

**Radisys Systems Equipment Trading
(Shanghai) Co., Ltd.
Financial Statements
for the Year ended 31st December, 2018**

REPORT OF THE AUDITORS

[English Translation for Reference Only]

REPORT OF THE AUDITORS

(To the board of directors of Radisys Systems Equipment Trading (Shanghai) Co., Ltd.)

Audit opinion

We have audited the financial statements of Radisys Systems Equipment Trading (Shanghai) Co., Ltd. (hereinafter referred to as “the company”), which comprise the balance sheet as of 31 December 2018, the income statement, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Form the basis of audit opinion

We have carried out the audit in accordance with China Standards on Auditing for Certified Public Accountants. The section of the audit report “Responsibility of certified public accountants for the audit of financial statements” further expounds our responsibilities under these standards. According to China code of professional ethics for certified public accountants, we are independent of the company and perform other responsibilities in the field of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for the publication of the audit opinion.

Responsibility of management for the financial statements

The management of the company (hereinafter referred to as the “management”) is responsible for the preparation of financial statements in accordance with the provisions of the Accounting Standards for Business Enterprises (and, to achieve fair reflection, and designing, implementing and maintaining internal control, so that the financial statements are free from material misstatements due to fraud or error.

When preparing financial statements, management is responsible for evaluating the company’s ability to continue as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumption unless management plans to liquidate the company, cease operation or has no other realistic choice.

Responsibility of certified public accountants for the audit of financial statements

Our objective is to get a reasonable guarantee about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is a high level guarantee, but it does not guarantee that an audit carried out in accordance with the Auditing Standards can be found in the presence of a material misstatement. Misstatement can be caused by fraud or error and can be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In the process of implementing audit according to Auditing Standards, we used professional judgment and maintained professional skepticism. And, we also carry out the following work:

- (1) Identify and evaluate the risks of material misstatement of the financial statements caused by fraud or errors, design and implement audit procedures to cope with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. Because fraud may involve collusion, forgery, deliberate omission, misrepresentation or the override of internal control, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
- (2) Understand the internal control related to audit to design appropriate audit procedures, but the purpose is not to express opinions on the effectiveness of internal control.
- (3) Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that there is a material uncertainty, the Audit Standard requires us to draw users’ attention to relevant disclosures in the financial statements of the audit report. If such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information available as of the date of the audit report. However, future matters or circumstances may lead to the company to cease to continue as a going concern.

-
- (5) Evaluate the overall presentation, structure and content (including disclosure) of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance about the planned audit scope, timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Appendices:

1. A copy of the Company's Balance Sheet as of 31 December 2018
2. A copy of the Company's Income Statement for the year ended 31 December 2018.
3. A copy of the Company's Cash Flow Statement for the year ended 31 December 2018.
4. A copy of the Company's Statement of Changes in Equity for the year ended 31 December 2018.
5. A copy of the Company's Notes of the Financial Statements for the year 2018.
6. A copy of the Company's taxable income reconciliation for the year 2018.

