

**Radisys Technologies (Shenzhen) Co. Ltd.**

**Financial Statements  
for the year ended 31st December, 2021**

## Auditor's Report

To the Board of Directors of Radisys Technologies (Shenzhen) Co., Ltd.,

### **1. Opinion**

We have audited the financial statements of Radisys Technologies (Shenzhen) Co., Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2021, and the income statement, the cash flow statement, and the statement of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company are prepared and present fairly, in all material respects, the Company's financial position as of 31 December 2021, and the Company's results of operations and cash flows for the year then ended in accordance with China Accounting Standards.

### **2. Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **3. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Report - continued

**4. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Report - continued

**4. Auditor's Responsibilities for the Audit of the Financial Statements - continued**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu CPA LLP  
Shenzhen Branch

Shenzhen, China

Chinese Certified Public Accountant

Chinese Certified Public Accountant

6th April 2022

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

**STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2021**

	<u>NOTE</u>	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
<u>Assets</u>			
Current Assets:			
Cash and bank balances	6	202,138.45	126,256.44
Accounts receivable	7	51,382,097.39	52,089,874.84
Prepayments	8	34,535.03	20,472.62
Other receivables	9	20,852,320.78	20,852,320.78
Total Current Assets		<u>72,471,091.65</u>	<u>73,088,924.68</u>
Non-current Assets			
Fixed assets	10	238,849.04	222,663.16
Intangible assets		-	0.07
Total Non-current Assets		<u>238,849.04</u>	<u>222,663.23</u>
Total Assets		<u><u>72,709,940.69</u></u>	<u><u>73,311,587.91</u></u>
<u>Liabilities and Owners' Equity</u>			
Current Liabilities:			
Employee benefits payable	11	831,425.62	888,853.16
Taxes payable	12	132,838.50	41,896.64
Other payables	13	37,853,086.20	37,714,480.91
Total Current Liabilities		<u>38,817,350.32</u>	<u>38,645,230.71</u>
Non-current Liabilities			
Long-term payables	14	41,377,209.13	40,329,036.67
Total Non-current Liabilities		<u>41,377,209.13</u>	<u>40,329,036.67</u>
Total Liabilities		<u>80,194,559.45</u>	<u>78,974,267.38</u>
Owners' Equity:			
Paid-in capital	15	41,283,841.68	41,283,841.68
Capital reserve	16	8,281,970.29	8,281,970.29
Unappropriated profits	17	(57,050,430.73)	(55,228,491.44)
Total Owners' Equity		<u>(7,484,618.76)</u>	<u>(5,662,679.47)</u>
Total Liabilities and Owners' Equity		<u><u>72,709,940.69</u></u>	<u><u>73,311,587.91</u></u>

The accompanying notes form part of the financial statements.

The financial statements on pages 4 to 31 were signed by the following:

\_\_\_\_\_  
Legal Representative

\_\_\_\_\_  
Head of Financial Function

\_\_\_\_\_  
Head of Accounting Department

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<u>ITEM</u>	<u>NOTE</u>	<u>Year ended 31/12/2021 RMB</u>	<u>Year ended 31/12/2020 RMB</u>
I. Operating income	18	8,142,347.58	7,503,603.92
Less: Operating costs	19	6,503,015.72	6,134,591.82
Taxes and levies	20	10,416.27	11,066.19
Administrative expenses	21	1,106,654.89	878,122.13
Financial expenses	22	2,254,075.03	2,850,812.21
Including: Interest expenses		1,992,314.65	2,033,914.59
Interest income		758.60	556.36
II. Operating profit		(1,731,814.33)	(2,370,988.43)
Add: Non-operating income		-	3,690.66
III. Total profit		(1,731,814.33)	(2,367,297.77)
Less: Income tax expenses	23	90,124.96	-
IV. Net profit		(1,821,939.29)	(2,367,297.77)
Including: Net profit from continuing operations		(1,821,939.29)	(2,367,297.77)
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income		(1,821,939.29)	(2,367,297.77)

