("- for loss)			
2. Profit from operations ("- for loss)		1,996,446.06	613,076.92
Plus: Non-operating income			
Less: Non-operating expenses	5.19	472.00	13.00
3. Profit before tax ("- for loss)		1,995,974.06	613,063.92
Less: Income tax expenses	5.20	69,926.87	
4. Net profit ("- for loss)		1,926,047.19	613,063.92
(1) Gain or loss from continued operations ("- for loss)		1,926,047.19	613,063.92
(2) Gain or loss from discontinued operations ("- for loss)			
5. Other comprehensive income, net of tax			
(1) Other comprehensive income that cannot to be reclassified into 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			
(iii) Changes in the fair value of other equity instrument investments			
(iv) Changes in fair value of the enterprise's own credit risk			
(2) Other comprehensive income that will be reclassified into profit or loss			
(i) Other comprehensive income that can be reclassified as profit or loss under the equity method			
(ii) Changes in fair value of other creditor's right investments			
(iii) Amount of financial assets reclassified into other comprehensive income			
(iv) Impairment of credit loss for other creditor's right investments			
(v) Cash flow hedging reserve			
(vi) Differences arising from the translation of foreign currency financial statements			
(vii) Others			
6. Total comprehensive income		1,926,047.19	613,063.92

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

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited
Statement of Cash Flows
For the Year Ended December 31, 2021
(All the amounts are denominated in CNY unless otherwise stated.)

Items	Note	2021	2020
1.Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services		13,078,791.52	
Cash receipts of tax refunds			
Other cash receipts relating to operating activities		19,529,456.79	356,220.62
Sub-total of cash inflows from operating activities		32,608,248.31	356,220.62
Cash payments for goods purchased and services received		31,778.44	1,324,305.38
Cash payments to and on behalf of employees		2,535,792.41	3,008,041.31
Cash payments of all types of taxes and surcharges		4,502.82	46,887.24
Other cash payments relating to operating activities		5,317,087.68	15,608,547.64
Sub-total of cash outflows from operating activities		7,889,161.35	19,987,781.57
Net cash flows from operating activities	5.21	24,719,086.96	-19,631,560.95
2.Cash flows from investing activities			
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			
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			
Cash payments to purchase or construct fixed assets, intangible assets and other long-term assets			
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			
Net cash flows from investing activities			
3.Cash flows from financing activities			
Cash receipts from investments			
Cash receipts from absorption of borrowings			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings			
Cash payments for distribution of dividends, profits, or interest expenses		26,472,630.28	
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		26,472,630.28	
Net cash flows from financing activities		-26,472,630.28	
4.Effect of foreign exchange rate changes on cash and cash equivalents		-29,276.63	66,414.37
5.Net increase in cash and cash equivalents		-1,782,819.95	-19,565,146.58
Plus: Opening balance of cash and cash equivalents		16,440,156.33	36,005,302.91
6.Closing balance of cash and cash equivalents	5.21	14,657,336.38	16,440,156.33

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

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited
Statement of Changes in Equity
For the Year Ended December 31, 2021
(All the amounts are denominated in CNY unless otherwise stated.)

Items	2021							Total owners' equity		
	Paid-in capital	Other equity instruments			Capital reserves	Other comprehensive income	Special reserves		Surplus reserves	Retained profit
		Preference share	Perpetual debts	Others						
I. Balance as at December 31, 2020	10,773,085.00							2,941,403.36	26,472,630.28	40,187,118.64
Plus: Adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior periods										
Others										
II. Balance as at January 1, 2021	10,773,085.00							2,941,403.36	26,472,630.28	40,187,118.64
III. Increase in 2021 ("-" for decreases)								192,604.72	-24,739,187.81	-24,546,583.09
(1) Total comprehensive income									1,926,047.19	1,926,047.19
(2) Capital contributions or withdrawals by owners										
(i) Common stock contribution by owners										
(ii) Capital contributions by other equity instrument holders										
(iii) Share-based payments charged into owners' equity										
(iv) Others										
(3) Profit distribution										
(i) Appropriation for surplus reserves								192,604.72	-26,665,235.00	-26,472,630.28
(ii) Profit distribution to owners								192,604.72	-192,604.72	
(iii) Others									-26,472,630.28	-26,472,630.28
(4) Internal transfer of owners' equity										
(i) Transfer of capital reserves into paid-in capital										
(ii) Transfer of surplus reserves into paid-in capital										
(iii) Surplus reserves covering losses										
(iv) Other comprehensive income carried forward to retained earnings										
(v) Others										
(5) Special reserves										
(i) Appropriation during 2021										
(ii) Consumption during 2021										
(6) Others										
IV. Balance as at December 31, 2021	10,773,085.00							3,134,008.08	1,733,442.47	15,640,535.55

The accompanying notes form an integral part of the financial statements.
Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited
Statement of Changes in Equity
For the Year Ended December 31, 2021
(All the amounts are denominated in CNY unless otherwise stated.)