Shanghai Kingwood Certified Public Accountants Co., Ltd

Shanghai, China

Mar.10, 2019

Balance Sheet as at 31st December, 2018

Item	Ending Balance	Beginning Balance	Item	Ending Balance	Unit: CNY Beginning Balance
Current Assets:	—	—	Current Liabilities:	—	—
Monetary fund	2,86,528.73	2,49,701.05	Short-term loan		
” Trading financial assets			” Trading financial liabilities		
# Short-term investments			# Warrant payable		
Notes receivable			Notes payable		7,604.80
Accounts receivable	1,21,63,705.01	1,18,78,155.78	Accounts payable		
Advances to suppliers	3,580.00	7,721.44	Advances receipt		
Dividends receivable			Wages payable	2,64,100.92	5,59,799.84
Interests receivable			Including: Accrued payroll	2,64,100.92	5,59,799.84
Other receivable	50,66,745.75	50,66,745.75	Allowance payable		
Inventories			Including: Staff and workers' bonus and welfare fund		
Including: Raw materials			Tax and fee payable		
Finished goods(commodities in stock)			Including: Taxes payable		
Long-term investments maturing within one year			Interests payable		
Other current assets			Dividends payable		
Total Current Assets	1,75,20,559.49	1,72,02,324.02	Other payable	31,43,596.97	30,89,726.73
Non-Current Assets	—	—	Long-term liabilities due within one year		
” Financial assets available for sale			Other current liabilities		
” Held-to-maturity investment			Total Current Liabilities	34,07,697.89	36,57,131.37
# Long-term debt investments			Long-term Liabilities:		
” Long-term receivables			Long-term borrowings		
Long-term equity investments			Debentures payable		
# Right of equity Separation and Circulation			Long-term payables		
” Investment real estate			Special accounts payable		
Fixed assets—cost	1,88,245.94	1,88,245.94	Accrued liabilities		
Less: accumulated depreciation	1,67,786.51	1,65,676.79	” Deferred income tax credits		
Fixed assets—net value			# Deferred tax credit		
Less: Provision for impairment of fixed assets	20,459.43	22,569.15	Other long-term liabilities		
Fixed assets—written-down value			Including: Specially approved reserving fund		
Constructions in progress			Total Long-term Liabilities	-	-
Goods and materials for construction			TOTAL LIABILITIES	34,07,697.89	36,57,131.37
Disposal of fixed assets			Owner's Equity(or Shareholders Equity):		
” Productive living assets			Paid-in Capital	34,76,298.00	34,76,298.00
” Oil and gas assets			National capital		
Intangible assets			Collective capital		
Including: Land occupancy rights			Legal person's capital		
” R&D expenses			Including: State-owned legal person's capital		
” Goodwill			Collective legal person's capital		
#* Consolidated price difference			Chinese investment		
Long-term deferred expenses			Foreign investment	34,76,298.00	34,76,298.00
”Deferred income tax charges			Less: Investments returned		
# Deferred taxes debit			Net Value of Subscribed Capital	34,76,298.00	34,76,298.00
Other long-term assets			Capital Surplus		
Including: Specially approved reserving materials			Less: Treasury stock		
Total Non-Current Assets	20,459.43	22,569.15	Surplus Reserve	17,38,149.00	17,38,149.00
			Including: Statutory surplus reserve		
			Other surplus reserve		
			Reserve fund	17,38,149.00	17,38,149.00
			Enterprise expansion fund		
			Return investment by investment		
			” General risk preparation		
			* # Unrecognized losses on investment		
			Undistributed profits	89,18,874.03	83,53,314.80
			Including: Cash dividends		
			* Differences on foreign currency translation		
			Total owner's equity belongs to parent company	1,41,33,321.03	1,35,67,761.80
			*Minority interests		
			TOTAL OWNERS' EQUITY	1,41,33,321.03	1,35,67,761.80
			# Less: Loss of assets		
			TOTAL OWNERS' EQUITY(Value after deducting loss of assets)	1,41,33,321.03	1,35,67,761.80
TOTAL ASSETS	1,75,41,018.92	1,72,24,893.17	TOTAL LIABILITIES AND OWNERS' EQUITY	1,75,41,018.92	1,72,24,893.17

Income Statement

2018		Unit: CNY			
Item	Current year	Previous year	Item	Current year	Previous year
I. Gross operating income	29,64,624.36	31,28,844.90	other income		
Including: operating income	29,64,624.36	31,28,844.90	Add: P&L on the changes in fair value(loss displayed with “-”)		
Including: Revenue from primary business	29,64,624.36	31,28,844.90	Investment income		
Income from other operations			Including: Investment income towards joint-owned enterprises and joint ventures enterprise		
II. Gross operating Cost	23,99,028.84	44,11,498.99	III. Operating profits	5,65,595.52	-12,82,654.09
Including: Cost of businesses	4,35,157.50	8,42,709.62	Add: Non-operating income		2,69,918.92
Including: Cost of primary businesses	4,35,157.50	8,42,709.62	Including: Gains on disposal of fixed assets		
cost of other operations			Non-monetary asset exchange profit(Non-monetary trading profit)		
Sales taxes	889.52	-17,703.28	Subsidy from government		
Operating expenses	21,64,820.06	19,55,231.36	Profit on arrangement		
General and administrative expenses	1,39,937.72	11,03,547.72	Less: (1)Non-operating expenses	36.29	4,550.40
Including: R&D expenses			Including: Losses on disposal of fixed assets		4,550.40
Finance expenses	-3,41,775.96	5,27,713.57	Non-monetary asset exchange loss(non-monetary trading loss)		
Including: Interest expense			Loss on arrangement		
Interest income	-855.26	-1,430.91	IV. Total profits	5,65,559.23	-10,17,285.57
Profit & Loss on exchange (profit displayed with “-”)	-3,45,138.43	5,25,009.38	Less: Income tax		
” Asset impairment loss			Add: *# Unrecognized losses on investment		
			V.Net profits	5,65,559.23	-10,17,285.57

