

**SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.**

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS  
FOR THE YEAR ENDED 31 December 2009

[English translation for reference only. Should there be any  
Inconsistency between the Chinese and English versions, the  
Chinese version shall prevail]

*[English translation for reference only]*

## **Report of the Auditors**

March 21, 2010  
SHLFCPAR No. (2010) – SJ0538

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

We have audited the accompanying financial statements of Satyam Computer Services (Shanghai) Co., Ltd (the "Company"), which comprise the balance sheet as at 31 December 2009, the income statement, cash flow statement and statement of changes in equity for the year ended and notes to these financial statements.

### **1. Management's Responsibility for the Financial Statements**

The Company's management is responsible for ensuring that the Financial Statements are properly prepared in conformity with the Accounting Standards for Business Enterprises and the "Accounting System for Business Enterprises", such responsibility includes: (i) designing, implementing and maintaining internal control relevant to the preparation of financial statements to ensure the financial statements are free of material misstatement, whether caused by fraud or error; (ii) selecting and applying appropriate accounting policies; and (iii) making accounting estimates that are appropriate in the circumstances.

### **2. Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*[English translation for reference only]*

### **Report of the Auditors (continued)**

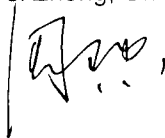
#### **3. Audit opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Satyam Computer Services (Shanghai) Co., Ltd. as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and the "Accounting System for Business Enterprises".

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 2009**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

<b>ASSETS</b>	<b>Notes</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
<b>Current assets:</b>			
Cash at bank and in hand	5	2,961,226.23	5,252,978.13
Accounts receivable	6	14,141,073.59	21,982,229.79
Prepayments	7	524,619.10	632,285.47
Other receivables	8	7,075,283.13	3,937,576.84
<b>Total current assets</b>		<b>24,702,202.05</b>	<b>31,805,070.23</b>
<b>Non-current assets:</b>			
Fixed assets - cost	9	9,142,823.29	9,166,046.31
Less: Accumulated depreciation	10	8,301,356.35	7,067,431.62
Fixed assets - net	11	841,466.94	2,098,614.69
Long-term deferred expenses	12	393,333.78	1,109,806.33
<b>Total non-current assets</b>		<b>1,234,800.72</b>	<b>3,208,421.02</b>
<b>TOTAL ASSETS</b>		<b>25,937,002.77</b>	<b>35,013,491.25</b>
<b>LIABILITIES AND OWNERS EQUITY</b>	<b>Notes</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
<b>Current liabilities:</b>			
Accounts payable	13	10,621,200.86	10,364,784.48
Advances		173,408.59	383,394.19
Accrued payroll		675,233.14	652,120.68
Incl.: Wages payable		675,233.14	652,120.68
Taxes payable		2,052,174.86	2,593,567.58
Incl.: Tax payable	14	2,050,089.65	2,588,938.43
Other payables	15	1,166,883.15	1,165,161.34
<b>Total current liabilities</b>		<b>14,688,900.60</b>	<b>15,159,028.27</b>
<b>Non-current liabilities:</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>14,688,900.60</b>	<b>15,159,028.27</b>
<b>Owner's equity:</b>			
Paid-in capital	16	86,816,446.25	77,324,278.25
Foreign capital		86,816,446.25	77,324,278.25
Accumulated losses	17	(75,568,344.08)	(57,469,815.27)
<b>Total owner's equity</b>		<b>11,248,102.17</b>	<b>19,854,462.98</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>25,937,002.77</b>	<b>35,013,491.25</b>

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 Xia Mei

**SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.**

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

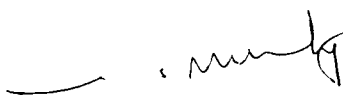
(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Subjects	Notes	Year ended 31 December 2009	Year ended 31 December 2008
<b>Total operating revenues</b>		58,439,412.93	98,186,783.88
Incl.: Operating revenues		58,439,412.93	98,186,783.88
Incl.: Revenues from main operation	18	58,439,412.93	98,186,783.88
<b>Less: Total operating costs</b>		76,577,294.50	114,490,624.32
Incl.: Operating costs		38,647,679.70	60,513,004.93
Incl.: Costs of main operation		38,647,679.70	60,513,004.93
Operating tax and its additions		2,953,571.29	4,945,627.40
Selling and distribution expenses		5,542,772.73	6,551,256.86
General and administrative expenses		29,006,794.81	41,938,012.47
Finance expenses	19	426,475.97	542,722.66
Incl.: Interest expense		44,007.66	-
Interest income		20,631.51	29,281.93
Exchange losses-net		49,749.86	253,817.80
<b>Operating Profit</b>		<u>(18,137,881.57)</u>	<u>(16,303,840.44)</u>
Add: Non-operating revenues		51,325.00	52,116.00
Incl.: Gain on disposal of non-current assets		28,825.00	2,000.00
Government subsidy		22,500.00	-
Less: Non-operating expenses		11,972.24	17,290.00
Incl.: Loss on disposal of non-current assets		1,772.24	-
<b>Total Profit</b>		<u>(18,098,528.81)</u>	<u>(16,269,014.44)</u>
Less: Income tax expense		-	-
<b>Net Profit</b>		<u>(18,098,528.81)</u>	<u>(16,269,014.44)</u>