Items	2020					Total owners' equity			
	Paid-in capital	Preference share	Other equity instruments Perpetual debts Others	Capital reserves	Other comprehensive income		Special reserves	Surplus reserves	Retained profit
I. Balance as at December 31, 2019	10,773,085.00						2,880,096.97	25,920,872.75	39,574,054.72
Plus: Adjustments for changes in accounting policies									
Adjustments for correction of accounting errors in prior periods									
Others									
II. Balance as at January 1, 2020	10,773,085.00						2,880,096.97	25,920,872.75	39,574,054.72
III. Increase in 2020 ("-" for decreases)							61,306.39	551,757.53	613,063.92
(1) Total comprehensive income								613,063.92	613,063.92
(2) Capital contributions or withdrawals by owners									
(i) Common stock contributions by owners									
(ii) Capital contributions by other equity instrument holders									
(iii) Share-based payments charged into owners' equity									
(iv) Others									
(3) Profit distribution									
(i) Appropriation for surplus reserves							61,306.39	-61,306.39	
(ii) Profit distribution to owners							61,306.39	-61,306.39	
(iii) Others									
(4) Internal transfer of owners' equity									
(i) Transfer of capital reserves into paid-in capital									
(ii) Transfer of surplus reserves into paid-in capital									
(iii) Surplus reserves covering losses									
(iv) Transfer of movements of the defined benefit plan into retained income									
(v) Others									
(5) Special reserves									
(i) Appropriation during 2020									
(ii) Consumption during 2020									
(6) Others									
IV. Balance as at December 31, 2020	10,773,085.00						2,941,403.36	26,472,630.28	40,187,118.64

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

Legal Representative: BALAJI RAMAKOTI

Chief Accountant: Carrie Li

Accountant in Charge: Carrie Li

Wipro Shanghai Limited

Notes to the Financial Statements for the Year Ended December 31, 2021

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

1. Company profile

Wipro Shanghai Limited ("the Company"), invested by Wipro Limited and Wipro Singapore Pte Limited, is a foreign joint venture limited liability company approved to be established in Shanghai province on April 27, 2004.

As at March 25, 2015, Wipro Singapore Pte Limited transferred all the shares held to Wipro Cyprus Pte Limited by approved. Wipro Cyprus Pte Limited was renamed as Wipro IT Services SE on August 23, 2019.

As at December 31, 2021, The Company's registered capital is USD 1,650,000.00. Its uniform social credit code No. is 91310000761626497X. It's located in Room 103-156, Leigers Chang Xing mansion, 1 / F, Changxing building, 888 Bi Bo Road, Pudong New Area, Shanghai.

The Company is mainly engaged in R & D, development, procure of company software, sales of self produced products, provide relevent technical advice and technical services; design, debugging and maintenance of system integration; air ticket booking and cancellation of business data processing services; through voice and Internet media in customer contact, customer information input and solve, and related customer consultation and expenditure service; scientific and technological information consultation, company management consulting, logistics management consulting, and financial management consultation and outsourcing services.

The financial statements were approved to be issued on June 6, 2022.

2. Basis of preparation for financial statements

2.1 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and various 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 issued by the Ministry of Finance (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises").

2.2 Going concern

The Company is able to continue to operate as a going concern for 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 meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the Company's financial position as at December 31, 2021, as well as its operating results and its cash flows for the year then ended.

3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts CNY as its functional currency.

3.5 Recognition 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 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

When the Company becomes a party to a contract for financial instrument, a financial asset, financial liability or equity instrument should be recognized.

3.7.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at the initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value through the other comprehensive income and financial assets measured at fair value through the current profit or loss.

The Company classifies the financial assets that meet the following conditions at the same time but have not been designated to be measured at fair value through profit or loss as the financial assets measured at amortized cost:

- The business model is adopted for the purpose of obtaining the contractual cash flow;
- The contractual cash flow is only used for interest payment based on the principal or unpaid principal.

The Company classifies the financial assets that meet the following conditions at the same time and have not been designated to be measured at fair value through profit or loss as the financial assets (debt instruments) measured at fair value through the other comprehensive income:

- The business model is adopted for the purpose of obtaining the contractual cash flow and selling such financial assets;
- The contractual cash flow is only used for interest payment based on the principal or unpaid principal.

At the initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets (equity instruments) measured at fair value through the other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income, the Company classifies other financial assets as financial assets measured at fair value through the current profit or loss. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate the financial assets that should have been classified as the financial assets measured at amortized cost or those measured at fair value through the other comprehensive income as the financial assets measured at fair value through the current profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortized cost.

3.7.2 Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

(2) Financial assets (debt instruments) measured at fair value through the other comprehensive income

Financial assets (debt instruments) measured at fair value through the other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or gains, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from the other comprehensive income to the current profit or loss.

