

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2008

(English translation is for reference only. Any inconsistency between
the Chinese and English versions, the Chinese version shall prevail.)

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SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.

Report of the Auditors

Date: March 31, 2009

SHLFCPAR No. (2009) – SJ0579

To the Board of Directors of
Satyam Computer Services (Shanghai) Co., Ltd.

We have audited the accompanying financial statements including the balance sheet of Satyam Computer Services (Shanghai) Co., Ltd. ("the Company") as at December 31, 2008, the related income statement, shareholders' equity variation statement, the cash flow statement and the notes to the financial statements for the year then ended.

1. The responsibilities of the management to the financial statements

In accordance with the regulation of the Accounting Standards for Business Enterprise and "Accounting System of Business Enterprise", the completion of financial statements is the responsibilities of the management of Satyam Computer Services (Shanghai) Co., Ltd. which includes: (i) design, implementation and maintain the internal control related to the preparation of the financial statements for the aim of assure no existence of fraud or mistake that will incur potential misreporting; (ii) accounting policies are adopted and applied properly; (iii) reasonable accounting estimation is made.

2. The responsibilities of certified public accountants

Our responsibilities are to express audit opinion to the financial statements based on the implementation of audit process. We have performed the audit work in compliance with the stipulations set by the Audit Guideline for China Certified Public Accountants. The Audit Guideline for China Certified Public Accountants requires that we should observe professional ethics, to plan and carry out the audit work so as to obtain reasonable support to assure whether no potential misreporting existing in the financial statements.

The audit work concerns implementation of the audit procedures to obtain the relevant figures in the financial statements and the revealed auditing evidence therefrom. The audit procedure to be applied is subject to the judgment of auditor, which includes the risk evaluation to the material misreporting of the financial statements caused by fraud or mistakes. During the risk evaluation, we reviewed the internal control related to the preparation of the financial statements by properly designed audit procedure rather than the aim of working out an opinion to the efficiency of the internal control. The audit work also includes the evaluation of the fitness of adopting accounting policy and the rationality for the accounting estimation as well as the overall presentation of the financial statements by the management.

We believe the acquired auditing evidence is sufficient and adequate that provided the basis for the expression of the audit opinion.

3. Audit opinion

In our opinion, the financial statements prepared by Satyam Computer Services (Shanghai) Co., Ltd. comply with the Accounting Standard for Business Enterprise and the "Accounting System of Business Enterprise", and fairly reflect the financial position of the Company as at December 31, 2008, the operation results and the cash flows in the year 2008.

Ling Jie, China Certified Public Accountant



Zhou Wei Zhong, China Certified Public Accountant



Shanghai Linfang Certified Public Accountants Co., Ltd.
15F, Hechuang Building,
No. 450 Caoyang Road,
Shanghai China

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
BALANCE SHEET AS AT 31 DECEMBER 2008

(All amounts are in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Notes	Ending Balance	Beginning Balance
Current assets:			
Cash at bank and in hand	5	5,252,978.13	1,922,788.07
Accounts receivable	6	21,982,229.79	20,795,867.53
Advances to account	7	632,285.47	402,115.00
Other receivables	8	3,937,576.84	1,654,621.19
Total current assets		31,805,070.23	24,775,391.79
Non-current assets:			
Fixed assets - cost	9	9,166,046.31	8,187,754.86
Less: Accumulated depreciation	10	7,067,431.62	5,483,458.09
Fixed assets - net value	11	2,098,614.69	2,704,296.77
Long-term deferred expenditure	12	1,109,806.33	1,896,860.79
Total non-current assets		3,208,421.02	4,601,157.56
TOTAL ASSETS		35,013,491.25	29,376,549.35
Current liabilities:			
Accounts payable	13	10,364,784.48	4,909,491.10
Advances from customers		383,394.19	-
Accrued payroll		652,120.68	1,654,315.13
Taxes payable	14	2,588,938.43	2,009,839.09
other levies payable		4,629.15	2,826.22
Other payables		1,165,161.34	2,061,998.39
Total current liabilities		15,159,028.27	10,638,469.93
Non-current liabilities:			
Total non-current liabilities		-	-
TOTAL LIABILITIES		15,159,028.27	10,638,469.93
Owner's equity:			
Paid-in capital(2008:USD1,050,000; 2007:USD7,550,000)	15 *	77,324,278.25	59,938,880.25
Accumulated losses	16	(57,469,815.27)	(41,200,800.83)
Total owner's equity		19,854,462.98	18,738,079.42
TOTAL LIABILITIES AND OWNER'S EQUITY		35,013,491.25	29,376,549.35

