



Independent Auditor's Report

To the Board of Directors of Hexaware Technologies Hong Kong Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Hexaware Technologies Hong Kong Limited ("the Company"), which comprise the balance sheet as at 31st December, 2018, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the period ended on that date and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

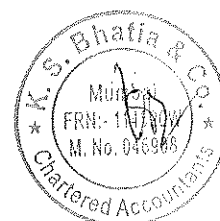
The Company's Board of Directors is responsible for the preparation and presentation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) Financial Reporting as specified under section 133 of the Companies Act, 2013 ('the Act') read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.



K.S. Bhatia & Co.
Chartered Accountants

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st December, 2018 and financial performance including total comprehensive profit, its cash flows and the changes in equity for the period ended on that date.

for **K. S. Bhatia & Co.**
Chartered Accountants

Firm's Registration Number: 114520W



Kaushik Bhatia
Partner



Membership Number: 046908
Mumbai, 25th January 2019

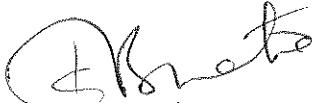
HEXAWARE TECHNOLOGIES HONG KONG LTD
BALANCE SHEET AS AT DECEMBER 31, 2018

		HKD	
	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS			
Non-current assets			
Financial assets			
- Other financial assets	4A	28,200	62,800
Total non-current assets		<u>28,200</u>	<u>62,800</u>
Current assets			
Financial Assets			
- Trade receivables	5	2,431,132	1,590,744
- Cash and cash equivalents	6	1,516,099	1,236,073
- Other financial assets	4B	721,808	305,525
Total current assets		<u>4,669,039</u>	<u>3,132,342</u>
Total assets		<u><u>4,697,239</u></u>	<u><u>3,195,142</u></u>
Equity and liabilities			
Equity			
Equity Share capital	7	1,945,000	1,945,000
Other Equity		1,162,120	268,907
Total equity		<u>3,107,120</u>	<u>2,213,907</u>
Current liabilities			
Financial liabilities			
- Trade payables		396,116	640,087
- Other financial liabilities	8	693,263	198,505
Other current liabilities	9	48,621	79,669
Provisions			
- Employee benefit obligations in respect of compensated absences		271,284	9,837
Current tax liabilities (net)		180,835	53,137
Total current liabilities		<u>1,590,119</u>	<u>981,235</u>
Total liabilities		<u>1,590,119</u>	<u>981,235</u>
Total equity and liabilities		<u><u>4,697,239</u></u>	<u><u>3,195,142</u></u>

The accompanying notes 1 to 19 form an integral part of the financial statements.

In terms of our report attached

For K.S Bhatia & Co.
Chartered Accountants

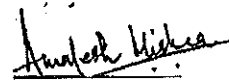


Kaushik Bhatia
Partner

Mumbai, dated January 25, 2019



For and on behalf of the Board of Directors



Amalesh Mishra
Director

HEXAWARE TECHNOLOGIES HONG KONG LTD
STATEMENT OF PROFIT AND LOSS

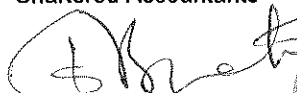
HKD

	Notes	For year ended	
		December 31, 2018	December 31, 2017
INCOME			
Revenue from operations		19,050,495	6,170,439
Total Income		19,050,495	6,170,439
EXPENSES			
Software and development expenses	10	1,479,580	337,838
Employee benefits expense	11	15,608,303	5,281,877
Operation and other expenses	12	650,679	220,282
Exchange Rate difference (net)		278,143	8,398
Total Expenses		18,016,705	5,848,395
Profit before Tax		1,033,790	322,044
Tax expense			
- Current		140,576	53,137
		140,576	53,137
Profit for the year		893,214	268,907
Other comprehensive income (OCI)		-	-
Total Comprehensive income for the year		893,214	268,907
Earnings per share (In HKD)			
Basic	15	0.46	0.14
Diluted		0.46	0.14

The accompanying notes 1 to 19 form an integral part of the financial statements.