(3) Financial assets (debt instruments) measured at fair value through the other comprehensive income

Financial assets (equity instruments) measured at fair value through the other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in the other comprehensive income. Dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

(4) Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through the current profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

(5) Financial liabilities measured at fair value through the current profit or loss

Financial liabilities measured at fair value through the current profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

3.7.3 Derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognize financial assets:

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognized.

Substance over form principle is adopted to determine whether the transfer of financial assets can satisfy the criteria as described above for derecognition. The Company shall classify the transfer of financial assets into the entire transfer and the partial transfer. If the transfer of entire financial assets satisfy the criteria for derecognition, differences between the amounts of the following two items shall be recognized in profit or loss for the current period:

- i) The book value of the transferred financial asset;
- ii) The aggregate consideration received from the transfer plus the cumulative amounts of the changes in the fair value originally recognized in the owners' equity (in the event that the transferred financial assets are available-for-sale financial assets).

If the partial transfer of financial assets satisfy the criteria for derecognition, the book value of the entire financial assets transferred shall be split into the derecognized and recognized parts according to their respective fair value and differences between the amounts of the following two items are charged to profit or loss for the current period:

- i) The book values of the derecognized parts;
- ii) The aggregate consideration for the derecognized parts plus the portion of the accumulative amounts of the changes in the fair value of the derecognized parts originally recognized in the owners' equity (in the event that the transferred financial assets are available-for-sale financial assets).

If the transfer of financial assets does not satisfy requirements for derecognition, the financial assets shall continue to be recognized, and the consideration received will be recognized as financial liabilities.

3.7.4 Derecognition of financial liabilities

Financial liabilities shall be entirely or partially derecognized if the present obligations derived from them are entirely or partially discharged. If the Company enters into an agreement with a creditor so as to substitute the current financial liabilities with new ones, and the contract clauses of which are substantially different from those of the current ones, it shall recognize the new financial liabilities in place of the current ones.

If substantial revisions are made to some or all of the contract clauses of the current financial liabilities, the Company shall recognize the new financial liabilities after revision of the contract clauses in place of the current ones entirely or partially.

Upon entire or partial derecognition of financial liabilities, differences between the book value of the derecognized financial liabilities and the consideration paid (including non-monetary assets surrendered or new financial liabilities assumed) are charged to profit or loss for the current period.

If the Company redeems part of its financial liabilities, it shall allocate the book value of the entire financial liabilities between the relative fair value of the parts that continue to be recognized and the derecognized parts on the redemption date. Differences between the book value allocated to the derecognized parts and the consideration paid (including non-monetary assets surrendered and the new financial liabilities assumed) are charged to profit or loss for the current period.

3.7.5 Determination of fair values of financial assets and financial liabilities

Quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument. If a market for a financial instrument is not active, the Company establishes fair value by using a valuation technique. The Company uses a valuation technique appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, selecting the inputs pursuant to the characteristics of the asset or liability being measured that a market participant would take into account, and giving priority to the use of relevant observable inputs. Only when such observable inputs are not available or impossible to obtain shall unobservable inputs be used instead.

3.7.6 Testing and accounting treatment for the impairment of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost, financial assets (debt instruments) measured at fair value through the other comprehensive income and financial guarantee contract individually or in portfolio.

By considering such reasonable and well-founded information as relevant matters in the past, current conditions and prediction of future economic conditions, the Company calculates the probability weighted amount, weighted by default risk, of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, to determine the expected credit loss. If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or gain.

By comparing the default risk in financial instruments on the balance sheet date with the default risk in financial instruments on the initial recognition date, the Company determines the relative change in default risk in financial instruments during the estimated duration to assess whether the credit risk of financial instruments has greatly increased following the initial recognition of such financial instruments. Generally, once the period is overdue for over 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

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If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For receivables and contract assets arising from the transactions specified in the Accounting Standards for Business Enterprises No. 14 - Revenue (2017), whether or not they contain significant financing components, the Company always makes the provision for credit loss at the amount equivalent to the expected credit loss over the whole duration.

For lease receivables, the Company always makes the provision for credit loss at the amount equivalent to the expected credit loss over the whole duration.

If there is objective evidence that a credit impairment has occurred in a receivable, the Company shall withdraw the provision for bad debts for that receivable and recognize the expected credit loss on a single basis. Then provision for bad debts accrued by portfolio to estimate the expected credit losses for the rest receivables:

Portfolio	Method
Third party	Expected credit losses rate analysis method
Related party	Separate test for impairment

Among which, the provision for bad debts as expected credit losses rate as follows:

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

3.8 Contract assets

3.8.1 Recognition method and criteria for contract assets

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) is presented as contract asset. Contract assets and contract liabilities under the same contract should be presented at net amount. The unconditional (only depending on the time lapses) right to the charge of consideration from the customer, possessed by the Company, is presented as receivables.

3.8.2 Determination method for the expected credit loss of contract assets

See accounting treatment for relevant receivables under the new standards for financial instruments specified “3.7.6 Test method and accounting treatment for the impairment of financial assets”, for the determination method and accounting treatment for the expected credit loss of contract assets.