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

Legal Representative:

SREENIVASA MURTY ACHUTUNI

Person in charge of accounting

function: RAVIKANTH KARNE

Person in charge of accounting

department: XIA MEI

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts are in RMB Yuan unless otherwise stated)
 [English Translation for Reference Only]

Subjects	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Revenues from main operations	17	98,186,783.88	78,328,446.99
Less: Cost of main operations		60,513,004.93	52,898,327.98
Tax and levies on main operations		4,945,627.40	3,908,636.23
Profit from main operations		32,728,151.55	21,521,482.78
Add: Profit from other operations		-	6,912.00
Less: Sales expenses		6,551,256.86	4,823,399.07
Administrative expenses		41,938,012.47	32,367,383.99
Financial expenses-net	18	542,722.66	537,576.92
Operating loss		(16,303,840.44)	(16,199,965.20)
Add: Non-operating income		52,116.00	600.00
Less: Non-operating expenses		17,290.00	-
Total loss		(16,269,014.44)	(16,199,365.20)
Less: Income taxes		-	-
Net loss		(16,269,014.44)	(16,199,365.20)

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

Legal Representative:

SREENIVASA MURTY ACHUTUNI

Person in charge of accounting:

function: RAVIKANTH KARNE

Person in charge of accounting

department: XIA MEI

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts are in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

Subjects	Amount in 2008	Amount in 2007
1. Cash Flows from Operating Activities:		
Cash received from sales of goods or rendering of services	97,113,815.81	69,960,115.00
Other cash received relating to operating activities	81,397.93	22,307.00
Sub-total of Cash Inflows	<u>97,195,213.74</u>	<u>69,982,422.00</u>
Cash paid for goods and services	10,098,670.66	5,441,764.00
Cash paid to and on behalf of employees	83,025,395.59	64,525,118.00
Payments of all the taxes	4,965,729.49	11,762,117.00
Other cash paid relating to operating activities	11,854,966.69	10,324,596.00
Sub-total of Cash Outflows	<u>109,944,762.43</u>	<u>92,053,595.00</u>
Net Cash Flows from Operating Activities	<u>(12,749,548.69)</u>	<u>(22,071,173.00)</u>
2. Cash Flows from Investing Activities:		
Net cash received from return of disposal of fixed assets, intangible assets and other long-term assets	-	5,605.00
Sub-total of Cash Inflows	<u>-</u>	<u>5,605.00</u>
Cash paid to acquire fixed assets and other long-term assets	1,051,841.45	2,859,473.00
Sub-total of Cash Outflows	<u>1,051,841.45</u>	<u>2,859,473.00</u>
Net Cash Flows from investing Activities	<u>(1,051,841.45)</u>	<u>(2,853,868.00)</u>
3. Cash Flows from Financing Activities:		
Proceeds from investments	17,385,398.00	23,756,430.00
Sub-total of Cash Inflow	<u>17,385,398.00</u>	<u>23,756,430.00</u>
Sub-total of Cash Outflows	<u>-</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>17,385,398.00</u>	<u>23,756,430.00</u>
4. Effect of Foreign Exchange Rate Changes on Cash	<u>(253,817.80)</u>	<u>-</u>
5. Net Increase in Cash and Cash Equivalents	<u>3,330,190.06</u>	<u>(1,168,611.00)</u>
Add: Cash and cash equivalents beginning balance	1,922,788.07	3,091,399.00
6. Cash and Cash Equivalents Ending Balance	<u>5,252,978.13</u>	<u>1,922,788.00</u>

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

Legal Representative:

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Person in charge of accounting

function: RAVIKANTH KARNE

Person in charge of accounting

department: XIA MEI

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
OWNERS' EQUITY VARIATION STATEMENT FOR 2008