The accompanying notes form part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>Paid-in capital</u> RMB	<u>Capital reserve</u> RMB	<u>Unappropriated profits</u> RMB	<u>Total owners' equity</u> RMB
I. Balance at 31 December 2020 and 1 January 2021	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(55,228,491.44)</u>	<u>(5,662,679.47)</u>
II. Changes for the year				
(I) Total comprehensive income	<u>-</u>	<u>-</u>	<u>(1,821,939.29)</u>	<u>(1,821,939.29)</u>
III. Balance at 31 December 2021	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(57,050,430.73)</u>	<u>(7,484,618.76)</u>
	<u>Paid-in capital</u> RMB	<u>Capital reserve</u> RMB	<u>Unappropriated profits</u> RMB	<u>Total owners' equity</u> RMB
I. Balance at 31 December 2019 and 1 January 2020	<u>41,283,841.68</u>	<u>3,686,573.29</u>	<u>(52,861,193.67)</u>	<u>(7,890,778.70)</u>
II. Changes for the year				
(I) Total comprehensive income	<u>-</u>	<u>-</u>	<u>(2,367,297.77)</u>	<u>(2,367,297.77)</u>
(II) Other comprehensive income	<u>-</u>	<u>4,595,397.00</u>	<u>-</u>	<u>4,595,397.00</u>
III. Balance at 31 December 2020	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(55,228,491.44)</u>	<u>(5,662,679.47)</u>

The accompanying notes form part of the financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<u>ITEM</u>	<u>NOTE</u>	<u>Year ended 31/12/2021 RMB</u>	<u>Year ended 31/12/2020 RMB</u>
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		7,754,021.91	7,227,962.40
Receipts of tax refunds		-	3,690.66
Other cash receipts relating to operating activities		7,546.30	2,691.80
Sub-total of cash inflows from operating activities		<u>7,761,528.21</u>	<u>7,234,344.86</u>
Cash payments for goods purchased and services received		324,979.61	651,664.98
Cash payments to and on behalf of employees		6,765,103.58	5,933,891.66
Payments of various types of taxes		77,336.50	71,864.44
Other cash payments relating to operating activities		350,608.64	377,200.48
Sub-total of cash outflows from operating activities		<u>7,518,028.33</u>	<u>7,034,621.56</u>
Net Cash Flow from Operating Activities	25	<u>243,539.88</u>	<u>199,723.30</u>
<b>II. Cash Flows from Investing Activities:</b>			
Cash payments to acquire or construct fixed assets and other long-term assets		135,639.40	103,137.40
Sub-total of cash outflows from investing activities		<u>135,639.40</u>	<u>103,137.40</u>
Net Cash Flow from Investing Activities		<u>(135,639.40)</u>	<u>(103,137.40)</u>
<b>III. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		<u>(32,018.47)</u>	<u>(46,137.53)</u>
<b>IV. Net Changes in Cash and Cash Equivalents</b>			
Add: Opening Balance of Cash and Cash Equivalents	24	<u>126,256.44</u>	<u>75,808.07</u>
<b>V. Closing Balance of Cash and Cash Equivalents</b>			
	24	<u>202,138.45</u>	<u>126,256.44</u>

The accompanying notes form part of the financial statements.



**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**1. BASIC INFORMATION ABOUT THE COMPANY**

Radisys Technologies (Shenzhen) Co., Ltd. (the "Company") is a limited liability company incorporated by Radisys Cayman Limited in Shenzhen City, Guangzhou Province on 4 July 2005 with registered capital of USD 5,450,000.00.

The approved scope of business of the Company includes: research, development and design of communication systems (including broadband access network communication systems, IP data communication systems, high-end routers, gigabit-plus network switches, mobile communication system switching equipment and related supporting intermediate equipment), embedded computers, telecommunication terminal equipment, telecommunication equipment and related components, development of related software products, and provision of related consulting and technical services (excluding national restricted items); engaged in the wholesale, import and export business of communication systems, telecommunication equipment and related components, software products and related goods and technologies and related supporting services (the above-mentioned commodities involving quota license management and management of special provisions shall be handled in accordance with the relevant State regulations); the licensed business items are: production of communication systems (including broadband access network communication systems, IP data communication systems, high-end routers, gigabit-plus network switches, the mobile communication system switching equipment and related supporting intermediate equipment), embedded computers, telecommunications terminal equipment, telecommunications equipment and related components; production of related software products.

