

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

**Financial Statements  
for the year ended 31st December, 2023**

## 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 statement of financial position as at 31 December 2023, 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 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 2023, and its performance and cash flows for the year 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

He Cuihong

Chinese Certified Public Accountant

Li Wanli

3 April 2024

*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 TECHNOLOGIES (SHENZHEN) CO., LTD.BALANCE SHEET  
AT 31 DECEMBER 2023

	<u>NOTES</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
<u>Assets</u>			
Current Assets:			
Cash and bank balances	6	80,179.86	77,865.52
Accounts receivable	7	48,055,254.90	54,733,962.13
Prepayments	8	27,495.42	28,942.50
Other receivables	9	20,852,320.78	20,852,320.78
Total Current Assets		<u>69,015,250.96</u>	<u>75,693,090.93</u>
Non-current Assets			
Fixed assets	10	179,770.39	228,021.15
Total Non-current Assets		<u>179,770.39</u>	<u>228,021.15</u>
Total Assets		<u><u>69,195,021.35</u></u>	<u><u>75,921,112.08</u></u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.BALANCE SHEET - continued  
AT 31 DECEMBER 2023

	<u>NOTES</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
<u>Liabilities and Equity</u>			
Current Liabilities:			
Employee benefits payable	11	1,239,568.46	970,670.47
Taxes payable	12	34,103.38	250,964.91
Other payables	13	35,437,855.28	37,792,741.29
Non-current liabilities due within one year	14	8,193,868.61	7,788,898.09
Total Current Liabilities		<u>44,905,395.73</u>	<u>46,803,274.76</u>
Non-current Liabilities			
Long-term payables	15	32,019,505.57	37,840,047.93
Total Non-current Liabilities		<u>32,019,505.57</u>	<u>37,840,047.93</u>
Total Liabilities		<u>76,924,901.30</u>	<u>84,643,322.69</u>
Equity:			
Paid-in capital	16	41,283,841.68	41,283,841.68
Capital reserve	17	10,740,647.29	8,281,970.29
Accumulated losses	18	(59,754,368.92)	(58,288,022.58)
Total Equity		<u>(7,729,879.95)</u>	<u>(8,722,210.61)</u>
Total Liabilities and Equity		<u>69,195,021.35</u>	<u>75,921,112.08</u>

The accompanying notes form part of the financial statements.

The financial statements on pages 4 to 33 were signed by the following responsible parties:

Emma Yu (Xia Yu)

Legal Representative

Emma Yu (Xia Yu)

Head of Financial Function

Emma Yu (Xia Yu)

Head of Accounting Department

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> RMB	<u>2022</u> RMB
I. Operating income	19	8,654,639.00	8,139,105.30
Less: Operating costs	20	6,971,697.73	6,526,252.54
Taxes and levies	21	10,113.46	10,483.39
Administrative expenses	22	1,157,981.43	1,080,387.94
Financial expenses	23	1,985,657.33	1,552,404.87
Including: Interest expenses		2,113,418.71	2,305,461.03
Interest income		593.35	810.32
Add: Other income		5,691.01	5,364.18
II. Operating loss		(1,465,119.94)	(1,025,059.26)
Less: Non-operating expenses		1,226.40	-
III. Total loss		(1,466,346.34)	(1,025,059.26)
Less: Income tax expenses	24	-	212,532.59
IV. Net loss		(1,466,346.34)	(1,237,591.85)
Including: Net loss from continuing operations		(1,466,346.34)	(1,237,591.85)
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive loss		(1,466,346.34)	(1,237,591.85)