(All amounts are in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

Subjects	Current Year Amt.	Previous Year Amt.
I. Paid-in Capital (capital stock)		
i. Balance of previous year end	59,938,880.25	36,182,450.00
ii. Balance of current year beginning	59,938,880.25	36,182,450.00
iii. Increase or decrease amount of the current year	17,385,398.00	23,756,430.25
1. Contributed or decreased capital by the owners	17,385,398.00	23,756,430.25
(1) Capital input by owners	17,385,398.00	23,756,430.25
iv. balance of current year end	77,324,278.25	59,938,880.25
II. Capital Surplus		
i. Balance of previous year end	-	-
ii. Balance of current year beginning	-	-
iii. Balance of current year end	-	-
III. Reserve		
i. Balance of previous year end	-	-
ii. Balance of current year beginning	-	-
iii. Balance of current year end	-	-
IV. Undistributed Profit		
i. Balance of previous year end	(41,200,800.83)	(25,001,435.63)
ii. Balance of current year beginning	(41,200,800.83)	(25,001,435.63)
iii. Increase or decrease amount of the current year	(16,269,014.44)	(16,199,365.20)
1. Net profit	(16,269,014.44)	(16,199,365.20)
Sub total of net profit and the gain or loss booked directly to owner's equity	(16,269,014.44)	(16,199,365.20)
iv. Balance of current year end	(57,469,815.27)	(41,200,800.83)
V. Owners' Equity Total		
i. Balance of previous year end	18,738,079.42	11,181,014.37
ii. Balance of current year beginning	18,738,079.42	11,181,014.37
iii. Increase or decrease amount of the current year	1,116,383.56	7,557,065.05
1. Contributed or decreased capital by the owners	17,385,398.00	23,756,430.25
(1) Capital input by owners	17,385,398.00	23,756,430.25
2. Net profit	(16,269,014.44)	(16,199,365.20)
Sub total of net profit and the gain or loss booked directly to owner's equity	(16,269,014.44)	(16,199,365.20)
iv. Balance of current year end	19,854,462.98	18,738,079.42

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

Legal Representative:

SREENIVASA MURTY ACHUTUNI

Person in charge of accounting

function: RAVIKANTH KARNE

Person in charge of accounting

department: XIA MEI

1 GENERAL INFORMATION AND BUSINESS ACTIVITIES

Satyam Computer Services (Shanghai) Co., Ltd. ("the Company") is a wholly owned foreign enterprise invested by Satyam Computer Services Ltd. Established on December 23, 2002, the Company was registered at Shanghai Administration of Industry and Commerce and obtained the Business License of Juridical Person No. 310115400111596 (Pudong). The registered capital of the Company is USD750, 000 and the operating period is 20 years. The registered address is: Suite 23102, 23104, 23204, Pudong Software Park, No. 498 Guoshoujing Road, Zhangjiang Hi-tech Park, Shanghai.

According to the resolutions of the Board of Directors and approved by the Committee of Shanghai Zhang Jiang High-tech Industrial Park in prior years, the registered capital of the Company was increased from USD750, 000 to USD8,050,000.

During 2008, according to the resolution of the Board of Directors and approved by the Committee of Shanghai Zhang Jiang High-tech Industrial Park, the registered capital of the Company has been increased to USD10,050,000.

The approved business scope of the Company includes services of software designing, developing, production, testing, maintenance (including embedded system software, computer aid design, manufactory and engineering service software, enterprise resource solution software, enterprise integrating software, custom relationship management software etc.), sales of the self-produced products and technical consulting services.

2 BASIS OF FINANCIAL STATEMENTS PREPATATION

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and "Accounting System for Business enterprises" as promulgated by the Government of the People's Republic of China.

3 PRINCIPAL ACCOUNTING POLICIES

(a) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(b) Recording currency

The Company uses Renminbi (RMB) as the recording currency.

(c) Basis of recording and pricing principles

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs and subsequently adjusted for impairment, if any.

(d) Calculation for foreign exchange business

Except for the accounting treatment of paid-in capital, transactions denominated in foreign

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are stated in RMB Yuan unless otherwise stated)

currencies are translated into RMB at the exchange rates stipulated by the People's Bank of China ("the stipulated exchange rates") at the transaction dates. Monetary assets and liabilities denominated in foreign currencies on the balance sheet day are translated into RMB at the exchange rates stipulated by the People's Bank of China at the balance sheet date. Exchange differences arising from these translations are taken into the current profit and loss account.

Contributions to paid-in capital made in foreign currencies are translated into the RMB denominated paid-in capital account at the stipulated exchange rates at the contribution date.

(e) Cash and cash equivalents

In the preparation of the cash flow statement, cash equivalents are refers to short-term and highly-liquid investments with original maturities of 3 months or less that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Accounts receivable and provision for bad debts

Accounts receivable comprises accounts receivable and other accounts receivable. The Company adopts provision method, the accounts receivable is presented at actual amounts net of provision for bad debts.

(1) Accounts receivable

Specific provisions are made for accounts receivable on an individual basis.