Statement of Cash Flows

2018			Unit: CNY		
Item	Current year	Previous year	Item	Current year	Previous year
I. Cash Flows from Operating Activities:	—	—	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Cash received from sales of goods or rendering of services	30,52,666.40	26,94,258.90	Cash paid relating to other investing activities	-	
Refunds of Taxes	6,457.23	2,88,813.25	Sub-total of cash outflows	-	-
Other cash received relating to operating activities	855.26	1,430.91	Net cash flows from investing activities	-	-
Sub-total of cash inflows	30,59,978.89	29,84,503.06	III. Cash Flows from Financing Activities:	—	
Cash paid for goods and services	2,97,461.75	3,66,241.13	Cash received from investments by others		
Cash paid to and on behalf of employees	26,08,135.32	30,90,429.09	Including: Cash received from Minority shareholder by subsidiary	-	
Payments of all types of taxes	889.52	1,191.06	Cash received from borrowings		
Cash paid relating to other operating activities	88,211.78	81,020.53	Cash received relating to other financing activities	-	
Sub-total of cash outflows	29,94,698.37	35,38,881.81	Sub-total of cash inflows	-	
Net cash flows from operating activities	65,280.52	-5,54,378.75	Cash repayments of amounts borrowed	-	
II. Cash Flows from Investing Activities:			Cash paid for distribution of dividends or profits and for interest expenses		
Cash received from return of investments			Including: Share dividend and profit of minority paid by subsidiaries	-	
Cash received from return on investments			Cash paid relating to other financing activities	-	
Net cash received from the sale of subsidiary and other companies			Sub-total of cash outflows		
Net cash received from the sale of fixed assets, intangible assets and other long-term asset			Net cash flows from financing activities	-	
Cash received relating to other investing activities			IV. Effect of Foreign Exchange Rate Changes on Cash	-28,452.84	-40,178.42
Sub-total of cash inflows	-	-	V. Net Increase in Cash and Cash Equivalents	36,827.68	-5,94,557.17
Cash paid to acquire fixed assets ,intangible assets and other long-term assets			VI. Cash and Cash equivalents at the beginning of the period	2,49,701.05	8,44,258.22
Cash paid to acquire investments			VII. Cash and Cash equivalents at the end of the period	2,86,528.73	2,49,701.05

Variation Statement of Owner's Equity

2018	Item	Current year							Unit: CNY		
		Owner's equity belongs to parent company	Capital reserves	Less: treasury stock	Surplus reserves	Reserve General risk	Undistributed profits	Other	TOTAL	Minority interest	TOTAL OWNERS' EQUITY
	I. Opening balance	34,76,298.00			17,38,149.00		83,53,314.80		1,35,67,761.80		1,35,67,761.80
	Add: Change of accounting policy								-		-
	Correction of previous mistakes								-		-
	II. Beginning balance of current year	34,76,298.00	-	-	17,38,149.00	-	83,53,314.80	-	1,35,67,761.80	-	1,35,67,761.80
	III. Variable amount occurred in current year(decreased amount displayed with "-")						5,65,559.23		5,65,559.23		5,65,559.23
	A. Net profit						5,65,559.23		5,65,559.23		5,65,559.23
	B. P&L directly posting in owner's equity								-		-
	1. Variable net amount on fair value of financial assets available to sale								-		-
	2. Influence by change of other owner's equity of invested company with equity method								-		-
	3. Influence of taxation caused by owner's equity related items								-		-
	4. others								-		-
	Sum of III-A and III-B						5,65,559.23		5,65,559.23		5,65,559.23
	C. Owner's invested and withdrawing capital								-		-
	1. Owner invested capital								-		-
	2. Posting amount to owner's equity paid by stock								-		-
	3. other								-		-
	D. Distribution of profits								-		-
	1. Accrued surplus reserves								-		-
	2. Distribution to owners/ shareholders								-		-
	Including: Profit(state-owned share dividend and share interest)submitted by state- owned enterprise								-		-
	Common share dividend								-		-
	Common share dividend re- investment								-		-
	3. Others								-		-
	E. Internal transaction of owner's equity								-		-
	1. Capital surplus transferred to subscribed capital (or capital stock)								-		-
	2. Surplus reserve transferred to subscribed capital (or capital stock)								-		-
	3. Remedying loss with surplus reserve								-		-
	4. Others								-		-
	IV. Ending balance	34,76,298.00	-	-	17,38,149.00	-	89,18,874.03	-	1,41,33,321.03	-	1,41,33,321.03

