Radisys Systems Equipment Trading (Shanghai) Co. Ltd.

Financial Statements
for the year ended 31st December, 2022

Auditor's Report

To the Board of Directors of Radisys Systems Equipment Trading (Shanghai) Co. LTD

1. OPINION

We have audited the financial statements of Radisys Systems Equipment Trading (Shanghai) Co. LTD (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the Company's financial position as of 31 December 2022, and its performance and cash flows for the year then ended in accordance with the China Accounting Standards(“CAS”).

2. BASIS FOR OPINION

We conducted our audit in accordance with the China Standards on Auditing (“CSA”). 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 (the “Code”), 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 of the financial statements that give a true and fair view in accordance with the CAS, and for such internal control as the management determines is necessary to enable the preparation of financial statements that 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, as a body. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSA 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 CSA, 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 Company’s 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, structure and content of the financial statements, including the disclosures, 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

Chinese Certified Public Accountant

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Chinese Certified Public Accountant

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6th April 2023

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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	NOTES	31/12/2022 RMB	31/12/2021 RMB
Assets			
Current Assets:			
Cash and bank balances	6	52,106.35	62,394.83
Accounts receivable	7	9,678,941.45	9,013,543.89
Prepayments	8	3,580.00	3,580.00
Other receivables	9	2,404,186.98	2,404,186.98
Total Current Assets		12,138,814.78	11,483,705.70
Total Assets		12,138,814.78	11,483,705.70
Liabilities and Equity			
Current Liabilities:			
Other payables	10	26,250.00	50,000.00
Total Current Liabilities		26,250.00	50,000.00
Total Liabilities		26,250.00	50,000.00
Equity:			
Paid-in capital	11	3,476,298.00	3,476,298.00
Surplus reserve	12	1,738,149.00	1,738,149.00
Retained earnings	13	6,898,117.78	6,219,258.70
Total Equity		12,112,564.78	11,433,705.70
Total Liabilities and Equity		12,138,814.78	11,483,705.70

The accompanying notes form part of the financial statements.

The financial statements on pages 5 to 24 were signed by the following responsible parties:

Legal Representative	Head of Financial Function	Head of Accounting Department

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		NOTES	2022 RMB	2021 RMB
I.	Operating income	14	-	2,756.53
	Less: Taxes and levies		-	-
	Administrative expenses	15	146,733.65	148,527.04
	Financial expenses	16	(825,592.73)	218,392.13
	Including: Interest income		129.79	109.66
II.	Operating profit (loss)		678,859.08	(364,162.64)
III.	Total (loss) profit		678,859.08	(364,162.64)
	Less: Income tax expenses	17	-	-
IV.	Net profit (loss)		678,859.08	(364,162.64)
	Including: Net profit (loss) from continuing operations		678,859.08	(364,162.64)
V.	Other comprehensive income, net of tax		-	-
VI.	Total comprehensive income		678,859.08	(364,162.64)

The accompanying notes form part of the financial statements.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		NOTES	2022 RMB	2021 RMB
I.	FLOW FROM OPERATING ACTIVITIES:			
	Sale of goods and rendering of services		162,150.40	154,784.70
	Tax refunds		-	2,756.53
	Other operating activities		129.79	109.66
	Cash inflows from operating activities		162,280.19	157,650.89
	Payments of various types of taxes		-	167.04
	Payments relating to other operating activities		172,403.99	102,239.12
	Cash outflows from operating activities		172,403.99	102,406.16
	Net Cash Flow from Operating Activities	19	(10,123.80)	55,244.73
II.	EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON Cash and cash equivalents		(164.68)	(2,011.18)
III.	NET CHANGES IN CASH AND CASH EQUIVALENTS		(10,288.48)	53,233.55
	Add: Opening Balance of Cash and Cash Equivalents	18	62,394.83	9,161.28
IV.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	18	52,106.35	62,394.83

The accompanying notes form part of the financial statements.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

		Paid-in capital RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I.	At 31 December 2021 and 1 January 2022	3,476,298.00	1,738,149.00	6,219,258.70	11,433,705.70
II.	Changes for the year				
	(I) Total comprehensive income	-	-	678,859.08	678,859.08
III.	At 31 December 2022	3,476,298.00	1,738,149.00	6,898,117.78	12,112,564.78

		Paid-in capital RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I.	At 31 December 2020 and 1 January 2021	3,476,298.00	1,738,149.00	6,583,421.34	11,797,868.34
II.	Changes for the year				
	(I) Total comprehensive income	-	-	(364,162.64)	(364,162.64)
III.	At 31 December 2021	3,476,298.00	1,738,149.00	6,219,258.70	11,433,705.70

The accompanying notes form part of the financial statements.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

Radisys Systems Equipment Trading (Shanghai) Co. LTD (the "Company") is a limited liability company registered by Radisys Convedia (Ireland) Limited ("Radisys Convedia") in Shanghai on 10 October 2003 with registered capital of USD 420,000.00, and the Company is approved to operate for a period of 30 years.