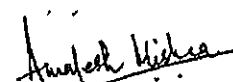
In terms of our report attached

For K.S Bhatia & Co.
Chartered Accountants


 Kaushik Bhatia
 Partner
 Mumbai, dated January 25, 2019



For and on Behalf of Board of Directors



Amalesh Mishra
Director

HEXAWARE TECHNOLOGIES HONG KONG LTD
STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

	HKD		
	Balances as at January 1, 2018	Changes during the year	As at December 31, 2018
	1,945,000	-	1,945,000
	Balances as at January 1, 2017	Changes during the year	Balances as at December 31, 2017
	-	1,945,000	1,945,000

B. Other Equity


	Retained Earnings	Total Other Equity
Balance as at January 1, 2018	268,907	268,907
Profit for the year	893,214	893,214
Other comprehensive income	-	-
Balance as at December 31, 2018	1,162,120	1,162,120
Balance as at January 1, 2017	-	-
Profit for the year	268,907	268,907
Other comprehensive income	-	-
Balance as at December 31, 2017	268,907	268,907

HKD

The accompanying notes 1 to 19 form an integral part of the financial statements.

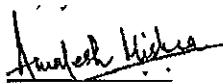
In terms of our report attached

For K.S Bhatia & Co.
Chartered Accountants


 Kaushik Bhatia
 Partner
 Mumbai, dated January 25, 2019



For and on behalf of the Board of Directors


 Amalesh Mishra
 Director

HEXAWARE TECHNOLOGIES HONG KONG LTD
CASH FLOW STATEMENT


HKD


	For year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash Flow from operating activities		
Net Profit before tax	1,033,790	322,044
Operating profit before working capital changes	<u>1,033,790</u>	<u>322,044</u>
Adjustments for:		
Trade and other receivables	(1,222,071)	(1,959,069)
Trade and other payables	481,185	928,098
Cash from/ (used) in operations	<u>292,904</u>	<u>(708,927)</u>
Direct Taxes Paid	(12,878)	-
Net cash from/ (used) in operating activities	<u>280,026</u>	<u>(708,927)</u>
Cash flow from financing activities		
Proceeds from issue of shares (net)	-	1,945,000
Net cash from financing activities	<u>-</u>	<u>1,945,000</u>
Net increase in cash and cash equivalents	280,026	1,236,073
Cash and cash equivalents at the beginning of the year	1,236,073	-
Cash and cash equivalents at the end of the year (Refer Note 6)	<u>1,516,099</u>	<u>1,236,073</u>

The accompanying notes 1 to 19 form an integral part of the financial statements.

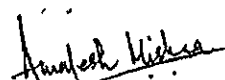
In terms of our report attached

For K.S Bhatia & Co.
Chartered Accountants


 Kaushik Bhatia
 Partner
 Mumbai, dated January 25, 2019



For and on behalf of the Board of Directors


 Amalesh Mishra
 Director

HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

1 Corporate Information

Hexaware Technologies Hong Kong Ltd., incorporated on 24th April 2017 under the laws of Hong Kong, is a subsidiary of Hexaware Technologies Limited. These Financial Statement have been prepared & audited for purpose of consolidation with the holding company.

The Company is engaged in information technology consulting, software development and business process management. Hexaware provides multiple service offerings to its clients across various industries comprising travel, transportation, hospitality, logistics, banking, financial services, insurance, healthcare, manufacturing, consumer and services. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, business intelligence and analytics, business process, digital assurance and independent testing.

2 Significant Accounting Policies

2.1 Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 ("the Act") with effect from its date of incorporation.

2.2 Basis of Preparation

These financial statements are prepared on historical cost basis, except for certain financial instruments which are measured at fair value and to the extent possible are, in same format as that adopted by the holding company for its separate financials.

2.3 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

Key source of estimation uncertainty which may cause material adjustments:

2.3.1 Revenue recognition

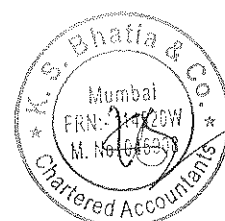
The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date and can be reasonably estimated.

2.3.2 Income-tax

The major tax jurisdictions for the Company is Hong Kong. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

2.3.3 Others

Others areas involving estimates relates to provision for the doubtful debts, actuarial assumptions used to determine the carrying amount of defined benefit obligation, estimation of fair value of share based payment transactions and useful lives of Property, Plant and Equipment.



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

2.4 Revenue Recognition

Revenue is measured at fair value of consideration received or receivable.

- a) Revenues from software solutions and consulting services are recognized on specified terms of contract.

In case of contract on time and material basis, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The Company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amount received or billed in advance of services performed are recorded as unearned revenue.