The parent company of the Company is Radisys Cayman Limited, and the ultimate holding company is Reliance Industries Limited.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

As at 31 December 2021, the Company had accumulated unappropriated loss of RMB 57,050,430.73. As Radisys Corporation will provide all necessary financial support in the foreseeable future so as to maintain the Company's ability to continue as a going concern when the outstanding debts owed by the Group fall due, the financial statements have been prepared on a going concern basis.

**3. STATEMENT OF COMPLIANCE WITH THE ASBE**

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's financial position as of 31 December 2021, and the results of operations and cash flows for the year then ended.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

The following significant accounting policies and accounting estimates are determined in accordance with the Accounting Standards for Business Enterprises.

Accounting year

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company operates.

Therefore, the Company chooses RMB as its functional currency.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting. The Company adopts the historical cost as the basis of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, which are observable for the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents

Cash comprises an enterprise's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term (generally due within three months after the date of acquisition), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Company recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts future cash flows through the expected life or shorter period (if applicable) of the financial asset or financial liability to the net carrying amount of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms (such as earlier repayment, extension, call option or other similar options etc.) of the financial asset or financial liability without considering expected credit losses.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Financial instruments - continued

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

*Classification, recognition and measurement of financial assets*

Subsequent to initial recognition, the financial assets of the Company are subsequently measured at amortized cost.

If contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such assets are classified into financial assets measured at amortized cost. The financial assets mainly include cash and bank balances, accounts receivable and other receivables.

Financial assets classified as measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

For financial assets measured at amortized cost, the Company recognizes interest income using effective interest method. Interest income is determined by applying an effective interest rate to the carrying amount of the financial asset, except for the following circumstances:

- For purchased or originated credit-impaired financial asset, the Company calculates the interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset since initial recognition.
- For purchased or originated credit-impaired financial asset that was not credit-impaired but has become credit-impaired in subsequent period, the Company calculates the interest income by applying the effective interest rate to the amortized cost of the financial assets. If the financial instrument subsequently becomes no longer credit-impaired due to improvement of its credit risk, and such improvement can be related to an event occurring subsequent to the application of above provisions, the Company calculates the interest income by applying the effective interest rate to the carrying amount of the financial asset.

*Impairment of financial assets*

The Company recognises an allowance for losses on financial instruments classified as measured at amortised cost on the basis of expected credit losses ("ECL").

The Company measures an allowance for losses on accounts receivable resulting from transactions governed by the Revenue Standards that do not contain a significant financing component or do not take into account the financing component of contracts that do not exceed one year at an amount equal to the lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Company assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Company measures loss allowance based on the amount of lifetime ECL; if credit risk of the financial instrument has not increased significantly since initial recognition, the Company recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as gain or loss on impairment.

Where the Company has measured loss allowance for a financial instrument at lifetime ECL in prior period, but at the balance sheet date for the current period, the financial instrument no longer satisfies the criteria that the credit risk has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at 12-month ECL, with any resulting reversal of loss allowance recognized as impairment gains in profit or loss.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Financial instruments - continued

*Impairment of financial assets* - continued

*- Significant increase in credit risk*

The Company uses reasonable and supportable forward-looking information that is available and compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition so as to determine whether the credit risk has increased significantly since initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Significant changes in internal price indicators as a result of a change in credit risk;
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage);
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. These indicators include the credit spread, the credit swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments;
- (4) An actual or expected significant change in the financial instrument's external credit rating;
- (5) An actual or expected internal credit rating downgrade for the borrower;
- (6) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- (7) An actual or expected significant change in the operating results of the borrower.
- (8) Significant changes in credit risk of other financial instruments issued by the same borrower.
- (9) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (11) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- (12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
- (13) Significant changes in the expected performance and repayment behaviour of the borrower.
- (14) Changes in the Company's credit management approach in relation to the financial instrument.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Financial instruments - continued

*Impairment of financial assets* - continued

- *Significant increase in credit risk* - continued

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have lower credit risk at the balance sheet date. A financial instrument is determined to have lower credit risk if: i) it has a lower risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

- *Credit-impaired financial assets*

Financial assets are considered to be credit-impaired when one or more events that are expected to adversely affect the future cash flows of the financial assets have occurred. The evidence of credit impairment of financial assets includes the following observable information:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

Based on the Company's internal credit risk management, if the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company), the Company considers that an event of default has occurred.