The approved scope of business of the Company includes: wholesale, import and export, commission agency (except for auction) and maintenance of embedded and fully-integrated systems (including hardware such as template-level embedded computers, blade servers, rackmount servers, motherboards, network interface and packet processing engines, AMC carrier card small board computing, I/O cards and adapters), middleware and software for computer, data processing and network intensive applications; research and development of products similar with those listed above; transfer of own technology; provision of related technical support, technical consulting, after-sales service and other related ancillary services.

The immediate holding company of the Company is Radisys Convedia, and the ultimate holding company is Reliance Industries Limited.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Management of the Company assessed the Company’s ability to continue as a going concern for the 12 months from 31 December 2022 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("ASBE")

The financial statements of the Company have been prepared in accordance with the ASBE, present truly and completely the Company's financial position as of 31 December 2022, and its performance 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 ASBE.

<u>Accounting year</u>

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

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Functional currency

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

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting and 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 in CAS.

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 at the time of 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 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.

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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments - continued

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument ,or, or where appropriate, a shorter period, to the net carrying amount of the financial asset or the amortized cost of financial liability on initial recognition. 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.

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 the financial assets in order to collect the contractual cash flows, such assets are classified as financial assets measured at amortized cost. The financial assets measured at amortized cost 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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments - continued

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 reporting date, the Company assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the financial assets 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. Recognition 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 the credit risk of the financial instrument has no longer increased significantly since initial recognition at the end of the current reporting period, 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.

- Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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 reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage);

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments - continued

Impairment of financial assets - continued

- *Significant increase in credit risk* - continued

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

(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.

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 low credit risk at the reporting date. A financial instrument is determined to have low 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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial instruments - continued

Impairment of financial assets - continued

- 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 ECL is the difference between all contractual cash flows that are due to the Company and the cash flows that the Company expected to receive, discounted at the effective interest rate determined at initial recognition.

The Company's measurement of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, taken into account also time value of money, historical data adjusted by forward-looking information that is available without undue cost of effort.

- Write-off of financial assets

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

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. **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 calculated as the carrying amount of financial assets being transferred less the amortized cost of the Company's retained rights (if the Company retains relevant rights upon transfer of the financial assets) plus the amortized cost of the obligations assumed (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 transfer of financial assets carried at amortized cost in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the consideration received is recognized in profit or loss for the period.

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 to be derecognized, based on the respective fair value of those parts at the date of transfer. The difference between the consideration received and the carrying amount of the derecognized component at the date of derecognition is recognized in profit or loss or retained earnings.

For transfer of financial assets 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 is recognized as a liability upon receipt.

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 or 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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Income tax

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

Current income tax

At the reporting 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 those items that are not recognized as assets or liabilities but their tax base can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet 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 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 extend 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.

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. TAXATION

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

Tax category	Tax rate	Tax base
Enterprise income tax	25%	Assessable profit

6. CASH AND BANK BALANCES

	31/12/2022			31/12/2021		
Item	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Bank deposits						
RMB	51,386.84	1.0000	51,386.84	61,643.65	1.0000	61,643.65
USD	103.31	6.9646	719.51	117.82	6.3757	751.18
Total			52,106.35			62,394.83

7. ACCOUNTS RECEIVABLE

Aging analysis of accounts receivable is as follows:

	31/12/2022				31/12/2021			
amount	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB
2 to 3 years	-	-	-	-	3,046,723.91	33.80	-	3,046,723.91
Over 3 years	9,678,941.45	100.00	-	9,678,941.45	5,966,819.98	66.20	-	5,966,819.98
Total	9,678,941.45	100.00	-	9,678,941.45	9,013,543.89	100.00	-	9,013,543.89

Disclosure of accounts receivable by customers is as below:

	31/12/2022				31/12/2021			
	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB
Radisys Corporation	9,678,941.45	100.00	-	9,678,941.45	9,013,543.89	100.00	-	9,013,543.89

RADISYS SYSTEMS EQUIPMENT TRADING (SHANGHAI) CO. LTD.
NOTES TO THE FINANCIAL STATEMENTS
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8. PREPAYMENTS

Aging analysis of prepayments is as follows:

	31/12/2022		31/12/2021	
Aging	Amount RMB	Ratio %	Amount RMB	Ratio %
Within 1 year	3,580.00	100.00	3,580.00	100.00
Total	3,580.00	100.00	3,580.00	100.00

9. OTHER RECEIVABLES

(1) Aging analysis of other receivables is as follows

	31/12/2022				31/12/2021			
Aging	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB
Over 3 years	2,404,186.98	100.00	-	2,404,186.98	2,404,186.98	100.00	-	2,404,186.98

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

	31/12/2022				31/12/2021			
Category	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB	Amount RMB	Ratio %	Bad debt provision RMB	Carrying amount RMB
Others that are not individually significant	2,404,186.98	100.00	-	2,404,186.98	2,404,186.98	100.00	-	2,404,186.98

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10. OTHER PAYABLES

	31/12/2022 RMB	31/12/2021 RMB
Audit fee payable	26,250.00	50,000.00

11. PAID-IN CAPITAL

The registered capital of the Company is USD 420,000.00, which has been fully paid as at 31 December 2022. Details of the investor's contributions according to the Company's articles of association are as follows:

	31/12/2022 & 31/12/2021		
	Registered currency	Proportion %	Equivalent RMB
Radisys Convedia	USD	100.00	3,476,298.00

Note: The above paid-in capital has been verified by Ernst & Young Certified Public Accountants on 17 September 2004 and a capital verification report has been issued.