Variation Statement of Owner's Equity

2017										Unit: CNY	
Item	Last year							TOTAL	Minority interest	TOTAL OWNERS' EQUITY	
	Owner's equity belongs to parent company	Paid-in Capital	Capital reserves	Less: treasury stock	Surplus reserves	Reserve General risk	Undistributed profits				Other
I. Opening balance	34,76,298.00				17,38,149.00		93,70,600.37		1,45,85,047.37		1,45,85,047.37
Add: Change of accounting policy									-		-
Correction of previous mistakes									-		-
II. Beginning balance of current year	34,76,298.00	-	-	-	17,38,149.00	-	93,70,600.37	-	1,45,85,047.37	-	1,45,85,047.37
III. Variable amount occurred in current year(decreased amount displayed with "+.")	-	-	-	-	-	-	-10,17,285.57	-	-10,17,285.57	-	-10,17,285.57
A. Net profit									-		-
B. P&L directly posting in owner's equity	-	-	-	-	-	-	-	-	-	-	-
1.Variable net amount on fair value of financial assets available to sale									-		-
2.Influence by change of other owner's equity of invested company with equity method									-		-
3.Influence of taxation caused by owner's equity related items									-		-
4.others									-		-
Sum of III-A and III-B	-	-	-	-	-	-	-10,17,285.57	-	-10,17,285.57	-	-10,17,285.57
C. Owner's invested and withdrawing capital	-	-	-	-	-	-	-	-	-	-	-
1.Owner invested capital									-		-
2.Posting amount to owner's equity paid by stock									-		-
3.other									-		-
D. Distribution of profits	-	-	-	-	-	-	-	-	-	-	-
1.Accrued surplus reserves									-		-
2.Distribution to owners/shareholders									-		-
Including: Profit(state-owned share dividend and share interest)submitted by state-owned enterprise									-		-
Common share dividend									-		-
Common share dividend re-investment									-		-
3.Others									-		-
E. Internal transaction of owner's equity	-	-	-	-	-	-	-	-	-	-	-
1.Capital surplus transferred to subscribed capital (or capital stock)									-		-
2.Surplus reserve transferred to subscribed capital (or capital stock)									-		-
3.Remedying loss with surplus reserve									-		-
4.Others									-		-
IV. Ending balance	34,76,298.00	-	-	-	17,38,149.00	-	83,53,314.80	-	1,35,67,761.80	-	1,35,67,761.80

NOTES TO THE FINANCIAL STATEMENTS

2018

(Currency is RMB, unless elsewhere specified)

A. Brief introduction of the company

Radisys Systems Equipment Trading (Shanghai) Co., Ltd. (“the company”) is a wholly foreign-owned enterprise established by Radisys Convedia (Ireland) Limited on Oct 10, 2003. Renewal business license reference number is 913100007550092229. The new registered address is Room B08 3# Building No151, Keyuan Road, China(Shanghai) Free Trade Area, Shanghai. The registered capital is USD 420,000.00. The legal representative is JONATHAN PATRICK WILSON.

Business scope: Wholesaling, import & export, commission agency (excluding auctioning) and repair of embedded and fully integrated systems for computer, data processing and network-intensive applications, including hardware such as board-level embedded computers, blade servers, rackmount servers, motherboards, network interfaces and packet processing engines, advanced mezzanine cards, small form factor computing, I/O cards and adapters, middleware, software and test devices used in the manufacturing of the above mentioned products; research and development of products similar to those mentioned above; transfer of self-owned technology; provision of related technical support, technical consulting and after-sales services; other related ancillary services. (Business activities which need the approval of the relevant departments shall not be carried out without authority.)

B. Major accounting policies and accounting estimates

1. Accounting Standards and accounting systems

The Company in the preparation of the financial statements confirms to the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises.