- *Determination of expected credit losses*

In determining the credit loss of financial instruments, the accounts receivable are assessed on individual basis.

For financial assets, the credit loss shall be the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

The Company's measurement of expected credit losses of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

- *Write-off of financial assets*

The Company shall directly reduce the carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**5. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Financial instruments - continued

*Transfer of financial assets*

The Company derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, but retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Company's retained rights (if the Company retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Company (if the Company assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the consideration received for the transfer is recognized in profit or loss for the period, for financial assets classified as financial assets carried at amortized cost.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between the consideration received for derecognition component and the carrying amount of derecognition component at the date of derecognition is recognized in current profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Company continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a liability upon receipt.

*Classification and measurement of financial liabilities and equity instruments*

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities held by the Company are all other financial liabilities.

The financial liabilities other than the financial assets that don't meet the derecognition criteria or the financial liabilities and financial guarantee contracts arising from the continuing involvement in the transferred financial assets are classified as the financial liabilities measured at amortized cost, which are subsequently measured at amortized cost and the gain or loss on derecognition or amortization is recognized in profit or loss.

If the Company modifies or renegotiates the contract with the counterparty and the financial liability subsequently measured at amortized cost is not derecognized, but the cash flow of the contract changes, the Company shall re-calculate the carrying amount of the financial liability and recognize the relevant gains or losses in profit or loss of the period. The re-calculated carrying amount of the financial liability shall be determined by the Company according to the cash flow of the renegotiated or modified contract based on the present value discounted at the original effective interest rate of the financial liability. For the transaction costs or expenses arising from the modification or renegotiation of the contract, the Company shall adjust the carrying amount of the financial liability and amortize them within the remaining term of the financial liability.

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Financial instruments - continued

*Derecognition of financial liabilities*

The Company derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Company (the borrower) and the lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Company are recognized as changes of equity. Changes of fair value of equity instruments is not recognized by the Company. Transaction costs related to equity transactions are deducted from equity.

The Company recognizes the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

*Offsetting financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, the Company has a current enforceable legal right to set off the recognized amounts and intends to settle on a net basis, or to realize an asset and settle the liability simultaneously. In all other situations, they are presented separately in the balance sheet and are not offset.

Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

<u>Category</u>	<u>Useful life</u>	<u>Estimated net residual value rate</u>	<u>Annual depreciation rate</u>
Office furniture	5 years	-	20%
Communication equipment	5 years	-	20%
Production equipment	5 years	-	20%
R&D equipment	5 years	-	20%

**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Fixed assets - continued

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

Employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Company. Staff welfare expenses incurred by the Company are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Company of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

During the accounting period of rendering service to employees of the Company, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

A liability for a termination benefit is recognized in profit or loss for the period at the earlier of when the Company cannot unilaterally withdraw from the termination plan or the redundancy offer and when the Company recognizes any related restructuring costs or expenses.

Revenue recognition

The Company's revenue is mainly from provision of services.

When a performance obligation in a contract is satisfied, i.e., when the customer obtains control of relevant goods or services, the Company shall recognize revenue based on the transaction price that is allocated to that performance obligation. A performance obligation is the Company's commitment to transfer to a customer a good or service that is distinct, in a contract with the customer. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Company expects to refund to the customer.



**Radisys Technologies (Shenzhen) Co. LTD**  
**Notes on Financial Statements for the year ended 31st December 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Revenue recognition - continued

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the economic benefits provided as the Company performs the obligation; (2) the customer is able to control the goods in progress during the Company's performance of obligation; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Company adopts input method, i.e. the input by the Company for purpose of fulfillment of performance obligation to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined. Where a contract contains variable consideration, the Company determines the best estimate of variable consideration based on the expected value or the most probable amount. The transaction price including variable consideration shall not exceed the amount of the cumulatively recognized revenue which is probably will not be significantly reversed when relevant uncertainty is eliminated. At each balance sheet date, the Company re-estimates the amount of variable consideration which should be included in transaction price.

Income tax

Income tax expenses include current income tax and deferred income tax.

*Current income tax*

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

*Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in owners' equity, in which case they are recognized in other comprehensive income or in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

Income tax - continued

*Deferred tax assets and deferred tax liabilities* - continued

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

At the reporting date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to be applied in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except for when they arise from transactions or events that are directly recognized in other comprehensive income or equity, in which case they are recognized in other comprehensive income or equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such reduction will be reversed when it becomes probable that sufficient taxable profits is available.