The accompanying notes form part of the financial statements.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> RMB	<u>2022</u> RMB
<b>I. FLOW FROM OPERATING ACTIVITIES:</b>			
Sale of goods and rendering of services		16,268,549.68	9,554,505.89
Tax refunds		6,032.47	5,686.03
Other operating activities		593.35	810.32
Cash inflows from operating activities		<u>16,275,175.50</u>	<u>9,561,002.24</u>
Payment on goods purchased and services received		305,122.49	127,382.06
Payments on behalf of employees		6,986,271.17	6,867,311.27
Payments of various types of taxes		284,549.70	168,411.31
Payments relating to other operating activities		423,743.02	453,152.62
Cash outflows from operating activities		<u>7,999,686.38</u>	<u>7,616,257.26</u>
Net Cash Flow from Operating Activities	26	<u>8,275,489.12</u>	<u>1,944,744.98</u>
<b>II. CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>			
Cash outflows from purchase/construction of fixed asset and other non-current assets		17,512.10	74,088.38
Cash outflows from investing activities		17,512.10	74,088.38
Net Cash Flow from Investing Activities		<u>(17,512.10)</u>	<u>(74,088.38)</u>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash outflows from pay debts		3,549,400.00	-
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,703,645.41	1,970,366.67
Cash outflows from financing activities		8,253,045.41	1,970,366.67
Net Cash Flow from Financing Activities		<u>(8,253,045.41)</u>	<u>(1,970,366.67)</u>
<b>IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(2,617.27)	(24,562.86)
<b>V. NET CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Add: Opening balance of cash and cash equivalents	25	77,865.52	202,138.45
<b>VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>			
	25	<u>80,179.86</u>	<u>77,865.52</u>

The accompanying notes form part of the financial statements.



RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>Paid-in capital</u> RMB	<u>Capital reserve</u> RMB	<u>Accumulated</u> <u>losses</u> RMB	<u>Total</u> <u>equity</u> RMB
I. At 31 December 2022 and 1 January 2023	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(58,288,022.58)</u>	<u>(8,722,210.61)</u>
II. Changes for the year				
(I) Total comprehensive loss	-	-	(1,466,346.34)	(1,466,346.34)
(II)Others	-	2,458,677.00	-	2,458,677.00
III. At 31 December 2023	<u>41,283,841.68</u>	<u>10,740,647.29</u>	<u>(59,754,368.92)</u>	<u>(7,729,879.95)</u>
	<u>Paid-in capital</u> RMB	<u>Capital reserve</u> RMB	<u>Accumulated</u> <u>losses</u> RMB	<u>Total</u> <u>equity</u> RMB
I. At 31 December 2021 and 1 January 2022	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(57,050,430.73)</u>	<u>(7,484,618.76)</u>
II. Changes for the year				
(I) Total comprehensive loss	-	-	(1,237,591.85)	(1,237,591.85)
III. At 31 December 2022	<u>41,283,841.68</u>	<u>8,281,970.29</u>	<u>(58,288,022.58)</u>	<u>(8,722,210.61)</u>

The accompanying notes form part of the financial statements.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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## 1. GENERAL

Radisys Technologies (Shenzhen) Co., Ltd. (the "Company") is a limited liability company registered in Shenzhen, Guangzhou Province by Radisys Cayman Limited 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 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 include 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 immediate holding 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 2023, the Company had accumulated losses of RMB 59,754,368.92. Radisys Corporation which is the indirect controlling shareholder of the Company has agreed to provide all necessary financial support to the Company, when its liabilities fall due in the foreseeable future, so as to maintain the Company's ability to continue as a going concern, accordingly the financial statements have been prepared on a going concern basis.

## 3. STATEMENT OF COMPLIANCE WITH THE CHINA ACCOUNTING STANDARDS (the "CAS")

The financial statements of the Company have been prepared in accordance with the CAS, present truly and completely, the Company's financial position as of 31 December 2023, and its performance and cash flows for the year then ended.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined in accordance with the CAS.

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 functional currency of the Company as it is the currency of the primary economic environment in which the Company operates. The Company adopts RMB to prepare its financial statements.

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle 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.

When measuring non-financial assets at fair value, consideration is given to the ability of a market participant to generate economic benefits from the use of the asset for its best use or the ability to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best use.