(2) Other receivables

Specific provisions are made for other receivables on an individual basis.

(3) Recognition criteria of bad debts loss

Where evidence exists that balances cannot be recovered, bad debts are recognized and the corresponding provision for bad debts is written off.

(g) Fixed assets and depreciation

Fixed assets are tangible assets that are used in rendering of services or held for administrative purposes, which have a useful life of more than 1 year and have a relatively high unit price.

Fixed assets purchased or newly constructed by the Company are initially recorded at actual cost on acquisition.

Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives.

Their estimated useful lives, estimated residual value and depreciation rates as follows:

	<u>Estimated</u>	<u>Estimated</u>	<u>Annual</u>
	<u>Useful Lives</u>	<u>Residual Value</u>	<u>Depreciation Rate</u>
Computer and electronic equipment	3 years	0%	33.33%
Office equipment	5 years	0%	20.00%

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are stated in RMB Yuan unless otherwise stated)

Difference arising from the income of disposal of fixed assets sell, transfer, scrub or damages after deduction of related book value and corresponding tax is recorded into non-business income or expenditure account.

Repairs and maintenance of fixed assets are expensed as incurred. Subsequent expenditures for major reconstruction, expansion, improvement and renovation are capitalized when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Company. Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using the straight-line method over the remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated over the expected beneficial periods.

(h) Long-term deferred expenses

Long-term deferred expenses include paid expenses within 1 year allocation. It is evenly allocated over estimated beneficial period and presented by the net amount derived from actual expenses minus accumulated allocation.

Leasehold improvements

Expenditures incurred for improvements of leasehold fixed assets are depreciated using the straight-line method over the expected beneficial period. Leasehold improvements are presented net of accumulated depreciation.

(i) Impairment of assets

Except for the provision for bad debts of accounts receivable, provision of inventory decline that have been stated in the above related accounting policies, should any book value of a individual asset on the other assets account may exceed its recoverable amount by any individual or circumstance variation, an asset devaluation test will be taken. When the book value of the single asset is over its recoverable amount, the difference is recognized as an impairment of asset.

The recoverable amount of an individual asset is the higher of its net selling price and its value in use. The net selling price is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and will parties, after deducting any incremental direct disposal costs. Value in use is the present value of estimated future cash flows expected to derive from continuing use of the asset and from its disposal at the end of its useful life.

When there is an indication that the need for an impairment provision recorded in a prior year no longer exists or has decreased, the provision for impairment loss is reversed. The increase carrying amount of the assets should not exceed the carrying amount that would have been determined had no impairment loss been recognized from the asset in prior years.

(j) Revenue recognition

When the total amount of revenue and costs arising from provision of services can be estimated reliably, it is probable that the economic benefits associated with the transaction will flow in and the

stage of completion of the services provided can be measured reliably, service revenue is recognized using the percentage of completion method.

Interest income is recognized on a time proportion basis taking into account deposit balances and the effective yield.

(k) Employee social and security benefit

All Chinese employees of the Company participate in employee social security plans, including pension, medical, housing and other welfare benefits, organized and administrated by the governmental authorities.

According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are capitalized as production costs or expensed as incurred.

(l) Accounting treatment for income taxes

The accounting treatment for income taxes adopts tax payable method. Tax payable method is the tax expense is recognized based on current period taxable income and applicable tax rate.

4. MAIN TAXATION ITEMS

(a) Enterprise income taxes

The Company qualifies as a foreign investment enterprise and was established in Shanghai Pudong New Area Zhang Jiang High-tech Industrial Park. Accordingly, the applicable corporate income tax rate is 25%.

Approved by the tax authority, the corporate income tax rate applicable to the Company enjoys a 5-year transitional preferential policy from 2008 to 2012, in which the tax rate is 18% in the year of 2008.

Taxable income amount: total income less pre-deductive cost, expenses and losses.

(b) Business tax

Revenue derived from software designing, developing and maintaining services provided by the Company is subject to business tax at 5% of gross service income.

(c) Individual income tax

Individual Income Tax (IIT) is born by staff and the Company deducts and pays on behalf of the IIT payers.