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12. SURPLUS RESERVE

	1/1/2022 RMB	Increase RMB	Decrease RMB	31/12/2022 RMB
Statutory surplus reserve	1,738,149.00	-	-	1,738,149.00

Note: The Company transfers 10% of annual net profit to its statutory surplus reserve until when the accumulated statutory surplus reserve is more than 50% of the paid-in capital.

13. RETAINED EARNINGS

	31/12/2022 RMB	31/12/2021 RMB
Retained earnings at the beginning of year	6,219,258.70	6,583,421.34
Add: net profit for the year	678,859.08	(364,162.64)
Retained earnings at the end of year	6,898,117.78	6,219,258.70

14. OPERATING INCOME

	2022 RMB	2021 RMB
Income from other operating activities	-	2,756.53

15. ADMINISTRATIVE EXPENSES

	2022 RMB	2021 RMB
Professional service fee	103,773.65	105,400.00
Rents	42,960.00	42,960.00
Others	-	167.04
Total	146,733.65	148,527.04

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16. FINANCIAL EXPENSES

	2022 RMB	2021 RMB
Interest income	(129.79)	(109.66)
Exchange loss (Gain)	(827,383.28)	214,622.67
Bank charges	1,920.34	3,879.12
Total	(825,592.73)	218,392.13

17. INCOME TAX EXPENSES

	2022 RMB	2021 RMB
Current income tax	-	-

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

	2022 RMB	2021 RMB
Total profit (loss)	678,859.08	(364,162.64)
Income tax expenses calculated at 25% (2021: 25%)	169,714.77	(91,040.66)
Non-deductible costs, expenses and losses	-	-
Effect of unrecognized tax loss and deductible temporary difference for tax purpose	-	91,040.66
Effect of unrecognized tax loss and deductible temporary difference for tax purpose	(169,714.77)	-
Income tax expenses	-	-

18. CASH AND CASH EQUIVALENTS

Item	31/12/2022 RMB	31/12/2021 RMB
Cash	52,106.35	62,394.83
Including: Bank balances which can be withdraw on demand	52,106.35	62,394.83
Balance of cash and cash equivalents	52,106.35	62,394.83

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19. SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	2022 RMB	2021 RMB
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit (loss)	678,859.08	(364,162.64)
Add: Exchange Gain (loss)	164.68	2,011.18
Decrease in operating receivables	(665,397.56)	367,396.19
Increase in operating payables	(23,750.00)	50,000.00
Net cash flow from operating activities	(10,123.80)	55,244.73
(2) Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	52,106.35	62,394.83
Less: Opening balance of cash and cash equivalents	62,394.83	9,161.28
Net changes in cash and cash equivalents	(10,288.48)	53,233.55

20. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Basic information of the parent company

Name of the parent company	Registered location	Nature of business	Shareholding ratio	Voting ratio	Registered capital
Radisys Convedia (Ireland) Limited	Ireland	Services	100.00%	100.00%	USD 420,000

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

(2) The following companies are the main other related parties which has transactions with the Company while no control relationship exists：

Name	Relationship with the Company
Radisys Corporation	The same ultimate controlling shareholder
Radisys Technologies (Shenzhen) Co., Ltd.	The same ultimate controlling shareholder

(3) Amounts due to/from related parties

Accounts	Name of the related party	31/12/2022 RMB	31/12/2021 RMB
Accounts receivable	Radisys Corporation	9,678,941.45	9,013,543.89
Other receivables	Radisys Technologies (Shenzhen) Co., Ltd.	2,396,926.98	2,396,926.98

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include cash and bank balances, accounts receivable and other receivables, 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 the 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, minimizing the adverse impacts of risks on the Company's performance, and maximizing 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 2022, the balance of the Company's assets and liabilities are mainly denominated in RMB except that the assets and liabilities set out below which are denominated in foreign currencies. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Company's profit or loss.

	Currency type	31/12/2022 RMB	31/12/2021 RMB
Cash and bank balances	USD	719.51	751.18
Accounts receivable	USD	9,678,941.45	9,013,543.89

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.

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Currency risk - continued

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:

		2022		2021	
Item	Change in exchange rate	Effect on profit	Effect on equity	Effect on profit	Effect on equity
		RMB	RMB	RMB	RMB
All foreign currencies 5% appreciation against RMB		483,983.05	483,983.05	450,714.75	450,714.75
All foreign currencies 5% depreciation against RMB		(483,983.05)	(483,983.05)	(450,714.75)	(450,714.75)

1.2 Credit risk

As at 31 December 2022, 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 statement of financial position.

The Company reviews the recoverable amount of each individual trade debt at each balance sheet date 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.