Unbilled services represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenue from business process management arises from unit-priced contracts, time based contracts and cost based projects. Such revenue is recognised on completion of the related services. It is billed in accordance with the specific terms of the contract with the client.

- b) Revenue is reported net of discount and indirect taxes.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- a) **Finance Lease**

Assets taken on finance lease are capitalised at lower of present value of the minimum lease payments and the fair value and liability is recognised for an equivalent amount. Lease payments are apportioned between finance charge and reduction in outstanding liability so as to achieve a constant rate of interest on the remaining balance of liability.

- b) **Operating Leases**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation.

2.6 Functional and presentation currency

The local accounts are maintained in local and functional currency, which is Hong Kong Dollar (HKD)

2.7 Borrowing Cost

Borrowing cost directly attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in the profit or loss.



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

2.8 Employee Benefits

a) Post-employment benefits and other long term benefit plan

Payments to defined contribution retirement schemes viz. contribution to the Mandatory Provident Fund (MPF) are expensed as incurred.

b) Short term employee benefit

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year and bonus payable.

2.9 Taxes on Income

Income tax expense comprises of current tax and deferred tax. Current and deferred tax are recognised in net income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid or recovered from the domestic and overseas tax authorities using enacted or substantively enacted tax rates.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profits, except when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit at the time of the transaction.

Advance taxes and provisions for current income taxes as well as deferred tax assets and liabilities are presented in the Balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the entity intends to settle the asset and liability on a net basis.

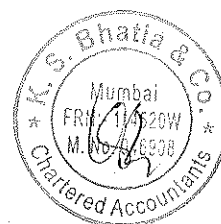
2.10 Impairment

Financial assets (other than at fair value)

The Company assesses at each balance sheet date, whether a financial asset or a Company of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

2.11 Provisions

Provisions are recognised when the Company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the Company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.



2.12 Non derivative financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

A Financial assets and financial liabilities – subsequent measurement

(i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

(iv) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(v) Financial liabilities

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

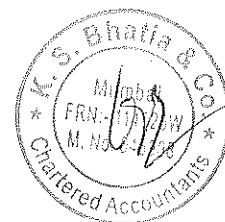
B Share capital

Equity shares

Incremental costs directly attributable to the issue or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

2.13 Earnings per share ('EPS')

Basic EPS are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

3 Recent accounting pronouncements

Ind AS 115 Revenue from the contracts with customers replaces the current revenue recognition standard, Ind AS 18 Revenue and Ind AS 11 Construction Contracts. This standard provides a single principle based five step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, cost to fulfill a contract and obtaining a contract and various other related matters.

The standard is applicable to the Company with effect from January 1, 2019, to be applied retrospectively in accordance with the transition guidance. The Company is evaluating the impact of its adoption on its financial statements.

4 Other financial assets (unsecured) (considered good)

HKD

A) Non-current Assets

December 31, 2018 **December 31, 2017**

Security deposits for premises and others	28,200	62,800
	<u>28,200</u>	<u>62,800</u>

B) Other financial assets

December 31, 2018 **December 31, 2017**

Loans and advances to related parties (Refer to note no. 14)	579,339	234,618
Prepaid Expenses	17,164	-
Employee advances	125,305	70,907
	<u>721,808</u>	<u>305,525</u>

5 Trade Receivables (unsecured)

HKD

December 31, 2018 **December 31, 2017**

Considered good	2,431,132	1,590,744
Considered doubtful	-	-
	<u>2,431,132</u>	<u>1,590,744</u>

The Company's credit period generally ranges from 30-60 days. Allowance for the doubtful debts is made for the debts outstanding for over 180 days unless confirmed by the customer and/ or recoverability is considered reasonable. The age wise breakup of trade receivables, net of allowances is given below:

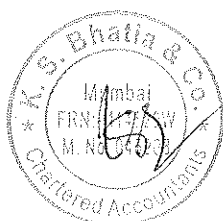
	December 31, 2018	December 31, 2017
Not due	1,395,346	1,590,744
Due less than 180 days	1,035,786	-
Due greater than 180 days	-	-
	<u>2,431,132</u>	<u>1,590,744.00</u>
Average age (days)	<u>47</u>	<u>94</u>

6 Cash and cash equivalents

HKD

December 31, 2018 **December 31, 2017**

In current accounts with banks	1,516,099	1,236,073
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7 Equity Share Capital **HKD**