For financial assets of which the transaction price is used as the fair value at initial recognition and for which a valuation technique involving unobservable inputs is used in the subsequent measurement of fair value, the valuation technique is corrected during the valuation process so that the initial recognition result determined by the valuation technique is equal to the transaction price.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Basis of accounting and principle of measurement - continued

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 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 estimated future cash flows through the expected life of the financial instrument, 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).

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*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 into 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 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 instruments*

For financial asset measured at amortized cost, the Company accounts for the impairment and recognizes the provision for losses on the basis of expected credit loss ("ECL").

The Company measures an allowance for losses on accounts receivable resulting from transactions governed by the revenue standards and 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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*Impairment of financial instruments* - continued

For other financial instruments (other than purchased or originated credit-impaired financial assets), the Company assesses the changes of credit risk since initial recognition of relevant financial instruments at each balance sheet date. If the credit risk has increased significantly since initial recognition of the financial instruments, the Company recognizes the provision for losses at an amount equivalent to lifetime ECL; if the credit risk has not increased significantly since initial recognition of the financial instruments, the Company recognizes the provision for losses at an amount equivalent to 12-month ECL. The increase or reversal of credit loss provision for financial assets is recognized as impairment loss or gain and included in profit or loss for the period.

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*

The Company uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition.

The following information is taken into account when assessing whether the 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).
- (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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*Impairment of financial instruments* - continued*- Significant increase in credit risk* - continued

- (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.

At the balance sheet date, if the Company judges that the financial instrument only has low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. If the financial instruments has lower risk of default, the borrower has a strong ability to fulfil its contractual cash obligation in a short term, and it is not certain to reduce the ability of the borrower to fulfil its contractual cash obligation even though no adverse changes happen to the economic trend and operating environment in a relatively long term, then the financial instruments are considered to have lower credit risk.

*- Credit-impaired financial assets*

When an event or several events that are expected to have adverse impact on the future cash flows of the financial assets have occurred, the financial assets become credit-impaired. 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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*Impairment of financial instruments* - continued*- Credit-impaired financial assets* - continued

Based on the Company's internal credit risk management, the Company considers an event of default occurs when 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 collaterals held by the Company).

*- 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*

When the Company will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Company will directly write down the book value of the financial asset, which constitutes derecognition of relevant financial assets.

*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.



RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*Transfer of financial assets* - continued

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 on the date of derecognition and the consideration received from transfer of financial asset 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.

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 the transfer is recognized as a liability upon receipt.

*Classification of financial liabilities and equity instruments*

Financial instruments issued by the Company or their components are classified into financial liabilities or equity instruments on the basis of not only the legal form but also the contractual arrangements and their economic substance, together with the definition of financial liability and equity instrument.

*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.

Financial liabilities other than those resulting in the transferring of financial assets that don't meet the derecognition criteria and financial guarantee contracts 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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Financial instruments - continued*Classification and measurement of financial liabilities and equity instruments* - continued

If the Company modifies or renegotiates the financial contract with the counterparty which resulted in a change in the future contractual cash flows but do not result in derecognition of the financial liabilities, the Company re-calculate the carrying amount of the financial liability and recognize the relevant gains or losses in the profit or loss of the period. The re-calculated carrying amount of the financial liability shall be the present value of the revised future cash flows discounted at the original effective interest rate. Transaction costs or expenses arising from the modification or renegotiation should be adjusted to the revised amount of the financial liability and amortize through the remaining term of the financial liability.

*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 (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 or cancelled by the Company are recognized as changes in 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, script dividends paid do not affect total amount of shareholders' equity.

*Offsetting financial assets and financial liabilities*

Where the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
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## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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 costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during 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%

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 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 accounting estimate.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
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## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

Liabilities for 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.

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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Revenue recognition - continued

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 reporting date, the Company reconsider 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.

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Income tax - continued*Deferred tax assets and deferred tax liabilities* - continued

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 the carrying amount of the deferred income tax is adjusted.