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are stated in RMB Yuan unless otherwise stated)

5 MONETARY CAPITAL

<u>Monetary Capital</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
Cash at bank	5,252,978.13	1,922,788.07
Total	5,252,978.13	1,922,788.07

6 ACCOUNTS RECEIVABLE AND PROVISION OF BAD DEBT

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Accounts receivable	23,895,577.67	22,439,215.41
Less: Specific Provisions	1,913,347.88	1,643,347.88
Total	21,982,229.79	20,795,867.53

Analysis of a/c aging:

<u>Aging</u>	<u>Ending Balance</u>		<u>Beginning Balance</u>	
	<u>Amount</u>	<u>% of Total Amount</u>	<u>Amount</u>	<u>% of Total Amount</u>
Within 1 year	23,237,121.96	97	22,439,215.41	100
1-2 years	658,455.71	3	-	-
Total	23,895,577.67	100	22,439,215.41	100

Large amount debtors:

<u>Name of the debtors</u>	<u>Ending Balance</u>	<u>Descriptions</u>	<u>Time Span</u>
Sony (China) Ltd.	5,159,653.26	Sales	Within 1 year

7 ADVANCED ACCOUNTS

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Advanced accounts	430,148.16	265,484.68
Prepaid expenses	202,137.31	136,630.32
Total	632,285.47	402,115.00

8 OTHER RECEIVABLES AND PROVISION FOR BAD DEBTS

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Other accounts receivable	3,937,576.84	1,654,621.19
Total	3,937,576.84	1,654,621.19

Analysis of other a/c aging :

<u>Aging</u>	<u>Ending Balance</u>		<u>Beginning Balance</u>	
	<u>Amount</u>	<u>% of Total Amount</u>	<u>Amount</u>	<u>% of Total Amount</u>
Within 1 year	3,747,940.94	95	1,654,621.19	100

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are stated in RMB Yuan unless otherwise stated)

1-2 years	189,635.90	5	-	-
Total	3,937,576.84	100	1,654,621.19	100

Large amount debtors:

<u>Name of the debtors</u>	<u>Ending Balance</u>	<u>Descriptions</u>	<u>Time Span</u>
Satyam Computer Services (Nanjing) Co., Ltd.	2,000,000.00	temporary debit	Within 1 year

9 FIXED ASSETS ORIGINAL VALUE

<u>Items</u>	<u>Beginning Balance</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	7,424,736.32	988,573.95	21,880.00	8,391,430.27
Office equipment	548,581.04	11,597.50	-	560,178.54
Vehicles	214,437.50	-	-	214,437.50
Total	8,187,754.86	1,000,171.45	21,880.00	9,166,046.31

10 ACCUMULATED DEPRECIATION

<u>Items</u>	<u>Beginning Balance</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	5,005,738.40	1,479,397.48	11,463.20	6,473,672.68
Office equipment	477,719.69	44,560.05	-	522,279.74
Vehicles	-	71,479.20	-	71,479.20
Total	5,483,458.09	1,595,436.73	11,463.20	7,067,431.62

11 FIXED ASSETS NET VALUE

<u>Items</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
Computer and electronic equipment	1,917,757.59	2,418,997.92
Office equipment	37,898.80	70,861.35
Vehicles	142,958.30	214,437.50
Total	2,098,614.69	2,704,296.77

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are stated in RMB Yuan unless otherwise stated)

12 LONG-TERM DEFERRED EXPENSES

<u>Items</u>	<u>Beginning Balance</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Ending Balance</u>
Leasehold improvements	1,643,543.38	51,670.00	681,274.16	1,013,939.22
Software	253,317.41	-	157,450.30	95,867.11
Total	1,896,860.79	51,670.00	838,724.46	1,109,806.33

13 ACCOUNTS PAYABLE

<u>Items</u>	<u>Ending Balance of Accounts Payable</u>	<u>Beginning Balance of Accounts Payable</u>
	10,364,784.48	4,909,491.10
Total	10,364,784.48	4,909,491.10

Among which, large amount creditors:

	<u>31 December 2008</u>	
<u>Name of the creditors:</u>	<u>Accumulated A/C</u>	<u>Payment Contents</u>
Satyam Computer Services Ltd.	8,546,265.00	Labor cost

14 TAX PAYABLES

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Business Tax	486,558.65	488,088.99
Individual Income Tax	980,924.19	1,036,860.15
Withholding enterprise income tax	1,121,455.59	484,889.95
Total	2,588,938.43	2,009,839.09

15 PAID-IN CAPITAL

<u>Investor's Name</u>	<u>Investment %</u>	<u>Investment Amount</u>	
		<u>Ending Balance</u>	<u>Beginning Balance</u>
Satyam Computer Services Ltd.	100	USD 10,050,000.00 (RMB77,324,278.25)	USD 7,550,000.00 (RMB59,938,880.25)
Total	100	USD 10,050,000.00 (RMB77,324,278.25)	USD 7,550,000.00 (RMB59,938,880.25)

In 2008, the Company received additional capital contribution in cash of USD2,500,000 (equivalent to RMB17,385,398) from the investor of the Company, Satyam Computer Services Ltd. The capital injections in cash were verified by Shanghai Linfang Certified Public Accountants Co., Ltd. and the relevant capital verification reports have been issued.