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

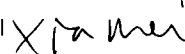
Legal Representative:  
SREENIVASA MURTY ACHUTUNI



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 2009**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

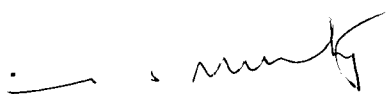
	2009	2008
<b>1. Cash Flows from Operating Activities:</b>		
Cash received from sales of goods or rendering of services	65,778,084.39	97,113,815.81
Cash received relating to other operating activities	108,087.12	81,397.93
<b>Sub-total of Cash Inflows</b>	<u>65,886,171.51</u>	<u>97,195,213.74</u>
Cash paid for goods and services	1,509,228.45	10,098,670.66
Cash paid to and on behalf of employees	58,020,057.92	83,025,395.59
Payments of taxes and levies	3,264,736.75	4,965,729.49
Cash paid relating to other operating activities	14,711,397.12	11,854,966.69
<b>Sub-total of Cash Outflows</b>	<u>77,505,420.24</u>	<u>109,944,762.43</u>
<b>Net Cash Flows from Operating Activities</b>	<u>(11,619,248.73)</u>	<u>(12,749,548.69)</u>
<b>2. Cash Flows from Investing Activities:</b>		
Net cash received from disposal of fixed assets, intangible assets, other long-term assets	14,453.33	-
<b>Sub-total of Cash Inflows</b>	<u>14,453.33</u>	<u>-</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	114,477.10	1,051,841.45
<b>Sub-total of Cash Outflows</b>	<u>114,477.10</u>	<u>1,051,841.45</u>
<b>Net Cash Flows from investing Activities</b>	<u>(100,023.77)</u>	<u>(1,051,841.45)</u>
<b>3. Cash Flows from Financing Activities:</b>		
Cash received from capital contribution	9,492,057.98	17,385,398.00
Cash received from borrow	4,700,000.00	-
<b>Sub-total of Cash Inflows</b>	<u>14,192,057.98</u>	<u>17,385,398.00</u>
Cash repayments of amounts borrowed	4,700,000.00	-
Cash payment of interest on amounts borrowed	44,007.66	-
<b>Sub-total of Cash Outflows</b>	<u>4,744,007.66</u>	<u>-</u>
<b>Net Cash Flows from Financing Activities</b>	<u>9,448,050.32</u>	<u>17,385,398.00</u>
<b>4. Effect of Foreign Exchange Rate Changes on Cash:</b>	<u>(20,529.72)</u>	<u>(253,817.80)</u>
<b>5. Net Increase (decrease) in Cash and Cash Equivalents:</b>	<u>(2,291,751.90)</u>	<u>3,330,190.06</u>
Add: Cash and cash equivalents at the beginning of the reporting period	5,252,978.13	1,922,788.07
<b>6. Cash and Cash Equivalents at the End of the Reporting Period:</b>	<u>2,961,226.23</u>	<u>5,252,978.13</u>

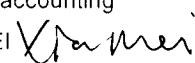
The accompanying notes form an integral part of these financial statements.