3.9 Fixed assets

3.9.1 Recognition criteria of fixed assets

Fixed assets refer to tangible assets held for commodity production, rendering of services, renting or business management, with the useful lives over one year. Fixed assets are recognized when they simultaneously meet the following conditions:

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

3.9.2 Depreciation method

The provision for depreciation of fixed assets is made by the straight-line method by category. The depreciation rate is determined based on the category, estimated useful life and estimated net residual value rate of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately make the provision for depreciation. The depreciation methods, depreciation life, residual value rates and annual depreciation rates of fixed assets are presented by category as follows:

Category	Depreciation method	Depreciation life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Computer & Equipments	Straight-line method	2-4	0.00	24.75-49.50
Office Equipment	Straight-line method	5-21	0.00	4.71-19.80
Furniture and Renovation	Straight-line method	5	0.00	19.80

3.9.3 Disposal of fixed assets

When the fixed assets are disposed, or they are expected not to bring any economic interest via use or disposal, such fixed assets will be derecognized. When the fixed asset is sold, transferred, scrapped or damaged, the Company will include such disposal revenue, deducting the book value and related taxes and surcharges thereof, in the current profit or loss.

3.10 Long-term assets impairment

Where there are indications of impairment on long-term equity investments, investment property measured with cost model, fixed assets, construction in progress, intangible assets with definite useful lives, productive biological assets and other long-term assets at the end of the reporting period, impairment test should be made. Where the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made based on the differences and included in impairment loss. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for impairment of fixed assets is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset portfolio that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

3.11 Contract liabilities

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The Company's obligations in transferring goods or rendering services to customers on the ground that it has received or will receive relevant considerations from these customer are presented as contract liabilities. Contract assets and contract liabilities under the same contract should be presented at net amount.

3.12 Employee benefits

3.12.1 Accounting treatment of short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in current profit or loss or costs associated with assets.

The cost of social insurance and housing fund paid by Company for employees, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee benefits according to the stipulated provision basis and proportion.

The employee welfare occurring in the Company shall be include in the current profit or loss or the related asset costs according to the actual amount when actually occurring. Among them, non-monetary benefits are measured at the fair value.

3.12.2 Accounting treatment of post-employment benefits

Defined contribution plan

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in current profit or loss or related asset costs.

3.12.3 Accounting treatment of dismissal benefits

Where the Company provides dismissal welfare to employees, employee benefits incurred from dismissal benefits are recognized as liabilities and recorded into the current profit and loss at the earlier date of: when the Company is unable to unilaterally withdraw the dismissal benefits provided in the plan on the cancellation of labor relationship or the layoff proposal; when the Company recognizes the cost related to restructuring concerning payment of dismissal benefits.

3.13 Revenue

3.13.1 Accounting policies adopted for revenue recognition and measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods or services. Obtaining the right of control over relevant goods or services means that the customer is able to make decisions on the use of the goods or the rendering of the services, and can obtain almost all of the economic benefits therefrom.

If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods or services involved in the individual performance obligation. The Company measures revenue at the transaction price amortized to individual performance obligation.

The transaction price refers to the amount of consideration the Company is expected to have the right to take on account of the transfer of goods or services to the customer, excluding the payments charged by any third party and the payments expected to be refunded to the customer. The Company determines the transaction price according to the contract terms and in light of its previous regular practice, in the meantime, factors such as variable consideration, significant financing composition existing in the contract, non-cash consideration, and consideration payable to customers will be taken into account. The Company determines the transaction price involving the variable consideration at the amount that should not exceed the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. If the significant financing component in covered in the contract, the Company will determine the transaction price based on the amount of cash payable at once by the customer when the customer acquires the right of control over goods or services, as assumed, and amortize the difference between such transaction price and the contract price by the effective interest method

during the contract period.

The obligation performance belongs to certain period in case one of the following conditions is met; otherwise, it belongs to certain time-point:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- Customers are able to control the goods under construction by the Company in the course of performing obligations.
- The Goods produced in the course of performing obligations have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For a performance obligation to be performed within a certain period, the Company recognizes the revenue according to the performance progress during such period, except for the case that the performance progress cannot be reasonably determined. The Company may determine the performance progress by the output method or input method based on the nature of goods or service. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue will be recognized by the Company at the amount of the cost incurred until the performance progress can be reasonably determined.

The revenue from obligation performance belonging to certain time-point is recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following signs when judging whether the customer has acquired the right of control over relevant goods or services:

- The customer has the current payment obligation for such goods or service, i.e. the Company enjoys the current right to collect the payment for such goods or service.
- The Company has transferred the legal ownership of such goods to the customer, i.e. the customer possesses the legal ownership of such goods.
- The Company has transferred goods to the customer in kind, i.e. the customer has possessed such goods in kind.
- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e. the customer has acquired the substantial risks and rewards of the ownership of such goods.
- The customer has accepted such goods or services.

3.14 Government grants

3.14.1 Type

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government. Government grants are classified into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the asset-related government grants.