**5. TAXATION**

The Company applies the major tax categories and tax rates as below:

<u>Tax category</u>	<u>Tax Rate</u>	<u>Tax base</u>
Enterprise income tax	25%	Assessable profit
Value-added tax ("VAT")	6%	VAT payable
City maintenance and construction tax	7%	VAT actually paid
Educational surcharges	3%	VAT actually paid
Local educational surcharges	2%	VAT actually paid

**6. CASH AND BANK BALANCES**

Item	31/12/2021			31/12/2020		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Bank deposits						
RMB	169,687.92	1.0000	169,687.92	92,283.96	1.0000	92,283.96
USD	5,089.72	6.3757	<u>32,450.53</u>	5,206.59	6.5249	<u>33,972.48</u>
Total			<u>202,138.45</u>			<u>126,256.44</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 7. ACCOUNTS RECEIVABLE

At 31 December 2021 and 31 December 2020, the credit risks and ECL of the accounts receivable are disclosed as below:

Aging	31/12/2021				31/12/2020			
	Expected average loss rate	Book balance	Loss allowance	Carrying amount	Expected average loss rate	Book balance	Loss allowance	Carrying amount
	%	RMB	RMB	RMB	%	RMB	RMB	RMB
Within 1 year	-	8,134,162.69	-	8,134,162.69	-	7,215,325.77	-	7,215,325.77
One to two years	-	7,050,338.32	-	7,050,338.32	-	4,736,020.37	-	4,736,020.37
Two to three years	-	4,343,962.06	-	4,343,962.06	-	14,060,075.91	-	14,060,075.91
Over three years	10.00	31,886,635.24	33,000.92	31,853,634.32	15.00	26,111,453.71	33,000.92	26,078,452.79
Total		51,415,098.31	33,000.92	51,382,097.39		52,122,875.76	33,000.92	52,089,874.84

Disclosure of accounts receivable by customers is as below:

	31/12/2021				31/12/2020			
	Amount	Ratio	Bad debt provision	Carrying amount	Amount	Ratio	Bad debt provision	Carrying amount
	RMB	%	RMB	RMB	RMB	%	RMB	RMB
Radisys Corporation	51,382,097.39	99.94	-	51,382,097.39	52,089,874.84	99.94	-	52,089,874.84
Shenzhen Ludisida Co., Ltd	33,000.92	0.06	33,000.92	-	33,000.92	0.06	33,000.92	-
Total	51,415,098.31	100.00	33,000.92	51,382,097.39	52,122,875.76	100.00	33,000.92	52,089,874.84

### 8. PREPAYMENTS

Aging analysis of prepayments is as follows:

Aging	31/12/2021		1/1/2021	
	Amount RMB	Ratio %	Amount RMB	Ratio %
Within 1 year	34,535.03	100.00	20,472.62	100.00

### 9. OTHER RECEIVABLES

(1) Summary of other receivables:

	31/12/2021 RMB	31/12/2020 RMB
Other receivables	20,852,320.78	20,852,320.78

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**9. OTHER RECEIVABLES - continued**

(2) Other receivables (by nature):

	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Amounts due from related parties	20,845,660.78	20,845,660.78
Deposits receivable	6,660.00	6,660.00
Less: Provision for credit loss	-	-
Carrying amount of other receivables	<u>20,852,320.78</u>	<u>20,852,320.78</u>

(3) Disclosure of other receivables by credit loss exposure is as below:

Internal credit rating	31/12/2021				31/12/2020			
	12-month ECL RMB	Lifetime ECL (Not credit- impaired) RMB	Lifetime ECL (Credit- impaired) RMB	Total RMB	12-month ECL RMB	Lifetime ECL (Not credit- impaired) RMB	Lifetime ECL (Credit- impaired) RMB	Total RMB
Normal	-	20,852,320.78	-	20,852,320.78	-	20,852,320.78	-	20,852,320.78
Book balance	-	20,852,320.78	-	20,852,320.78	-	20,852,320.78	-	20,852,320.78
Provision for impairment loss	-	-	-	-	-	-	-	-

(4) Disclosure of other receivables by categories is as below:

Category	31/12/2021				31/12/2020			
	Amount RMB	Ratio %	Loss allowance RMB	Carrying amount RMB	Amount RMB	Ratio %	Loss allowance RMB	Carrying amount RMB
Amounts that are individually significant (Note)	20,354,595.78	97.61	-	20,354,595.78	20,354,595.78	97.61	-	20,354,595.78
Others that are not individually significant	497,725.00	2.39	-	497,725.00	497,725.00	2.39	-	497,725.00
Total	<u>20,852,320.78</u>	<u>100.00</u>	<u>-</u>	<u>20,852,320.78</u>	<u>20,852,320.78</u>	<u>100.00</u>	<u>-</u>	<u>20,852,320.78</u>

Note: The Company's other receivables that are individually significant represent the amounts of which the original carrying amount is more than RMB 5 million.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**10. FIXED ASSETS**

	<u>Office equipment</u> RMB	<u>Communication equipment</u> RMB	<u>Production equipment</u> RMB	<u>R&amp;D equipment</u> RMB	<u>Total</u> RMB
<u>Cost</u>					
At 1 January 2021	2,198.90	165,209.59	836,492.77	20,227.93	1,024,129.19
Acquisition	-	41,450.80	94,188.60	-	135,639.40
Disposal	-	91,507.00	-	-	91,507.00
At 31 December 2021	<u>2,198.90</u>	<u>115,153.39</u>	<u>930,681.37</u>	<u>20,227.93</u>	<u>1,068,261.59</u>
<u>Accumulated depreciation</u>					
At 1 January 2021	439.80	117,893.48	662,904.83	20,227.92	801,466.03
Provision	439.80	21,474.78	97,538.93	0.01	119,453.52
Transfer-out	-	91,507.00	-	-	91,507.00
At 31 December 2021	<u>879.60</u>	<u>47,861.26</u>	<u>760,443.76</u>	<u>20,227.93</u>	<u>829,412.55</u>
<u>Net book value</u>					
At 1 January 2021	<u>1,759.10</u>	<u>47,316.11</u>	<u>173,587.94</u>	<u>0.01</u>	<u>222,663.16</u>
At 31 December 2021	<u>1,319.30</u>	<u>67,292.13</u>	<u>170,237.61</u>	<u>-</u>	<u>238,849.04</u>

**11. EMPLOYEE BENEFITS PAYABLE**

	<u>1/1/2021</u> RMB	<u>Provision</u> RMB	<u>Payment</u> RMB	<u>31/12/2021</u> RMB
I. Short-term benefits	888,853.16	6,076,401.37	6,133,828.91	831,425.62
Wages or salaries and bonuses	758,589.80	5,530,401.98	5,587,829.52	701,162.26
Social security	130,263.36	304,599.14	304,599.14	130,263.36
Including: Medical insurance	-	251,848.76	251,848.76	-
Maternity insurance	-	23,242.27	23,242.27	-
Work-related injury insurance	-	8,352.25	8,352.25	-
Others	-	21,155.86	21,155.86	-
Housing provident fund	-	241,400.25	241,400.25	-
II. Post-employment benefits				
– defined contribution plan	-	521,113.53	521,113.53	-
Including: Basic endowment insurance		514,106.80	514,106.80	-
Unemployment insurance		7,006.73	7,006.73	-
Total	<u>888,853.16</u>	<u>6,597,514.90</u>	<u>6,654,942.44</u>	<u>831,425.62</u>

**12. TAXES PAYABLE**

	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Income tax	90,124.96	-
Individual income tax withholding	29,527.10	33,090.36
VAT	13,186.44	8,806.28
Total	<u>132,838.50</u>	<u>41,896.64</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**13. OTHER PAYABLES**

	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Other payables	37,853,086.20	37,714,480.91
	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Amounts due to related parties	37,401,041.57	37,401,041.57
Accruals	159,114.63	20,509.34
Others	292,930.00	292,930.00
Total	<u>37,853,086.20</u>	<u>37,714,480.91</u>

**14. LONG-TERM PAYABLES**

	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Borrowings	19,127,100.00	19,574,700.00
Interest accrued	22,250,109.13	20,754,336.67
Total	<u>41,377,209.13</u>	<u>40,329,036.67</u>

**15. PAID-IN CAPITAL**

The registered capital of the Company is USD 5,450,000.00, which has been fully paid till 31 December 2021. Details of the investor's contributions according to the Company's articles of association are as follows:

	<u>31/12/2021 &amp; 31/12/2020</u>		
	<u>Registered currency</u>	<u>Proportion %</u>	<u>Equivalent RMB</u>
Radisys Cayman Limited.	USD	<u>100.00</u>	<u>41,283,841.68</u>

Note: The above paid-in capital has been verified by Shenzhen Bangde Certified Public Accountants and a capital verification report (Shen Bang De Yan Zi [2012] No. 127) has been issued.