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.**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

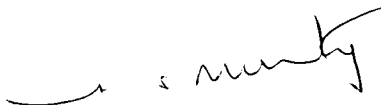
(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	PAID-IN CAPITAL	CAPITAL SURPLUS	SURPLUS RESERVE	RETAINED EARNINGS	TOTAL
Closing Balance at 31 December 2007	59,938,880.25	-	-	(41,200,800.83)	18,738,079.42
Beginning Balance at 1 January 2008	59,938,880.25	-	-	(41,200,800.83)	18,738,079.42
Net profit	-	-	-	(16,269,014.44)	(16,269,014.44)
Capital contribution by owners	17,385,398.00	-	-	-	17,385,398.00
Movements in year 2008	17,385,398.00	-	-	(16,269,014.44)	1,116,383.56
Closing Balance at 31 December 2008	77,324,278.25	-	-	(57,469,815.27)	19,854,462.98
Beginning Balance at 1 January 2009	77,324,278.25	-	-	(57,469,815.27)	19,854,462.98
Net profit	-	-	-	(18,098,528.81)	(18,098,528.81)
Capital contribution by owners	9,492,168.00	-	-	-	9,492,168.00
Movements in year 2009	9,492,168.00	-	-	(18,098,528.81)	(8,606,360.81)
Closing Balance at 31 December 2009	86,816,446.25	-	-	(75,568,344.08)	11,248,102.17

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

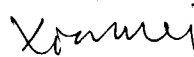
Legal Representative:  
SREENIVASA MURTY ACHUTUNI



Person in charge of accounting  
function: RAVIKANTH KARNE



Person in charge of accounting  
department: XIA MEI



## 1 GENERAL INFORMATION AND PRINCIPAL 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 was USD750,000 and the operating period is 20 years. The registered address is: Suite 20102, 20104, 20104, Pudong Software Park, No. 488 Gubeiling Road, Zhangjiang High-tech Park, Shanghai.

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 USD12,000,000.

The approved business scope of the Company includes 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 the related technical consulting services.

## 2 BASIS OF PREPARATION

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 State 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 recording currency of the Company is the Renminbi (RMB).

### (c) Basis of accounting and measurement bases

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

### (d) Foreign currency translation

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

**3 PRINCIPAL ACCOUNTING POLICIES (continued)**

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash refers to all cash in hand and all deposits. Cash equivalents refer to short-term and highly-liquid investments that are readily convertible to known 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. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

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

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

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.

**3 PRINCIPAL ACCOUNTING POLICIES (continued)**

(h) Long-term deferred expenses

Long-term deferred expenses are paid expenses of which the amortization period are over 1 year. It is evenly amortized over estimated beneficial period and presented by the amount net of accumulated amortization.

*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

In addition to the recognition of provisions for impairment loss on receivables and inventories which have been described in their respective accounting policies, individual assets for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or changes in circumstances, are reviewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss.

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 being derived 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 period no longer exists or has decreased, the provision for impairment loss is reversed. The increased carrying amount of the assets should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(j) Borrowing costs

Interests incurred in connection with borrowings are expensed as incurred.

(k) 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.

Subsidy income shall be recognized at the time of receipt.

**3 PRINCIPAL ACCOUNTING POLICIES (continued)**

(l) Employee benefits

The full-time employees of the Company are entitled to staff welfare benefits under existing PRC legislation, including pension benefits, medical care, unemployment insurance, housing fund and other benefits.

The Company is required to accrue for these benefits based on certain percentages of the employees' salaries, subject to certain ceilings, in accordance with the relevant PRC regulations, these benefits are levied by the human resource and social security bodies. The contributions are expensed as incurred.

(m) Accounting 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 TAXATION**

(a) Corporate income tax

Effective from 1 January 2008, the Company should pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. As a wholly foreign owned enterprise incorporated in Pudong New District., the applicable enterprise income tax rate is 25%.

However, pursuant to No. 39 [2007] Circular of the Ministry of Finance and State Administration of Taxation about Implementation of Preferential Policies on Transition of Enterprise Income Tax as promulgated by State Council, the corporate income tax rate applicable to the Company is gradually increased to 25% in a 5-year period from 2008 to 2012. Therefore, the applicable enterprise income tax rate of the Company is 20% in year 2009.

(b) Business tax

The Company's rendering of services is subject to Business Tax. The applicable tax rate is 5%.