3.14.2 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (where such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating income);

Income-related government grants to be used as compensation for future expenses or losses are recognized as deferred income and are recorded in current profit or loss where the relevant expenses or losses are recognized (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or set off the related expenses or losses; those to be used as compensation for incurred expenses or losses are recorded in current profit or loss (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or will set off the related expenses or losses.

3.15 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.

3.16 Lease

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period of time in order to obtain consideration.

On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

If the contract contains multiple individual leases, the Company will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

3.16.1 The Company as the lessee

(1) Right-of-use assets

As at the beginning of the lease period, the Company recognizes the leases other than short-term leases and leases of low-value assets as the right-of-use assets. Right-of-use assets are initially measured at cost. Such costs include:

- the initial measurement amount of lease liabilities;
- in case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
- the initial direct costs incurred of the Company;
- the costs incurred of the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms, but excluding the cost incurred for inventory production.

The Company subsequently adopts the straight-line-method to make the provision for the depreciation of the right-of-use assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the expiration of the lease term, the Company shall accrue depreciation within the remaining useful life of the leased asset; otherwise, the leased assets should be depreciated over the shorter of the lease term or the remaining useful life of the leased assets.

The Company determines whether the right-to-use assets have been impaired or not according to the principle described in "3.10 Impairment of long-term assets" in this note, and make the accounting treatment for the identified impairment losses.

(2) Lease liabilities

As at the beginning of the lease period, the Company recognizes the leases other than short-term leases and leases of low-value assets as lease liabilities. Lease liabilities are initially measured at the present value of the lease payments that have not been paid. Lease payments include:

- for fixed payments (including substantial fixed payments), if there is any lease incentive, the relevant amount of the lease incentive shall be deducted;
- variable lease payments depending on the index or ratio;
- the payments expected to be payable based on the residual value of the guarantee provided by the Company;
- exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
- the amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease period.

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed periodic interest rate, and includes such expenses into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement date of the lease term, under any of the following circumstances, the Company will re-measure the lease liabilities and adjust the corresponding right-of-use assets; if the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the difference will be included in the current profit or loss:

- In case of any change in the evaluation results of the purchase option, lease renewal option or termination option, or any inconsistency between the actual exercise of the aforesaid options and the original evaluation results, the Company will re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.
- In case of any change in the substantial fixed payments, the estimated payable amount based on the residual value of the guarantee, or in the index or ratio used to determine lease payments, the Company will re-measure lease liabilities according to the present value calculated by the changed lease payments and the original discount rate. However, if the change of lease payment is caused by the change of floating interest rate, the revised discount rate is used to calculate the present value.

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

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease term. Short-term leases refer to leases that do not exceed 12 months on the commencement date of the lease period and do not include any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

(4) Lease changes

If the lease changes and the following conditions are met at the same time, the Company will carry out accounting treatment over the lease change as a separate lease:

- where the lease change expands the scope of the lease by adding the right to use one or more leased assets;
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will re-distribute the consideration of the contract after the change, re-determine the lease period, and re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.

If the lease change causes the lease scope to be reduced or the lease term to be shortened, the Company shall correspondingly reduce the book value of the right-to-use assets, and include the related gains or losses of partial or complete termination of the lease in the current profit or loss. Where other lease changes lead to re-measurement of lease liabilities, the Company will adjust the book value of the right-of-use assets accordingly.

(5) Rent concessions related to the COVID-19 epidemic

For rent concessions such as rent reduction and exemption and deferred payment for the existing lease contracts directly caused by the COVID-19 epidemic, and if the following conditions are met at the same time, the Company will not evaluate whether there is any lease change or reassess the lease classification for all lease options by adopting simplified methods:

- Where the lease consideration after concession is reduced or basically unchanged compared with that before concession, among them, the lease consideration is not discounted or discounted at the discount rate before concession;
- Where the concession is only for the payable lease payment before June 30, 2022, the increase of the payable lease payment after June 30, 2022 will not affect the meeting of this condition, and the decrease of the payable lease payment after June 30, 2022 will not meet this condition; and
- Considering both qualitative and quantitative factors, it is determined that other terms and conditions of the lease have not changed significantly.

For the adoption of simplified methods of rent concession related to the COVID-19 epidemic, the Company will not evaluate whether the lease change has occurred, it will continue to calculate the interest expense of the lease liabilities according to the same discount rate as before the concession and include it in the current profit or loss, and continue to accrue the depreciation for the right-to-use assets according to the same method as before the concession. In the event of rent reduction or exemption, the Company will treat the reduced rent as variable lease payments. When the original rent payment obligation is relieved by reaching a concession agreement, the undiscounted amount or the discounted amount at the discount rate before the concession is used to offset the cost or expenses of related assets, and the lease liabilities will be adjusted accordingly; if the rent payment is delayed, the Company will offset the lease liabilities recognized in the previous period at the time of actual payment.