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.

## 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

<u>Item</u>	<u>31/12/2023</u>			<u>31/12/2022</u>		
	<u>Original currency</u>	<u>Exchange rate</u>	<u>RMB</u>	<u>Original currency</u>	<u>Exchange rate</u>	<u>RMB</u>
Bank deposits						
RMB	55,187.07	1.0000	55,187.07	54,184.28	1.0000	54,184.28
USD	3,528.71	7.0827	24,992.79	3,400.23	6.9646	23,681.24
Total			<u>80,179.86</u>			<u>77,865.52</u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 7. ACCOUNTS RECEIVABLE

At 31 December 2023 and 31 December 2022, the credit risks and ECL of the accounts receivable are disclosed as below:

<u>Aging</u>	<u>31/12/2023</u>			<u>31/12/2022</u>		
	<u>Amount</u> RMB	<u>Allowance for</u> <u>credit losses</u> RMB	<u>Carrying</u> <u>amount</u> RMB	<u>Amount</u> RMB	<u>Allowance for</u> <u>credit losses</u> RMB	<u>Carrying</u> <u>amount</u> RMB
Within 1 year	8,747,007.01	-	8,747,007.01	8,436,728.40	-	8,436,728.40
One to two years	8,579,791.55	-	8,579,791.55	8,885,485.43	-	8,885,485.43
Two to three years	9,036,158.24	-	9,036,158.24	7,701,552.18	-	7,701,552.18
Over three years	21,725,299.02	33,000.92	21,692,298.10	29,743,197.04	33,000.92	29,710,196.12
Total	<u>48,088,255.82</u>	<u>33,000.92</u>	<u>48,055,254.90</u>	<u>54,766,963.05</u>	<u>33,000.92</u>	<u>54,733,962.13</u>

Disclosure of accounts receivable by customers is as below:

	<u>31/12/2023</u>				<u>31/12/2022</u>			
	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Allowance</u> <u>for credit</u> <u>losses</u> RMB	<u>Carrying</u> <u>amount</u> RMB	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Allowance</u> <u>for credit</u> <u>losses</u> RMB	<u>Carrying</u> <u>amount</u> RMB
Radisys Corporation Shenzhen Ludisida Co., Ltd	48,055,254.90	99.93	-	48,055,254.90	54,733,962.13	99.94	-	54,733,962.13
	<u>33,000.92</u>	<u>0.07</u>	<u>33,000.92</u>	<u>-</u>	<u>33,000.92</u>	<u>0.06</u>	<u>33,000.92</u>	<u>-</u>
Total	<u>48,088,255.82</u>	<u>100.00</u>	<u>33,000.92</u>	<u>48,055,254.90</u>	<u>54,766,963.05</u>	<u>100.00</u>	<u>33,000.92</u>	<u>54,733,962.13</u>

## 8. PREPAYMENTS

Aging analysis of prepayments is as follows:

<u>Aging</u>	<u>31/12/2023</u>		<u>31/12/2022</u>	
	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Amount</u> RMB	<u>Ratio</u> %
Within 1 year	<u>27,495.42</u>	<u>100.00</u>	<u>28,942.50</u>	<u>100.00</u>

## 9. OTHER RECEIVABLES

(1) Summary of other receivables:

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Other receivables	<u>20,852,320.78</u>	<u>20,852,320.78</u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 9. OTHER RECEIVABLES - continued

## (2) Other receivables (by nature):

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
Amounts due from related parties	20,845,660.78	20,845,660.78
Deposits receivable	6,660.00	6,660.00
Less: Allowance 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	31/12/2023				31/12/2022			
	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	31/12/2023				31/12/2022			
	Amount RMB	Ratio %	Allowance for credit losses RMB	Carrying amount RMB	Amount RMB	Ratio %	Allowance for credit losses 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.



RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 10. FIXED ASSETS

	Office Furniture RMB	Communication equipment RMB	Production equipment RMB	R&D equipment RMB	Total RMB
<u>Cost</u>					
At 1 January 2023	2,198.90	131,431.39	988,491.75	20,227.93	1,142,349.97
Acquisition	-	17,512.10	-	-	17,512.10
Disposals	-	35,457.95	320,035.39	20,227.93	375,721.27
At 31 December 2023	2,198.90	113,485.54	668,456.36	-	784,140.80
<u>Accumulated depreciation</u>					
At 1 January 2023	1,319.40	65,262.78	827,518.71	20,227.93	914,328.82
Provision	439.80	20,001.34	44,095.32	-	64,536.46
Disposals	-	34,231.55	320,035.39	20,227.93	374,494.87
At 31 December 2023	1,759.20	51,032.57	551,578.64	-	604,370.41
<u>Net book value</u>					
At 1 January 2023	879.50	66,168.61	160,973.04	-	228,021.15
At 31 December 2023	439.70	62,452.97	116,877.72	-	179,770.39

## 11. EMPLOYEE BENEFITS PAYABLE

	1/1/2023 RMB	Provision RMB	Payment RMB	31/12/2023 RMB
I. Short-term benefits	970,670.47	6,668,594.50	6,399,696.51	1,239,568.46
Wages or salaries and bonuses	840,407.11	5,314,042.17	5,675,397.18	479,052.10
Welfare fees	-	86,470.15	86,470.15	-
Social security	130,263.36	368,859.08	368,859.08	130,263.36
Including: Medical insurance	130,263.36	304,184.79	304,184.79	130,263.36
Maternity insurance	-	27,262.29	27,262.29	-
Work-related injury insurance	-	12,500.47	12,500.47	-
Others	-	24,911.53	24,911.53	-
Housing provident fund	-	268,970.10	268,970.10	-
Termination benefits	-	630,253.00	-	630,253.00
II. Post-employment benefits				
- defined contribution plan	-	586,574.66	586,574.66	-
Including: Basic endowment insurance	-	579,417.00	579,417.00	-
Unemployment insurance	-	7,157.66	7,157.66	-
Total	970,670.47	7,255,169.16	6,986,271.17	1,239,568.46

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

12.	TAXES PAYABLE		
		<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
	Withheld individual income tax	29,574.90	34,161.57
	VAT	4,528.48	4,270.75
	Income tax	-	212,532.59
	Total	<u>34,103.38</u>	<u>250,964.91</u>
13.	OTHER PAYABLES		
		<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
	Other payables	<u>35,437,855.28</u>	<u>37,792,741.29</u>
		<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
	Amounts due to related parties	34,942,364.57	37,401,041.57
	Accruals	202,560.71	98,769.72
	Others	292,930.00	292,930.00
	Total	<u>35,437,855.28</u>	<u>37,792,741.29</u>
14.	NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR		
		<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
	Principal Amount	3,683,004.00	3,482,300.00
	Interest accrued	4,510,864.61	4,306,598.09
	Total	<u>8,193,868.61</u>	<u>7,788,898.09</u>
15.	LONG-TERM PAYABLES		
		<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
	Principal Amount	14,023,746.00	17,411,500.00
	Interest accrued	17,995,759.57	20,428,547.93
	Total	<u>32,019,505.57</u>	<u>37,840,047.93</u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 15. LONG-TERM PAYABLES - continued

Note: The amounts are borrowed from Continuous Computing Corporation (renamed as Radisys Corporation in July 2011) following a loan agreement in August 2005. The amounts carry interest at 5% compounded annually and will be matured in 30 September 2034.

## 16. PAID-IN CAPITAL

The registered capital of the Company is USD 5,450,000.00, which has been fully paid as at 31 December 2023. Details of the investor's contributions according to the Company's articles of association are as follows:

	<u>31/12/2023 &amp; 31/12/2022</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.