(c) Individual income tax

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

**5 MONETARY ASSETS**

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Cash at bank	2,961,226.23	5,252,978.13
Total	<u>2,961,226.23</u>	<u>5,252,978.13</u>

6 ACCOUNTS RECEIVABLE

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Accounts receivable	16,054,421.47	23,895,577.67
Less: Provision for bad debt	1,913,347.88	1,913,347.88
Accounts receivable - net	<u>14,141,073.59</u>	<u>21,982,229.79</u>

The ageing of all balances of accounts receivable and its corresponding provision for bad debts as at year end are as follows:

	<u>Ending Balance</u>			<u>Beginning Balance</u>		
	<u>Amount</u>	<u>% of Total</u>	<u>Provision for Bad Debts</u>	<u>Amount</u>	<u>% of Total</u>	<u>Provision for Bad Debts</u>
Within 1 year	13,882,626.76	86.47	-	23,237,121.96	97.24	1,273,142.35
1-2 years	1,531,589.18	9.54	1,273,142.35	658,455.71	2.76	640,205.53
Over 2 years	640,205.53	3.99	640,205.53	-	-	-
Total	<u>16,054,421.47</u>	<u>100.00</u>	<u>1,913,347.88</u>	<u>23,895,577.67</u>	<u>100.00</u>	<u>1,913,347.88</u>

Debtors with large amounts:

<u>Name of Debtors</u>	<u>Ending Balance</u>	<u>Descriptions</u>	<u>Ageing</u>
Airbus(Beijing) Engineering Lt.	2,444,318.27	Maintenance revenue	Within 1 year
Huawei Shenzheng	4,991,707.94	Maintenance revenue	Within 1 year

7 PREPAYMENTS

	<u>Ending Balance</u>		<u>Beginning Balance</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Advanced Within 1 year	460,753.35	87.83	430,148.16	68.03
Prepaid expenses	63,865.75	12.17	202,137.31	31.97
Total	<u>524,619.10</u>	<u>100.00</u>	<u>632,285.47</u>	<u>100.00</u>

8 OTHER RECEIVABLES

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Other receivables	7,075,283.13	3,937,576.84
Less: Provision for bad debt	-	-
Other receivables - net	<u>7,075,283.13</u>	<u>3,937,576.84</u>

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**8 OTHER RECEIVABLES (continued)**

The ageing of all balances of other receivables as at year end are as follows:

	<u>Ending Balance</u>		<u>Beginning Balance</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Within 1 year	6,904,341.23	97.58	3,747,940.94	95.18
Over 1 years	170,941.90	2.42	189,635.90	4.82
<b>Total</b>	<b>7,075,283.13</b>	<b>100.00</b>	<b>3,937,576.84</b>	<b>100.00</b>

Debtors with large amounts:

<u>Name of Debtors</u>	<u>Ending Balance</u>	<u>Descriptions</u>	<u>Ageing</u>
Satyam Computer Services (Nanjing) Co., Ltd.	6,277,873.52	temporary borrowing	Within 1 year

**9 FIXED ASSETS – COST**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	8,391,430.27	98,472.00	122,595.02	8,367,307.25
Office equipment	560,178.54	900.00	-	561,078.54
Transport equipment	214,437.50	-	-	214,437.50
<b>Total</b>	<b>9,166,046.31</b>	<b>99,372.00</b>	<b>122,595.02</b>	<b>9,142,823.29</b>

**10 ACCUMULATED DEPRECIATION**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	6,473,672.68	1,259,621.67	113,453.33	7,619,841.02
Office equipment	522,279.74	16,277.22	-	538,556.96
Transport equipment	71,479.20	71,479.17	-	142,958.37
<b>Total</b>	<b>7,067,431.62</b>	<b>1,347,378.06</b>	<b>113,453.33</b>	<b>8,301,356.35</b>

**11 FIXED ASSETS – NET**

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Computer and electronic equipment	1,917,757.59	747,466.23
Office equipment	37,898.80	22,521.58
Transport equipment	142,958.30	71,479.13
<b>Total</b>	<b>2,098,614.69</b>	<b>841,466.94</b>

**8 OTHER RECEIVABLES (continued)**

The ageing of all balances of other receivables as at year end are as follows:

	<u>Ending Balance</u>		<u>Beginning Balance</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Within 1 year	6,904,341.23	97.58	3,747,940.94	95.18
Over 1 years	170,941.90	2.42	189,635.90	4.82
<b>Total</b>	<b>7,075,283.13</b>	<b>100.00</b>	<b>3,937,576.84</b>	<b>100.00</b>

Debtors with large amounts:

<u>Name of Debtors</u>	<u>Ending Balance</u>	<u>Descriptions</u>	<u>Ageing</u>
Satyam Computer Services (Nanjing) Co., Ltd.	6,277,873.52	temporary borrowing	Within 1 year

**9 FIXED ASSETS – COST**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	8,391,430.27	98,472.00	122,595.02	8,367,307.25
Office equipment	560,178.54	900.00	-	561,078.54
Transport equipment	214,437.50	-	-	214,437.50
<b>Total</b>	<b>9,166,046.31</b>	<b>99,372.00</b>	<b>122,595.02</b>	<b>9,142,823.29</b>