For short-term lease and low-value asset lease, the Company continues to include the rent in the original contract in the costs or expenses of related assets according to the method consistent with that before concession. In case of any rent reduction or exemption, the Company will treat the reduced rent as variable lease payments to offset the costs or expenses of related assets during the reduction or exemption period; In case of any deferred payment of rent, the Company will recognize the payable rent as payables during the original payment period, and offset the payables recognized in the previous period at the time of actual payment.

3.17 Changes in significant accounting policies and accounting estimates and correction of errors

3.17.1 Changes in significant accounting policies

- (1) Implementation of the *Circular on adjusting the Application Scope of the Provisions on Accounting Treatment of Rent Concessions Related to Epidemic in Covid-19*

On June 19, 2020, the Ministry of Finance issued the *Provisions on Accounting Treatment of Rent Concessions Related to Epidemic in Covid-19* (CK (2020) No.10). According to the provisions, for rent concessions such as rent reductions and deferred rent payments that directly triggered by Covid-19, the Company can choose simplified method for accounting.

On May 26, 2021, the Ministry of Finance issued the *Circular on adjusting the Application Scope of the Provisions on Accounting Treatment of Rent Concessions Related to Epidemic in Covid-19* (CK [2021 No.9]), which takes effect from May 26, 2021 and changes the scope of application of *Provisions on Accounting Treatment of Rent Concessions Related to Epidemic in Covid-19* is adjusted, from "the concessions are only for lease payments payable before June 30, 2021" to "the concessions are only for lease payments payable before June 30, 2022", with other applicable conditions unchanged.

The Company has elected to adopt the simplified accounting for all eligible leases contracts prior to the application scope adjustment and for all similar lease contracts that qualify after the application scope adjustment, and retroactively adjusts the relevant lease contracts that have been accounted for using lease changes prior to the issuance of the Circular, but do not adjust the comparative financial statement data for the prior period; the relevant rent reductions that occurred between January 1, 2021 and the effective date of the Circular that were not accounted for in accordance with the provisions of the Circular are adjusted in accordance with the Circular.

3.17.2 Changes in significant accounting estimates

None.

3.17.3 Correction of prior accounting errors

None.

4. Taxation

4.1 Major tax types and tax rates

Tax types	Basis of tax assessment	Tax rates
Value added tax (VAT)	The balance from output tax calculated on the basis of revenue from the sale of goods and taxable services calculated by tax laws deducting input tax deductible for current period shall be VAT payable	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 the Implementation of the taxation reducing policy for the Small and Micro Enterprise (Guoshui [2019] No.2 and Guoshui [2021] No.8), in FY2021, the company is within the scope of Small and Micro Enterprise tax group, and enjoys the benefited tax rates as follows:

- (1) For the annual taxable income not exceeding CNY 1 million, the taxable income is reduced to 12.5%, and the corporate income tax rate is reduced to 20%.
- (2) For the annual taxable income higher than CNY 1 million and but not exceeding CNY 3 million, the taxable income is reduced to 50%, and the corporate income tax rate is reduced to 20%

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5. Notes to items of the financial statements

5.1 Cash and cash equivalents

Items	As at December 31, 2021	As at December 31, 2020
Cash at bank	14,657,336.38	16,440,156.33
Total	14,657,336.38	16,440,156.33

5.2 Accounts receivable

5.2.1 Disclosure of accounts receivable by category

Category	As at December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on individual basis					
Provision for bad debts on portfolio basis	526,175.22	100.00	224,961.39	42.75	301,213.83
Including:					
Account receivables from related parties	301,213.83				301,213.83
Account receivables from third parties	224,961.39		224,961.39		
Total	526,175.22	100.00	224,961.39		301,213.83

Category	As at December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on individual basis					
Provision for bad debts on portfolio basis	10,280,196.56	100.00	54,283.66	0.53	10,225,912.90
Including:					
Account receivables from related parties	10,172,401.09				10,172,401.09
Account receivables from third parties	107,795.47		54,283.66		53,511.81
Total	10,280,196.56	100.00	54,283.66		10,225,912.90

Among which, allowance for bad debts of accounts receivable made by expected credit losses rate analysis:

Portfolio name	As at December 31, 2021		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Over 360 days	224,961.39	224,961.39	100.00
Total	224,961.39	224,961.39	

5.2.2 Movement of provision for bad debts in 2021

Items	As at December 31, 2021	As at December 31, 2020
Opening balances	54,283.66	1,673,433.66
Writedowns	170,677.73	
Reverses		
Writeoffs		1,619,150.00
Closing balances	224,961.39	54,283.66

5.3 Advances to suppliers

Aging	As at December 31, 2021		As at December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	13,038.98	100.00	16,964.08	100.00
Total	13,038.98	100.00	16,964.08	100.00

5.4 Other receivables

Items	As at December 31, 2021	As at December 31, 2020
Interest receivable		
Dividends receivable		
Other receivables	498,738.74	19,104,374.07
Total	498,738.74	19,104,374.07