7.1 Authorised capital

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
2,000,000 Ordinary Equity shares of HKD 1/- each	2,000,000	2,000,000

7.2 Issued, subscribed and paid-up capital

	<u>Number</u>	<u>December 31, 2018</u> HKD	<u>December 31, 2017</u> HKD
Equity shares of HKD 1/- each	1,945,000	1,945,000	1,945,000

7.3 Reconciliation of number of shares

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Shares outstanding at the beginning of the year	1,945,000	-
Shares issued during the year	-	1,945,000
Shares outstanding at the end of the year	1,945,000	1,945,000

7.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of HKD 1/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

7.5 Details of shares held by shareholders holding more than 5% shares

<u>Name of Shareholder</u>	<u>No. of Shares held</u>	<u>% of holding</u>
Hexaware Technologies Limited, India	1,945,000	100

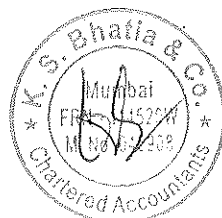
8 Other financial liabilities **HKD**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Employee liabilities Payable	340,260	36,547
Accrued expenses	353,003	161,958
	693,263	198,505

*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

9 Other current liabilities **HKD**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unearned revenues	40,056	
Statutory liabilities	8,565	79,669
	48,621	79,669

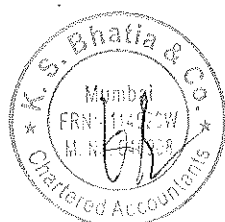


HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

	HKD	
	For year ended	
10 Software and Development Expenses	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Consultant travel and related expenses	1,479,580	337,838
	<u>1,479,580</u>	<u>337,838</u>

	HKD	
	For year ended	
11 Employee benefits expense	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Salary and allowances	15,213,904	5,161,130
Contribution to provident and other funds	394,399	120,747
	<u>15,608,303</u>	<u>5,281,877</u>

	HKD	
	For year ended	
12 Operation and Other Expenses	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rent	207	-
Travelling and conveyance	2,857	-
Legal and professional fees	506,901	178,723
Banking, insurance and other charges	138,361	41,559
Insurance charges	2,353	-
	<u>650,679</u>	<u>220,282</u>



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

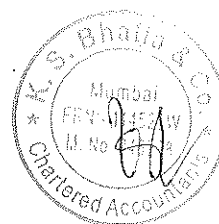
13 Financial Instruments

13.1 Financial Instruments by category

The carrying value / fair value of financial instruments by categories is as follows:

				HKD
	Amortised Cost	Fair value through Profit and Loss	Fair value through other comprehensive income	Total carrying / fair value
December 31, 2018				
Cash and cash equivalents	1,516,099	-	-	1,516,099
Trade receivables	2,431,132	-	-	2,431,132
Other financial assets (Refer Note 4)	750,008	-	-	750,008
	<u>4,697,239</u>	<u>-</u>	<u>-</u>	<u>4,697,239</u>
Trade payables	396,116	-	-	396,116
Other financial liabilities (Refer Note 8)	693,263	-	-	693,263
	<u>1,089,379</u>	<u>-</u>	<u>-</u>	<u>1,089,379</u>
December 31, 2017				
Cash and cash equivalents	1,236,073	-	-	1,236,073
Trade receivables	1,590,744	-	-	1,590,744
Other financial assets (Refer Note 4)	368,325	-	-	368,325
	<u>3,195,142</u>	<u>-</u>	<u>-</u>	<u>3,195,142</u>
Trade payables	640,087	-	-	640,087
Other financial liabilities (Refer Note 8)	198,505	-	-	198,505
	<u>838,592</u>	<u>-</u>	<u>-</u>	<u>838,592</u>

Carrying amount of cash and cash equivalents, trade receivables, trade payables, other financial assets and liabilities approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of other financial assets and liabilities subsequently measured at amortised cost is not significant in each of the period presented.



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

13 Financial Instruments (Cont'd)

13.2 Financial risk management

The Company has identified the risks under verticals like client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by management, after consultation with all business units, functions and department heads.

(i) Client concentration risk

100% of the revenue of 2018 is generated from top 4 clients. Any loss or major downsizing by these clients may impact Company's profitability. Further, excessive exposure to particular clients will limit Company's negotiating capacity and expose us to higher credit risk.

The Company is able to maintain a diversified high quality client roster that can be accessed through the depth of relationships with existing clients.