**10 ACCUMULATED DEPRECIATION**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Computer and electronic equipment	6,473,672.68	1,259,621.67	113,453.33	7,619,841.02
Office equipment	522,279.74	16,277.22	-	538,556.96
Transport equipment	71,479.20	71,479.17	-	142,958.37
<b>Total</b>	<b>7,067,431.62</b>	<b>1,347,378.06</b>	<b>113,453.33</b>	<b>8,301,356.35</b>

**11 FIXED ASSETS – NET**

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Computer and electronic equipment	1,917,757.59	747,466.23
Office equipment	37,898.80	22,521.58
Transport equipment	142,958.30	71,479.13
<b>Total</b>	<b>2,098,614.69</b>	<b>841,466.94</b>

SATYAM COMPUTER SERVICES (SHANGHAI) CO., LTD.  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**17 UNDISTRIBUTED PROFITS**

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Current year net profit	(18,098,528.81)	(16,269,014.44)
Undistributed profits at beginning of year	(57,469,815.27)	(41,200,800.83)
Distributable profit	(75,568,344.08)	(57,469,815.27)
Undistributed profits at the end of year	<u>(75,568,344.08)</u>	<u>(57,469,815.27)</u>

**18 REVENUES FROM MAIN OPERATION**

<u>Item</u>	<u>2009</u>	<u>2008</u>
Software designing, developing and maintainance	58,439,412.93	98,186,783.88
Total	<u>58,439,412.93</u>	<u>98,186,783.88</u>

**19 FINANCE EXPENSES**

	<u>2009</u>	<u>2008</u>
Interest expense	44,007.66	-
Interest income	(20,631.51)	(29,281.93)
Bank charges	353,349.96	318,186.79
Exchange gains/losses-net	49,749.86	253,817.80
	<u>426,475.97</u>	<u>542,722.66</u>

## 20 RELATED PARTY TRANSACTION

Related parties and relationships

<u>Names of Entity</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

Related party transactions

<u>Names of Entity</u>	<u>Description</u>	<u>2009</u>
Satyam Computer Services Ltd.	Rendering of consulting services	3,573,576.03
Satyam Computer Services Ltd.	Purchase of consulting service	1,186,327.78

Ending Balance of related party transaction

<u>Names of Entity</u>	<u>Account Name</u>	<u>Description</u>	<u>Ending Balance</u>
Satyam Computer Services Ltd.	Accounts receivable	Rendering of consulting services	352,458.02
Satyam Computer Services Ltd.	Accounts payable	Purchase of consulting service	9,634,270.59
Satyam Computer Services Ltd.	Other payables	Other transaction	226,308.00
Satyam Computer Services (Nanjing) Co., Ltd.	Other receivables	temporary borrowing	6,277,873.52

## 21 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease payments due under non-cancelable operating leases are as follows:

	<u>Ending Balance</u>	<u>Beginning Balance</u>
Within 1 year	1,117,148.81	1,509,708.10
1 to 2 years	33,882.80	-
	<u>1,151,031.61</u>	<u>1,509,708.10</u>

## ADJUSTMENTS TO INCOME BEFORE TAX

(All amounts are in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

Detailed adjustments and corresponding account name	Interpretation	Adjusted amounts	Remarks
	(Reference included)		
Taxable amounts			
General & administrative expenses – Entertainment expenses	Exceed entertainment expenses standard regulated by tax law	66,193.84	The total entertainment expenses incurred in 2009 is RMB 165,484.61 $165,484.61 \times 40\% = 66,193.84$
General & administrative expenses – Salary	Accrued wages that haven't been paid	23,112.46	Difference of wage and salary payables between ending balance and beginning balance
Non-operating expenses	Unapproved loss on disposal of non-current assets	1,772.24	
Non-operating expenses	Administrative Fine	10,200.00	
General & administrative expenses – Depreciation	Depreciation period exceed tax law regulations	17,869.80	
Costs of main operation	Accrued service fee that haven't been paid	1,186,327.78	
Total taxables		1,305,476.12	
Deductible amounts			
Total deductibles		-	
Adjustments - net			1,305,476.12
Audited income before tax			(18,098,528.81)
Adjusted income before tax			(16,793,052.69)

*Note: The taxable income shall be finally settled by tax authorities.*