2. Accounting year

The accounting year of the company is from 1 January 1 to 31 December.

3. Recording currency and currency conversion

Recording currency is RMB basis.

4. Recording principle and valuation basis

Obligation principle is adopted, historical cost.

5. Foreign Currency Translation

Transactions denominated in foreign currencies are translated into RMB at the average exchange rates stipulated by the People’s Bank of China on the first day of the month. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates stipulated by the People’s Bank of China at the balance sheet date. Exchange differences arose from these translations are taken to the profit and loss account.

6. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Accounts receivable bad debt losses recognized standards

Accounts receivable bad debt losses recognized standards

Because of bankrupt or death of debtor, accounts receivable that still cannot be unredeemable even though discharging with his bankrupt assets and bequest.

Accounts receivable, overdue more than three years, is obvious that cannot be unredeemed and is approved by the Board confirming as bad debts.

Allowance method is used for loss on bad debit. The provision for bad debt losses is estimated by management based on individual accounts receivable which show signs of uncollectibility and an ageing analysis. Provision for other receivables is determined based on their specific nature and management’s estimate of their collectability.

NOTES TO THE FINANCIAL STATEMENTS

8. Fixed asset valuation and depreciation methods

Fixed assets are assets with comparatively high unit values held by the Company for use in the supply of services and for administrative purposes. They are expected to be used for more than one year

Fixed assets were initially recorded at historical cost

Fixed assets are depreciated using the straight-line method over their estimated useful lives.

Items	Estimated useful life (year)	Residual Rate	Depreciation Rate
Machinery	5year	10%	18%
Electronic Equipment	5year	10%	18%
Improvements of fixed-assets	Useful life		

9. Amortization and valuation method of intangible assets

Intangible assets are carried in the balance sheet at cost. The cost of the intangible assets is amortized on a straight-line basis over their estimated useful lives.

10. Long-term deferred expenses

Amortization of improvement of rented fixed-assets, is based on the shorter period between leasing period and workable period of rented fixed-assets

11. Revenue recognition principle

Revenue for providing labor services

The labor that is finished in the same fiscal year confirms revenue when it is finished; If the labor begins and finishes in different fiscal year, in the circumstances of provision of services transaction results to be reliable estimated, at the balance sheet date, according to the percentage, corresponding labor revenues are confirmed.

12. Accounting methods for income tax

Income tax is recognized when payable under the tax payable method.

13. Related parties

Parties are related parties when one is under control of the other directly or indirectly in financial and operational decision making; or two or more parties are under the same control of one party.

C. Taxation Items

Main taxation items applicable to the company include :

- Value-added Tax
Statutory Value-added tax rate is 6%. The company obtained a certificate of Advance Technology Service Company on April 10, 2015 which valid from January 1, 2014 to December 31, 2018. Revenues generated from off-shore services with exception of VAT was approved by Shanghai tax authority on July 13, 2016 . So the revenues after July were VAT-free.
- Company Income Tax
15% on taxable income since the company is Advanced Technology Service Company which obtained a certificate on April 10 which valid till December 31,2018.

NOTES TO THE FINANCIAL STATEMENTS

D. Notes to items on financial statements

1. Monetary fund

	Dec.31, 2018	Dec.31, 2017
Cash on hand		
Cash in bank	2,86,528.73	2,49,701.05
Total	<u>2,86,528.73</u>	<u>2,49,701.05</u>

2. Accounts receivable

	Dec.31, 2018	Dec.31, 2017
Accounts receivable	1,21,63,705.01	1,18,78,155.78
Bad debt provision	-	-
Net value	<u>1,21,63,705.01</u>	<u>1,18,78,155.78</u>

Aging summary:

	Dec.31, 2018			Dec.31, 2017		
	Amount	Portion	Bad debt provision	Amount	Portion	Bad debt provision
Less than 1 year	1,21,63,705.01	100%	-	1,18,78,155.78	100%	-
Total	<u>1,21,63,705.01</u>	<u>100%</u>	<u>-</u>	<u>1,18,78,155.78</u>	<u>100%</u>	<u>-</u>