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5.4.1 Other receivables

(1) Disclosure by aging

Aging	As at December 31, 2021	As at December 31, 2020
Within 1 year	492,102.74	140,012.02
1-2 years	366.00	332,504.11
2-3 years		18,625,587.94
Over 3 years	10,738.76	10,738.76
Sub-total	503,207.50	19,108,842.83
Less: provision for bad debts	4,468.76	4,468.76
Total	498,738.74	19,104,374.07

(2) Classification of other receivables by the nature

Nature	As at December 31, 2021	As at December 31, 2020
Due from related parties	495,397.74	18,960,822.05
Due from employees	4,468.76	146,179.78
Others	3,341.00	1,841.00
Total	503,207.50	19,108,842.83

5.5 Other current assets

Items	As at December 31, 2021	As at December 31, 2020
Deductible input VAT	1,154,276.16	1,154,778.18
Total	1,154,276.16	1,154,778.18

5.6 Fixed assets

5.6.1 Fixed assets and disposal of fixed assets

Items	As at December 31, 2021	As at December 31, 2020
Fixed assets	125.00	3,462.00
Disposal of fixed assets		
Total	125.00	3,462.00

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5.6.2 Breakdown of fixed assets

Items	Office equipment	Computers & equipment	Furniture and Fixture	Total
1. Original book value				
(1) As at December 31, 2020	73,988.00	1,560,908.56	5,818,000.94	7,452,897.50
(2) Increase in 2021				
(3) Decrease in 2021	73,988.00	885,718.59	5,818,000.94	6,777,707.53
- Disposal or scrapping	73,988.00	885,718.59	5,818,000.94	6,777,707.53
(4) As at December 31, 2021		675,189.97		675,189.97
2. Accumulated depreciation				
(1) As at December 31, 2020	73,986.00	1,558,513.56	5,816,935.94	7,449,435.50
(2) Increase in 2021				
- Provision		1,997.00	868.00	2,865.00
(3) Decrease in 2021	73,986.00	885,445.59	5,817,803.94	6,777,235.53
- Disposal or scrapping	73,986.00	885,445.59	5,817,803.94	6,777,235.53
(4) As at December 31, 2021		675,064.97		675,064.97
3. Book value				
(1) As at December 31, 2021		125.00		125.00
(2) As at December 31, 2020	2.00	2,395.00	1,065.00	3,462.00

5.7 Accounts payable

Items	As at December 31, 2021	As at December 31, 2020
Purchases of Service	52,286.56	104,848.10
Total	52,286.56	104,848.10

5.8 Employee salaries payable

Items	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
(1) Salaries, bonuses, allowances and social insurance premiums	172,430.72	2,586,751.09	2,483,250.11	275,931.70
Total	172,430.72	2,586,751.09	2,483,250.11	275,931.70

Wipro Shanghai Limited
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5.9 Taxes and surcharges payable

Taxes and surcharges	As at December 31, 2021	As at December 31, 2020
Corporate income tax	69,926.87	
Total	69,926.87	

5.10 Other payables

Items	As at December 31, 2021	As at December 31, 2020
Interest payable		
Dividends payable		
Other payables	586,048.41	6,481,250.10
Total	586,048.41	6,481,250.10

5.10.1 Other payables

Items	As at December 31, 2021	As at December 31, 2020
Due to related parties	9,225.92	5,790,057.18
Accrued expenses	576,822.37	675,568.64
Others	0.12	15,624.28
Total	586,048.41	6,481,250.10

5.11 Paid-in capital

Items	As at December 31, 2020	Changes in 2021 ("+" for increase and "-" for decrease)				As at December 31, 2021
		Capital contribution by owners	Conversion of capital reserves into paid-in capital	Others	Sub- total	
Wipro Limited	1,655,340.00					1,655,340.00
Wipro IT Services SE	9,117,745.00					9,117,745.00
Total	10,773,085.00					10,773,085.00

Wipro Shanghai Limited
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5.12 Surplus reserves

Items	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Statutory surplus reserves	2,941,403.36	192,604.72		3,134,008.08
Total	2,941,403.36	192,604.72		3,134,008.08

5.13 Retained profit

Items	2021	2020
Retained profit at the end of the previous year before adjustment	26,472,630.28	25,920,872.75
Total adjustment to retained profit at the beginning of the year ("+" for increase and "-" for decrease)		
Retained profit at the beginning of the year after adjustment	26,472,630.28	25,920,872.75
Plus: Net profit in the current period	1,926,047.19	613,063.92
Less: Withdrawal of statutory surplus reserves	192,604.72	61,306.39
Common stock dividends payable	26,472,630.28	
Retained profit at the end of the period	1,733,442.47	26,472,630.28

5.14 Operating revenue and operating costs

Items	2021		2020	
	Revenue	Cost	Revenue	Cost
Primary business	3,286,363.64	2,459,321.94	5,166,904.42	3,151,698.26
Total	3,286,363.64	2,459,321.94	5,166,904.42	3,151,698.26