## 17. CAPITAL RESERVE

	<u>1/1/2023 RMB</u>	<u>Increase RMB</u>	<u>Decrease RMB</u>	<u>31/12/2023 RMB</u>
Other capital reserve	<u>8,281,970.29</u>	<u>2,458,677.00</u>	<u>-</u>	<u>10,740,647.29</u>

Note: The increase in capital reserves for the current period is due to the waiver of other payables of the Company amounting to RMB2,458,677.00 by Radisys Corporation which is the indirect controlling shareholder of the Company.

## 18. RETAINED PROFITS

	<u>2023 RMB</u>	<u>2022 RMB</u>
Retained profits at the beginning of year	(58,288,022.58)	(57,050,430.73)
Add: Net loss for the year	<u>(1,466,346.34)</u>	<u>(1,237,591.85)</u>
Retained profits at the end of year	<u>(59,754,368.92)</u>	<u>(58,288,022.58)</u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

19.	OPERATING INCOME		
		<u>2023</u> RMB	<u>2022</u> RMB
	Principal operating activities		
	- Provision of services	<u>8,654,639.00</u>	<u>8,139,105.30</u>
20.	OPERATING COSTS		
		<u>2023</u> RMB	<u>2022</u> RMB
	Principal operating activities		
	- Rendering of services	<u>6,971,697.73</u>	<u>6,526,252.54</u>
21.	TAXES AND LEVIES		
		<u>2023</u> RMB	<u>2022</u> RMB
	City maintenance and construction tax	4,333.27	4,731.69
	Educational surcharges	3,095.17	3,379.77
	Stamp duties	<u>2,685.02</u>	<u>2,371.93</u>
	Total	<u>10,113.46</u>	<u>10,483.39</u>
22.	ADMINISTRATIVE EXPENSES		
		<u>2023</u> RMB	<u>2022</u> RMB
	Wages or salaries	651,101.78	690,573.31
	Professional fees	380,840.01	274,044.69
	Others	<u>126,039.64</u>	<u>115,769.94</u>
	Total	<u>1,157,981.43</u>	<u>1,080,387.94</u>

RADISYS TECHNOLOGIES (SHENZHEN) CO., LTD.NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 23. FINANCIAL EXPENSES

	<u>2023</u> RMB	<u>2022</u> RMB
Interest expenses	2,113,418.71	2,305,461.03
Bank charges	15,755.10	6,686.56
Interest income	(593.35)	(810.32)
Exchange gain	(142,923.13)	(758,932.40)
Total	<u>1,985,657.33</u>	<u>1,552,404.87</u>

## 24. INCOME TAX EXPENSES

	<u>2023</u> RMB	<u>2022</u> RMB
Current income tax	<u>-</u>	<u>212,532.59</u>

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

	<u>2023</u> RMB	<u>2022</u> RMB
Total loss	(1,466,346.34)	(1,025,059.26)
Income tax expenses calculated at 25% (2022: 25%)	(366,586.59)	(256,264.82)
Non-deductible costs, expenses and losses	634,257.39	18,567.28
Effect of unrecognized tax loss and deductible temporary difference for tax purpose	530,854.65	576,365.26
Effect of utilization of unrecognized tax loss and deductible temporary difference for tax purpose	(798,525.45)	(126,135.13)
Income tax expenses	<u>-</u>	<u>212,532.59</u>

## 25. CASH AND CASH EQUIVALENTS

<u>Item</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Cash	80,179.86	77,865.52
Including: Bank balances which can be withdraw on demand	<u>80,179.86</u>	<u>77,865.52</u>
Balance of cash and cash equivalents	<u>80,179.86</u>	<u>77,865.52</u>

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## 26. SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOWS

	<u>2023</u>	<u>2022</u>
	RMB	RMB
(1) Reconciliation of net loss to cash flow from operating activities:		
Net loss	(1,466,346.34)	(1,237,591.85)
Add: Depreciation of fixed assets	64,536.46	84,916.27
Losses on retirement of fixed assets	1,226.40	-
Financial expenses	2,840,090.84	6,246,666.42
Decrease (Increase) in operating receivables	6,680,154.31	(3,346,272.21)
Increase in operating payables	155,827.45	197,026.35
Net cash flow from operating activities	<u>8,275,489.12</u>	<u>1,944,744.98</u>
(2) Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	80,179.86	77,865.52
Less: Opening balance of cash and cash equivalents	77,865.52	202,138.45
Net changes in cash and cash equivalents	<u>2,314.34</u>	<u>(124,272.93)</u>

## 27. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

## (1) Basic information of the parent company

<u>Name of the parent company</u>	<u>Registered location</u>	<u>Nature of business</u>	<u>Shareholding ratio</u>	<u>Voting ratio</u>	<u>Registered capital</u>
Radisys Cayman Ltd.	Cayman Islands	Service	100.00%	100.00%	USD5.45 million

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:

<u>Name</u>	<u>Relationship with the Company</u>
Radisys Corporation	The same ultimate controlling shareholder
Radisys International Singapore Pte, Ltd.	The same ultimate controlling shareholder
Radisys Systems Equipment Trading (Shanghai) Co. LTD	The same ultimate controlling shareholder

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## 27. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## (3) Related party transactions

## (a) Pricing policies

Revenue from services provided by the Company to related parties is determined by cost plus 7% based on the sum of operating costs and other costs as agreed.

## (b) Rendering of consulting services

	<u>2023</u> RMB	<u>2022</u> RMB
Radisys Corporation	<u>8,654,639.00</u>	<u>8,139,105.30</u>

## (4) Amounts due to/from related parties

<u>Accounts</u>	<u>Name of the related party</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Accounts receivable	Radisys Corporation	<u>48,055,254.90</u>	<u>54,733,962.13</u>
Other receivables	Radisys Corporation	20,354,595.78	20,354,595.78
	Radisys International Singapore Pte, Ltd.	<u>491,065.00</u>	<u>491,065.00</u>
Total		<u>20,845,660.78</u>	<u>20,845,660.78</u>
Other payables	Radisys Corporation	32,545,437.59	35,004,114.59
	Radisys Systems Equipment Trading (Shanghai) Co. Ltd.	<u>2,396,926.98</u>	<u>2,396,926.98</u>
Total		<u>34,942,364.57</u>	<u>37,401,041.57</u>
Long-term payables	Radisys Corporation	<u>32,019,505.57</u>	<u>37,840,047.93</u>
Non-current liabilities due within one year	Radisys Corporation	<u>8,193,868.61</u>	<u>7,788,898.09</u>

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## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include cash and bank balances, accounts receivable, other receivables, other payables, non-current liabilities due within one year and long-term 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 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 operation 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 2023, the balance of the Company's assets and liabilities are mainly 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 profit or loss.

	<u>Currency type</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
		RMB	RMB
Cash and bank balances	USD	24,992.79	23,681.24
Accounts receivable	USD	48,055,254.90	54,733,962.13
Long-term payables	USD	32,019,505.57	37,840,047.93
Non-current liabilities due within one year	USD	8,193,868.61	7,788,898.09

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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## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

## 1. Risk management objectives and policies - continued

1.1 Currency risk - continuedSensitivity 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>	<u>Change in exchange rate</u>	<u>2023</u>		<u>2022</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	393,343.68	393,343.68	456,434.87	456,434.87
All foreign currencies	5% depreciation against RMB	(393,343.68)	(393,343.68)	(456,434.87)	(456,434.87)

1.2 Credit risk

As at 31 December 2023, 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.

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 Statement of Financial Position 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.

The credit risk on cash and bank balances is limited because they are deposited with banks with high credit ratings.

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.

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## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

## 1. Risk management objectives and policies - continued

1.3 Liquidity risk - continued

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	35,437,855.28	-	-	35,437,855.28
Long-term payables (including those due within one year)	10,079,055.00	32,222,149.13	4,306,821.09	46,608,025.22

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