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are stated in RMB Yuan unless otherwise stated)

16 ACCUMULATED LOSSES

	<u>Current Year Amount</u>	<u>Previous Year Amount</u>
Net loss	(41,200,800.83)	(25,001,435.63)
Add: Accumulated losses at the year beginning	(16,269,014.44)	(16,199,365.20)
Accumulated losses at the year end	(57,469,815.27)	(41,200,800.83)

17 INCOME FROM MAIN OPERATION

<u>Project</u>	<u>Current Year Amount</u>	<u>Previous Year Amount</u>
Software designing, developing and maintaining services	98,186,783.88	78,328,446.99
Total	<u>98,186,783.88</u>	<u>78,328,446.99</u>

18 FINANCE EXPENSES

	<u>Current Year Amount</u>	<u>Previous Year Amount</u>
Less: interest income	29,281.93	21,707.00
Exchange loss or income	253,817.80	335,414.00
Handling fee	318,186.79	223,869.92
Total	<u>542,722.66</u>	<u>537,576.92</u>

ADDITIONAL INFORMATION SUPPLIED BY THE MANAGEMENT OF
 SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.
 (All amounts are stated in RMB Yuan unless otherwise stated)

19 SIGNIFICANT ASSOCIATED PARTIES AND TRANSACTIONS

Associated parties and the relationship

<u>Names of the associated parties</u>	<u>Relationship with the Company</u>
Satyam Computer Services Ltd.	Parent company
Satyam Computer Services (Nanjing) Co., Ltd.	Controlled by the same parent company

Transactions with the associated parties

<u>Names of the associated parties</u>	<u>Business nature</u>	<u>Current year amount</u>
Satyam Computer Services Ltd.	Rendering of consulting services	383,280.04
Satyam Computer Services Ltd.	Purchase of consulting service	4,851,069.16

Balance with the associated parties

<u>Names of the associated parties</u>	<u>Accounting subjects</u>	<u>Current items</u>	<u>Ending amount</u>
Satyam Computer Services Ltd.	Accounts payable	Expense of consulting service	8,546,265.00
Satyam Computer Services Ltd.	Other payables	Other transaction	226,308.00
Satyam Computer Services (Nanjing) Co., Ltd.	Other receivables	temporary credit	2,000,000.00

20 COMMITMENTS

(a) Operating lease commitments

In respect to the signed irrevocable operating lease contract, the future minim rental payables as follow:

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Within 1 year	1,509,708.10	1,018,794.00
1-5 years	-	512,794.00
Total	<u>1,509,708.10</u>	<u>1,531,588.00</u>

Taxable Income Reconciliation Statement

Name of Enterprise: Satyam Computer Services (Shanghai) Co., Ltd.

Accounting Year: Year 2008

(All amounts are in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

Items to be adjusted and the related subsidiary ledges	Indications (Indicting relevant supporting taxation regulations)	Account Adjustment		Remarks
		Increase	Decrease	
General & administrative expenses – Entertainment expenses	Excess entertainment expenses	311,140.40		Total entertainment expenses is RMB777,851.00, $777,851.00 \times 40\%$ $=311,140.40$
General & administrative expenses – Provision for bad debt	Unapproved Provision for bad debt	270,000.00		
General & administrative expenses – Salary	Accrued wages that haven't been paid out	652,120.68		Ending balance of wage and salary payables
General & administrative expenses-depreciation			759,734.45	The company's depreciation policy complies with the New Enterprise Income Tax Law. Making adjustment as to the prior period depreciation, of which 508,701.44 was adjusted increasingly in 2005 and 251,033.01 was adjusted increasingly in 2007.
Total		1,233,261.08	759,734.45	
Net increase of taxable income				473, 526. 63
Total loss amount on the audited income statement				(16,269,014.44)
Taxable income after reconciliation				(15,795,487.81)

We have made the above adjustment based on the items we noticed during the auditing process. Final result will be subject to taxation authority's verification.