

**Radisys Systems Equipment Trading
(Shanghai) Co. Ltd.
Financial Statements
for the year ended 31st December, 2019**

REPORT OF THE AUDITORS

[English Translation for Reference Only]

REPORT OF THE AUDITORS

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

Audit opinion

We have audited the financial statements of Radisys Systems Equipment Trading (Shanghai) Co., Ltd. (hereinafter referred to as “the company”), which comprise the balance sheet as of 31 December 2019, the income statement, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Form the basis of audit opinion

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

Responsibility of management for the financial statements

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

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

Responsibility of certified public accountants for the audit of financial statements

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

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

- (1) Identify and evaluate the risks of material misstatement of the financial statements caused by fraud or errors, design and implement audit procedures to cope with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. Because fraud may involve collusion, forgery, deliberate omission, misrepresentation or the override of internal control, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
- (2) Understand the internal control related to audit to design appropriate audit procedures, but the purpose is not to express opinions on the effectiveness of internal control.
- (3) Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s

ability to continue as a going concern. If we conclude that there is a material uncertainty, the Audit Standard require us to draw users' attention to relevant disclosures in the financial statements of the audit report. If such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information available as of the date of the audit report. However, future matters or circumstances may lead to the company to cease to continue as a going concern.

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

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

Appendices:

1. A copy of the Company's Balance Sheet as of 31 December 2019
2. A copy of the Company's Income Statement for the year ended 31 December 2019.
3. A copy of the Company's Cash Flow Statement for the year ended 31 December 2019.
4. A copy of the Company's Statement of Changes in Equity for the year ended 31 December 2019.
5. A copy of the Company's Notes of the Financial Statements for the year 2019.
6. A copy of the Company's taxable income reconciliation for the year 2019.

Shanghai Kingwood Certified Public Accountants Co, Ltd

Shanghai, China

Feb.10, 2020

Balance Sheet as at 31st December, 2019

Prepared by : Radisys Systems Equipment Trading (Shanghai) Co., Ltd.				31 December 2019			Unit: CNY
Item	Line No.	Ending Balance	Beginning Balance	Item	Line No.	Ending Balance	Beginning Balance
Current Assets:	1	—	—	Current Liabilities:	47	—	—
Monetary fund	2	121,974.81	286,528.73	Short-term loan	48		
Δ Trading financial assets	3			Δ Trading financial liabilities	49		
# Short-term investments	4			# Warrant payable	50		
Notes receivable	5			Notes payable	51		
Accounts receivable	6	12,789,422.61	12,163,705.01	Accounts payable	52		
Advances to suppliers	7	3,580.00	3,580.00	Advances receipt	53		
Dividends receivable	8			Wages payable	54	362,718.03	264,100.92
Interests receivable	9			Including: Accrued payroll	55	362,718.03	264,100.92
Other receivable	10	7,260.00	5,066,745.75	Allowance payable	56		
Inventories	11			Including: Staff and workers' bonus and welfare fund	57		
Including: Raw materials	12			Tax and fee payable	58		
Finished goods (commodities in stock)	13			Including: Taxes payable	59		
Long-term investments maturing within one year	14			Interests payable	60		
Other current assets	15			Dividends payable	61		
Total Current Assets	16	12,922,237.42	17,520,559.49	Other payable	62	10,538.06	3,143,596.97
Non-Current Assets:	17	—	—	Long-term liabilities due within one year	63		
Δ Financial assets available for sale	18			Other current liabilities	64		
Δ Held-to-maturity investment	19			Total Current Liabilities	65	373,256.09	3,407,697.89
# Long-term debt investments	20			Long-term Liabilities:	66		
Δ Long-term receivables	21			Long-term borrowings	67		
Long-term equity investments	22			Debentures payable	68		
# Right of equity Separation and Circulation	23			Long-term payables	69		
Δ Investment real estate	24			Special accounts payable	70		
Fixed assets—cost	25	—	188,245.94	Accrued liabilities	71		
Less: accumulated depreciation	26	—	167,786.51	Δ Deferred income tax credits	72		
Fixed assets—net value	27			# Deferred tax credit	73		
Less: Provision for impairment of fixed assets	28	—	20,459.43	Other long-term liabilities	74		
Fixed assets—written-down value	29			Including: Specially approved reserving fund	75		
Constructions in progress	30			Total Long-term Liabilities	76	—	—
Goods and materials for construction	31			TOTAL LIABILITIES	77	373,256.09	3,407,697.89
Disposal of fixed assets	32			Owner's Equity (or Shareholders Equity):	78		
Δ Productive living assets	33			Paid-in Capital	79	3,476,298.00	3,476,298.00
Δ Oil and gas assets	34			National capital	80		
Intangible assets	35			Collective capital	81		
Including: Land occupancy rights	36			Legal person's capital	82		
Δ R&D expenses	37			Including: State-owned legal person's capital	83		
Δ Goodwill	38			Collective legal person's capital	84		
#* Consolidated price difference	39			Chinese investment	85		
Long-term deferred expenses	40			Foreign investment	86	3,476,298.00	3,476,298.00
Δ Deferred income tax charges	41			Less: Investments returned	87		