**16. CAPITAL RESERVE**

	<u>1/1/2021</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>31/12/2021</u> RMB
Other capital reserve	<u>8,281,970.29</u>	<u>-</u>	<u>-</u>	<u>8,281,970.29</u>

**17. UNAPPROPRIATED PROFITS**

	<u>Year ended 31/12/2021</u> RMB	<u>Year ended 31/12/2020</u> RMB
Unappropriated profits at the beginning of year	(55,228,491.44)	(52,861,193.67)
Add: Net profit for the year	(1,821,939.29)	(2,367,297.77)
Unappropriated profits at the end of year	<u>(57,050,430.73)</u>	<u>(55,228,491.44)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**18. OPERATING INCOME**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
Principal operating activities - Provision of services	8,142,347.58	7,503,603.92

**19. OPERATING COSTS**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
Principal operating activities - Provision of services	6,503,015.72	6,134,591.82

**20. TAXES AND LEVIES**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
City maintenance and construction tax	4,677.76	4,255.86
Educational surcharges	3,341.26	3,039.92
Stamp duties	2,397.25	3,770.41
Total	<u>10,416.27</u>	<u>11,066.19</u>

**21. ADMINISTRATIVE EXPENSES**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
Wages or salaries	631,531.29	550,873.29
Professional fees	331,656.80	168,170.34
Others	143,466.80	159,078.50
Total	<u>1,106,654.89</u>	<u>878,122.13</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**22. FINANCIAL EXPENSES**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
Interest expenses	1,992,314.65	2,033,914.59
Interest income	(758.60)	(556.36)
Exchange loss	257,895.49	813,089.09
Bank charges	4,623.49	4,364.89
Total	<u>2,254,075.03</u>	<u>2,850,812.21</u>

**23. INCOME TAX EXPENSES**

	Year ended <u>31/12/2021</u> RMB	Year ended <u>31/12/2020</u> RMB
Current income tax	90,124.96	-
Total	<u>90,124.96</u>	<u>-</u>

Reconciliation of income tax expenses to the accounting profit is as follows:

	Year ended <u>31/12/2020</u> RMB	Year ended <u>31/12/2021</u> RMB
Total profit	(1,731,814.33)	(2,367,297.77)
Income tax expenses calculated at 25% (2020: 25%)	(432,953.58)	(591,824.44)
Non-deductible costs, expenses and losses	24,999.88	1,169,922.37
Effect of non-taxable income	-	-
Effect of unrecognized deductible loss and deductible temporary difference for tax purpose	498,078.66	508,478.65
Effect of use of unrecognized deductible loss and deductible temporary difference for tax purpose	-	(1,086,576.58)
Income tax expenses	<u>90,124.96</u>	<u>-</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**24. CASH AND CASH EQUIVALENTS**

<u>Item</u>	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Cash	202,138.45	126,256.44
Including: Bank deposits on demand	<u>202,138.45</u>	<u>126,256.44</u>
Balance of cash and cash equivalents	<u><u>202,138.45</u></u>	<u><u>126,256.44</u></u>

**25. SUPPLEMENTARY INFORMATION TO CASH FLOW STATEMENT**

	<u>Year ended</u> <u>31/12/2021</u> RMB	<u>Year ended</u> <u>31/12/2020</u> RMB
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	(1,821,939.29)	(2,367,297.77)
Add: Amortization of intangible assets	0.07	6,822.21
Depreciation of fixed assets	119,453.52	179,124.97
Financial expenses	1,080,190.93	(684,548.47)
Decrease (increase) in deferred tax assets	-	-
Increase in deferred tax liabilities	-	-
Decrease in operating receivables	693,715.04	3,092,889.70
Increase in operating payables	<u>172,119.61</u>	<u>(27,267.34)</u>
Net cash flow from operating activities	<u><u>243,539.88</u></u>	<u><u>199,723.30</u></u>
(2) Net changes in cash and cash equivalents		
Closing balance of cash	202,138.45	126,256.44
Less: Opening balance of cash	<u>126,256.44</u>	<u>75,808.07</u>
Net changes in cash and cash equivalents	<u><u>75,882.01</u></u>	<u><u>50,448.37</u></u>