Affiliated Enterprises and debtor with big amount under accounts receivable

Name of the customer	Contents	Amount	Notes
Radisys Corporation		93,34,370.66	-

3. Other Accounts Receivable

	Dec.31, 2018	Dec.31, 2017
Other Accounts Receivable	50,66,745.75	50,66,745.75
Provision for bad debit	-	-
Net value	<u>50,66,745.75</u>	<u>50,66,745.75</u>

Affiliated Enterprises and debtor with big amount under other accounts receivable

Name of the customer	Contents	Amount	Notes
Radisys Corporation		49,62,578.57	

4. Prepaid accounts

Aging summary:

	Dec.31, 2018		Dec.31, 2017	
	Amount	Portion	Amount	Portion
Within 1 year	3,580.00	100%	7,721.44	100%
Total	<u>3,580.00</u>	<u>100%</u>	<u>7,721.44</u>	<u>100%</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Fixed assets and accumulated depreciation

	Testing Equipment	Electronic Equipment	Transport Equipment	Office Equipment	Computer Equipment	Total Equipment
<u>Original Cost</u>						
Beginning	56,000.00	91,250.66	-	12,360.02	28,635.26	1,88,245.94
Increased						-
Decreased						-
Ending	56,000.00	91,250.66	-	12,360.02	28,635.26	1,88,245.94
<u>Accumulated Depreciation</u>						
Beginning	50,400.02	82,125.14	-	11,124.17	22,027.46	1,65,676.79
Increased					2,150.13	2,150.13
Decreased						
Adjust					(40.41)	(40.41)
Ending	50,400.02	82,125.14	-	11,124.17	24,177.59	1,67,786.51
<u>Net</u>						
Beginning	5,599.98	9,125.52	-	1,235.85	6,607.80	22,569.15
Ending	5,599.98	9,125.52	-	1,235.85	4,457.67	20,459.43

6. Accounts payable	Dec.31, 2018	Dec.31, 2017
Total	-	7,604.80

7. Accrued Payroll	Dec.31, 2018	Dec.31, 2017
Accrued Payroll	2,64,100.92	5,59,799.84
Welfare payable		
Total	2,64,100.92	5,59,799.84

8. Other payable	Dec.31, 2018	Dec.31, 2017
Total	31,43,596.97	30,89,726.73

Including: affiliated enterprises and other payable with big amount

Name of the customer	Contents	Amount	Notes
Radisys Corporation		26,27,180.99	

9. Paid-in Capital

	Dec.31, 2018		Dec.31, 2017	
	USD	RMB	USD	RMB
Radisys Convedia (Ireland) Limited	4,20,000.00	34,76,298.00	4,20,000.00	34,76,298.00
Total	4,20,000.00	34,76,298.00	4,20,000.00	34,76,298.00

Ernst & Young Hua Ming Certified Public Accountants have verified the above capital contribution, and issued related capital verification report.

NOTES TO THE FINANCIAL STATEMENTS

10.	Surplus reserves				
		Beginning	Increased	Decreased	Ending
	General reserve fund	17,38,149.00	-	-	17,38,149.00
	Total	<u>17,38,149.00</u>	-	-	<u>17,38,149.00</u>
11	Undistributed profit				
				Dec.31, 2018	Dec.31, 2017
	Beginning amount			83,53,314.80	93,70,600.37
	Net profit of the year			5,65,559.23	(10,17,285.57)
	Distributable profit			<u>89,18,874.03</u>	<u>83,53,314.80</u>
	Less: Appropriation of reserve fund			-	-
	Ending amount			<u>89,18,874.03</u>	<u>83,53,314.80</u>
12	Operation Income			Year 2018	Year 2017
	Operation Income			29,64,624.36	31,28,844.90
	Total			<u>29,64,624.36</u>	<u>31,28,844.90</u>
13	Operation Cost			Year 2018	Year 2017
	Operation Cost			4,35,157.50	8,42,709.62
	Total			<u>4,35,157.50</u>	<u>8,42,709.62</u>
14	Extra taxes			Year 2018	Year 2017
	Total			<u>889.52</u>	<u>(17,703.28)</u>
15	Sales & Marketing expenses			Year 2018	Year 2017
	Total			<u>21,64,820.06</u>	<u>19,55,231.36</u>
16	General and administrative expenses			Year 2018	Year 2017
	Total			<u>1,39,937.72</u>	<u>11,03,547.72</u>
17	Financial expenses			Year 2018	Year 2017
	Interest expenses				
	Interest income			(855.26)	(1,430.91)
	Foreign exchange loss/income			(3,45,138.43)	5,25,009.38
	Others			4,217.73	4,135.10
	Total			<u>(3,41,775.96)</u>	<u>5,27,713.57</u>
18	Non-operation Income			Year 2018	Year 2017
	Items				
	Tax refund			-	2,69,918.91
	Others			-	0.01
	Total			<u>-</u>	<u>2,69,918.92</u>
19,	Non-operation expenses			Year 2018	Year 2017
	Items				
	Loss Of Fixed Assets			-	4,550.40
	Fine			36.29	-
	Total			<u>36.29</u>	<u>4,550.40</u>