5.15 Taxes and surcharges

Items	2021	2020
Stamp duty	4,502.82	1,994.65
Total	4,502.82	1,994.65

Wipro Shanghai Limited
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5.16 Financial expenses

Items	2021	2020
Interest expenses		
Less: interest income	311,636.55	356,220.62
Profit or loss on foreign exchange	-1,353,684.73	1,496,476.99
Others	3,542.27	6,367.20
Total	-1,661,779.01	1,146,623.57

5.17 Other income

Items	2021	2020
Tax refund	44,213.46	
Withholding individual income tax commission	24,059.55	
Others	53,284.16	
Total	121,557.17	

5.18 Losses from credit impairment ("-" for loss)

Items	2021	2020
Losses from bad debts of accounts receivable	-170,677.73	
Total	-170,677.73	

5.19 Non-operating expenses

Items	2021	2020
Losses from the scrapping of fixed assets	472.00	13.00
Total	472.00	13.00

5.20 Income tax expenses

5.20.1 Breakdown of income tax expenses

Items	2021	2020
Current income tax expenses	69,926.87	
Deferred income tax expenses		
Total	69,926.87	

5.20.2 Reconciliation between income tax expenses and accounting profit

Items	2021
Total profits	1,995,974.06
Income tax expenses calculated at statutory tax rate	498,993.52
Effect of using the deductible losses related to deferred tax assets unrecognized in previous periods	-392,554.08
Effect of deductible temporary differences or recoverable losses not recognized as deferred tax assets in the current period	255,877.73
Tax incentives and exemptions	-292,390.30
Income tax expenses	69,926.87

5.21 Supplementary information to the statement of cash flow

5.21.1 Supplementary information to the statement of cash flows

Supplementary information	2021	2020
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,926,047.19	613,063.92
Plus: Losses for credit impairment	170,677.73	
Depreciation of fixed assets	2,865.00	10,127.00
Losses from scrapping of fixed assets ("-" for gains)	472.00	13.00
Financial expenses ("-" for gains)	-1,353,684.73	1,496,476.99
Decreases in operating receivables ("-" for increases)	28,374,396.53	-777,625.72
Increases in operating payables ("-" for decreases)	-4,401,686.76	-20,973,616.14
Net cash flow from operating activities	24,719,086.96	-19,631,560.95
2. Significant investing and financing activities not involving cash receipts and payments		
3. Net change in cash and cash equivalents		
Closing balance of cash	14,657,336.38	16,440,156.33
Less: opening balance of cash	16,440,156.33	36,005,302.91
Net increase in cash and cash equivalents	-1,782,819.95	-19,565,146.58

5.21.2 Breakdowns of cash and cash equivalents

Items	As at December 31, 2021	As at December 31, 2020
I. Cash	14,657,336.38	16,440,156.33
Including: Unrestricted bank deposit	14,657,336.38	16,440,156.33
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	14,657,336.38	16,440,156.33

6. Related parties and related party transactions

6.1 Parent company of the Company

Name of parent company	Registration place	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
Wipro Limited	India	12.12	12.12
Wipro IT Services SE	The United Kingdom	87.88	87.88

6.2 Other related parties

Name of other related party	Relationship with the Company
PT WT Indonesia	Controlled by the same ultimate holding company
Wipro Travel Services Limited	Controlled by the same ultimate holding company
Wipro Chengdu Limited	Controlled by the same ultimate holding company

6.3 Related party transactions

6.3.1 Related party transactions on purchase and sales of goods, rendering and receipt of services

Purchase of goods/receipt of services

Related party	Content of related party transactions	2021	2020
Wipro Limited	Receipt of service		16,187.81

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Sales of goods/ provision of services

Related party	Content of related party transactions	2021	2020
Wipro Chengdu Limited	Provision of services	468,222.46	943,796.85
Wipro Limited	Provision of services	2,701,205.98	4,053,679.06

6.4 Receivables from and payables to related parties

6.4.1 Receivables

Item	Related party	As at December 31, 2021		As at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Wipro Chengdu Limited			3,717,441.31	
	Wipro Limited	171,122.73		6,324,868.68	
	PT WT Indonesia	130,091.10		130,091.10	
Other receivables	PT WT Indonesia	6,270.00		6,270.00	
	Wipro Limited	489,127.74			
	Wipro Chengdu Limited			18,954,552.05	

6.4.2 Payables

Item	Related party	As at December 31, 2021	As at December 31, 2020
Accounts payable	Wipro Travel Services Limited		60,629.49
Other payables	Wipro Limited	9,225.92	5,790,057.18

7. Commitments and contingencies

7.1 Significant commitments

There is no significant commitment needs to be disclosed.

7.2 Significant contingencies

There is no significant contingency needs to be disclosed.

8. Subsequent events

There is no significant subsequent event needs to be disclosed.

9. Other significant events

There is no other significant event needs to be disclosed.

s/d

Wipro Shanghai Limited

(Official Seal)

June 6, 2022