The Company's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As we add more clients and grow our revenues from the existing clients, we naturally reduce our dependence on the large clients. Moreover, large clients allow quick scaling up of revenues and they come with much higher margins due to lower associated cost and higher cost predictability.

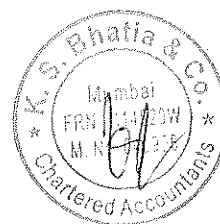
(ii) Credit risk

Since most of our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure is in respect of trade receivables of HKD 2,431,132 and HKD 1,590,744 as at December 31, 2018 and December 31, 2017 respectively.

We have adopted an effective receivable management system to control the Days' Sales Outstanding (DSO). Our DSO 47 days, and 94 days as on December 31, 2018 and December 31, 2017 respectively, Refer Note No.5 for the age wise analysis of trade receivables that are not due as well as past due and allowance for the doubtful receivables. The company manages its credit risk through rigorous debt collection procedures.

Top 4 customer dues contribute 100% of the total outstanding as at December 31, 2018.

Cash and cash equivalents include current account balances with banks.



13 Financial Instruments (Cont'd)

(iii) Foreign Currency fluctuations Risk

Foreign exchange fluctuations are one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of Rupee appreciation which is functional currency of the Company vs. the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in Indian Rupees and the Revenue/ Inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and most of these contracts are at fixed rates, any appreciation in the Indian rupee vis-à-vis foreign currencies will affect our margins.

The Foreign Exchange Risk Management Policy authorized by the Forex Committee of the Board takes these realities into account and authorizes hedging on a systematic basis. These risks have been effectively addressed by the processes and controls laid out in the Foreign Exchange Risk Management Policy. The hedge ratio assigned to the exposures depends on the time horizon in which they fall, the near term exposures get a higher ratio whereas the farther exposures get a lower ratio. This graded approach ensures that hedges are spread across the hedge horizon in a tapered down manner. The exposure as indicated below is net of derivative contracts entered into by the Company.

HKD

The following table analyses foreign currency risk from financial instruments as at December 31, 2018:

	<u>USD</u>	<u>SGD</u>	<u>INR</u>
Net financial assets	1,682,358	700,361	224,041
Net financial liabilities	145,727	-	67,529
Net assets/(liabilities)	<u>1,536,632</u>	<u>700,361</u>	<u>156,512</u>

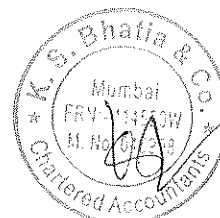
HKD

The following table analyses foreign currency risk from financial instruments as at December 31, 2017:

	<u>USD</u>	<u>SGD</u>	<u>INR</u>
Net financial assets	134,752	1,680,410	-
Net financial liabilities	201,648	-	-
Net assets/(liabilities)	<u>- 66,895</u>	<u>1,680,410</u>	<u>-</u>

10% depreciation/appreciation of the respective foreign currencies with respect to functional currency of the Company and its subsidiaries would result in the increase/ decrease in Company's profit before tax approximately by HKD 239,350 and HKD 161,351 for the year ended December 31, 2018, December 31, 2018 and January 1, 2017 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.



HEXAWARE TECHNOLOGIES GMBH
NOTES TO THE FINANCIAL STATEMENTS

20 Financial Instruments (Cont'd)

(iv) Liquidity risk

The Company needs continuous access to funds to meet short and long term strategic investment requirements. The Company's inability to meet such requirements in stipulated period may hamper growth plan and even ongoing operations. Further, the Company's inability to quickly convert assets into cash without incurring any appreciable loss will expose it to liquidity risks.

Over the years, the Company has increased its liquidity position by maintaining high cash / bank balances.

As at December 31, 2018, the Company had total cash / bank balance HKD 1,516,099 which constitutes approximately 31% of total assets. The Company does not have any debt and thus manages its liquidity requirements through funds generated from operations.

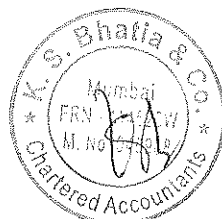
The tables below provide details of the contractual maturities of significant financial liabilities as at:

	<u>Less than 1</u> <u>year</u>	<u>1-2 years</u>	<u>Total</u>
As at December 31, 2018			Curr: EUR
Trade payables	396,116	-	396,116
Others (Refer note 8)	693,263	-	693,263
Total	1,089,379	-	1,089,379

	<u>Less than 1</u> <u>year</u>	<u>1-2 years</u>	<u>Total</u>
As at December 31, 2017			Curr: EUR
Trade payables	640,087	-	640,087
Others (Refer note 8)	198,505	-	198,505
Total	838,592	-	838,592

(v) Interest rate risk

The Company does not have any debt. Hence, the Company is not exposed to interest rate risk.