NOTES TO THE FINANCIAL STATEMENTS

E ADJUSTING THE NET PROFITS TO THE OPERATING CASH FLOWS

Items	Year 2018	Year 2017
Net profit of this year	5,65,559.23	(10,17,285.57)
Add: Provision for impairment of assets	-	-
Depreciation of fixed assets	2,109.72	5,799.01
Amortization of intangible assets		
Amortization of long-term prepaid expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	-	4,550.40
Losses on fixed asset scrapping		
Financial expenses	28,452.84	40,178.42
Loss arising from investments (or deduct: gains)		
Deferred tax credit (or deduct: debit)		
Decrease in inventories (or deduct: increase)		
Decrease in operating receivables (or deduct: increase)	(2,81,407.79)	1,10,342.15
Increase in operating payables (or deduct: decrease)	(2,49,433.48)	3,02,036.84
Others	-	-
Net cash flows from operating activities	<u>65,280.52</u>	<u>(5,54,378.75)</u>

F RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The following entities are related parties where a control relationship exists:

Name of related parties	Place of Register	Main operation	Relationship	Type
Radisys Convedia (Ireland) Limited	Ireland		Investor	Foreign

2. **Related parties**

Related parties	Relationship
Radisys Convedia (Ireland) Limited	Investor
Radisys Corporation	Joint control
Radisys Technology (Ireland) Ltd.	Under the same ultimate control
Radisys Canada	Under the same ultimate control
Radisys Technologies (Shenzhen) Co., Ltd.	Under the same ultimate control

3. Transactions between related parties
(1) Accounts Receivable and Accounts Payable

Items	Related parties	Dec. 31, 2018	Dec. 31, 2017
Accounts receivable	Radisys Technologies (Shenzhen) Co., Ltd.	27,76,172.00	27,76,172.00
	Radisys Canada	53,162.35	50,613.91
	Radisys Corporation	93,34,370.66	90,51,369.87
		<u>1,21,63,705.01</u>	<u>1,18,78,155.78</u>
Other receivable	Radisys Corporation	49,62,578.57	49,62,578.57
	Radisys Canada	96,907.18	96,907.18
		<u>50,59,485.75</u>	<u>50,59,485.75</u>
Other accounts payable	Radisys Corporation	26,27,180.99	26,10,885.81
	Radisys Canada	4,99,030.46	4,77,219.02
		<u>31,26,211.45</u>	<u>30,88,104.83</u>

G Other Matters

No other matters required for disclosure.

H Subsequent events after the balance sheet date

No subsequent event after the balance sheet date to disclose.

TAXABLE INCOME RECONCILIATION

2018

	Currency: RMB Amount
Accounting income for the year	5,65,559.23
Add: Amortization of bad debts	-
Business entertainment expenses over limit	27,397.88
Advertising and business publication expenses	
Loss Of fixed assets disposal	
Amortization of intangible assets	
Amortization of long-term prepaid expenses	
Penalty expenses	36.29
Commercial premium	8,283.00
Others - IIT refund	
Others - unreceived office deposit	
Accrued expenses	15,763.62
Accrued payroll	(2,95,698.92)
Total Addition	<u>(2,44,218.13)</u>
Less: Amortization of start-up costs	-
Investment Income (except investment stock income within one year)	-
**	-
Total Deduction:	<u>-</u>
Taxable income for the year	3,21,341.10
Add: Carried forward losses of prior years	<u>(3,21,341.10)</u>
Taxable income reconciled	<u><u>(0.00)</u></u>

Note: The reconciliation of taxable income above is to be reviewed by the tax bureau, who has the final decision on the reconciled taxable income amount.