**26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(1) Basic information of the parent company			Shareholding	Registered	
<u>Name of the parent company</u>	<u>Registered location</u>	<u>Nature of business</u>	<u>ratio</u>	<u>Voting ratio</u>	<u>capital</u>
Radisys Cayman Ltd.	Cayman Islands	Service	100.00%	100.00%	USD 5.45 million

The ultimate controller of the Company is Reliance Industries Limited incorporated in India.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

(2) Related party transactions

(a) Pricing policies

Revenue from services provided by the Company to related parties is determined by adding 7% to the sum of operating costs and other costs as agreed upon.

(b) Provision of consulting service

	Year ended 31/12/2021 RMB	Year ended 31/12/2020 RMB
Radisys Corporation	8,142,347.58	7,503,603.92

(3) Amounts due to/from related parties

<u>Accounts</u>	<u>Name of the related party</u>	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Accounts receivable	Radisys Corporation	51,382,097.39	52,089,874.84
Other receivables	Radisys Corporation Radisys International Singapore Pte, Ltd.	20,354,595.78 491,065.00	20,354,595.78 491,065.00
Total		<u>20,845,660.78</u>	<u>20,845,660.78</u>
Other payables	Radisys Corporation Radisys Systems Equipment Trading (Shanghai) Co. Ltd.	35,004,114.59 2,396,926.98	35,004,114.59 2,396,926.98
Total		<u>37,401,041.57</u>	<u>37,401,041.57</u>
Long-term payables	Radisys Corporation	41,377,209.13	40,329,036.67

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's major financial instruments include cash and bank balances, accounts receivable, other receivables and other payables, etc. Details of these financial instruments are disclosed in relevant notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that risks are limited to a certain level.

The Company adopts sensitivity analysis technique to analyze how the profit and loss for the period or owners' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

**1. Risk management objectives and policies**

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyze the Company's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

**1.1 Currency risk**

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with USD. As at 31 December 2021, the balance of the Company's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in foreign currencies. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Company's performance.

	<u>Currency type</u>	<u>31/12/2021</u> RMB	<u>31/12/2020</u> RMB
Cash and bank balances	USD	32,450.53	33,972.48
Accounts receivable	USD	51,382,097.39	52,089,874.84
Long-term payables	USD	41,377,209.13	40,329,036.67

The Company's management closely monitors the effects in the foreign exchange rates on the Company's currency risk exposures, and take measures to hedge currency risk exposures when necessary.

**Sensitivity analysis on currency risk**

On the basis of the above assumption, where all other variables are held constant, reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and equity:

<u>Item</u>	Change in exchange rate	<u>2021</u>		<u>2020</u>	
		<u>Effect on profit</u> RMB	<u>Effect on equity</u> RMB	<u>Effect on profit</u> RMB	<u>Effect on equity</u> RMB
All foreign currencies					
	5% appreciation against RMB	501,866.94	501,866.94	589,740.53	589,740.53
All foreign currencies					
	5% depreciation against RMB	(501,866.94)	(501,866.94)	(589,740.53)	(589,740.53)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**

1. Risk management objectives and policies - continued

1.2 Credit risk

As at 31 December 2021, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company is arising from the carrying amount of the respective recognized financial assets as stated in the balance sheet.

In order to minimize the credit risk, the Company has monitored the credit condition of customers and implemented credit ratings, and perform other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date and designate departments and personnel for collection to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Company's credit risk is significantly reduced.

1.3 Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following is the maturity analysis for financial liabilities held by the Company which is based on undiscounted remaining contractual obligations:

	<u>Within 1 year</u> RMB	<u>1 to 5 years</u> RMB	<u>Over 5 years</u> RMB	<u>Total</u> RMB
Other payables	159,114.63	37,693,971.57	-	37,853,086.20
Long-term payables	-	-	77,108,035.74	77,108,035.74

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