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

14 Related party disclosures

Names of related parties

Ultimate Holding Company and it's subsidiaries

Baring Private Equity Asia GP V. LP (ultimate holding Company) (control exists)

Location

Cayman Island

The Baring Asia Private Equity Fund V, LP

Cayman Island

Baring Private Equity Asia V Mauritius Holding (4) Limited

Mauritius

HT Global IT Solutions Holdings Limited

Mauritius

Holding Company (control exists)

Hexaware Technologies Limited, India

India

Fellow Subsidiaries

Hexaware Technologies Inc.

United States of America

Hexaware Technologies Asia Pacific Pte. Ltd.

Singapore

Key Management Personnel (KMP)

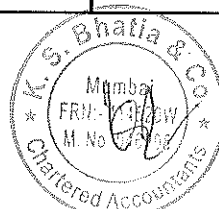
Mr Amalesh Mishra

i) Details of party wise transactions :

Nature of transactions	Name of the Related party and Relationship	Year ended	
		December 31, 2018	December 31, 2017
Software and consultancy income	Fellow Subsidiaries:		
	Hexaware Technologies Inc.	1,767,547	464,502
	Hexaware Technologies Limited, India	223,705	-
	Hexaware Technologies Asia Pacific Pte Ltd	12,982,399	5,705,937
		14,973,651	6,170,439
Recovery of cost from	Fellow Subsidiaries:		
	Hexaware Technologies Inc.	18,478	-
	Hexaware Technologies Asia Pacific Pte Ltd	1,881,886	791,543
	Holding Company:		
Hexaware Technologies Limited, India	635,634	-	
		2,535,998	791,543
Subscription to capital	Holding Company:		
	Hexaware Technologies Limited, India	-	1,945,000
		-	1,945,000

ii) Details of outstanding balances with related parties:

Particulars	Name of the Related party and Relationship	As on	
		December 31, 2018	December 31, 2017
Trade Receivables	Holding Company:		
	Hexaware Technologies Limited, India	224,041	-
	Fellow Subsidiaries:		
	Hexaware Technologies Inc.	688,160	134,752
Hexaware Technologies Asia Pacific Pte Ltd	683,680	1,455,992	
		1,595,881	1,590,744
Advances	Holding Company:		
	Hexaware Technologies Limited, India	403,734	10,200
	Fellow Subsidiaries:		
	Hexaware Technologies Inc.	16,656	-
Hexaware Technologies Asia Pacific Pte Ltd	158,949	224,418	
		579,339	234,618
Trade Payables	Holding Company:		
	Hexaware Technologies Limited, India	-	342,535
		-	342,535



HEXAWARE TECHNOLOGIES HONG KONG LTD
NOTES TO THE FINANCIAL STATEMENTS

15 Earnings per share

The components of basic and diluted earnings per share (EPS) were as follows:

	For the year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Net profit after tax (HKD)	893,214	268,907
Weighted average outstanding equity shares considered for basic EPS (Nos.)	1,945,000	1,945,000
Basic earnings per share (In HKD)	<u>0.46</u>	<u>0.14</u>
Weighted average outstanding equity shares considered for basic EPS (Nos.)	1,945,000	1,945,000
Add : Effect of dilutive issue of stock options (Nos.)	-	-
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	1,945,000	1,945,000
Diluted earnings per share (In HKD)	<u>0.46</u>	<u>0.14</u>

16 Employee benefit plans

Both the employees and the Company make monthly contributions to the Provident Fund Plan (MPF) equal to a specified percentage of the covered employee's salary. The Company recognized HKD 394,399 (Pervious Year HKD 120,747) for contribution to pension scheme in the Statement of profit and loss. The contributions payable to these plans by the company are at rates specified in the rules of the schemes and company does not have any further obligations on such plans.

17 Segments

There is only one reportable business segment viz software consultancy, the results of which are disclosed in the financial statements.

18 Material events after Balance Sheet date

There is no significant event after reporting date which requires amendments or disclosure to the financial statements.

19 Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on January 25, 2019