Item	Line No.	Ending Balance	Beginning Balance	Item	Line No.	Ending Balance	Beginning Balance
# Deferred taxes debit	42			Net Value of Subscribed Capital	88	3,476,298.00	3,476,298.00
Other long-term assets	43			Capital Surplus	89		
Including: Specially approved reserving materials	44			Less: Treasury stock	90		
Total Non-Current Assets	45	—	20,459.43	Surplus Reserve	91	1,738,149.00	1,738,149.00
				Including: Statutory surplus reserve	92		
				Other surplus reserve	93		
				Reserve fund	94	1,738,149.00	1,738,149.00
				Enterprise expansion fund	95		
				Return investment by investment	96		
				Δ General risk preparation	97		
				* # Unrecognized losses on investment	98		
				Undistributed profits	99	7,334,534.33	8,918,874.03
				Including: Cash dividends	100		
				* Differences on foreign currency translation	101		
				Total owner's equity belongs to parent company	102	12,548,981.33	14,133,321.03
				*Minority interests	103		
				TOTAL OWNERS' EQUITY	104	12,548,981.33	14,133,321.03
				# Less: Loss of assets	105		
				TOTAL OWNERS' EQUITY (Value after deducting loss of assets)	106	12,548,981.33	14,133,321.03
TOTAL ASSETS	46	12,922,237.42	17,541,018.92	TOTAL LIABILITIES AND OWNERS' EQUITY	107	12,922,237.42	17,541,018.92

Income Statement

2019

Unit: CNY

Prepared by: Radisys Systems Equipment Trading (Shanghai) Co., Ltd.

Item	Line No.	Current year	Previous year	Item	Line No.	Current year	Previous year
I. Gross operating income	1	3,288,517.93	2,964,624.36	Other income	19		
Including: operating income	2	3,288,517.93	2,964,624.36	Add: P&L on the changes in fair value (loss displayed with "-")	20		
Including: Revenue from primary business	3	3,288,517.93	2,964,624.36	Investment income	21		
Income from other operations	4			Including: Investment income towards joint-owned enterprises and joint ventures enterprise	22		
II. Gross operating Cost	5	2,945,232.03	2,399,028.84	III. Operating profits	23	343,285.90	565,595.52
Including: Cost of businesses	6	527,071.43	435,157.50	Add: Non-operating income	24	433,999.41	
Including: Cost of primary businesses	7	527,071.43	435,157.50	Including: Gains on disposal of fixed assets	25		
Ccost of other operations	8			Non-monetary asset exchange profit (Non-monetary trading profit)	26		
Sales taxes	9	915.78	889.52	Subsidy from government	27		
Operating expenses	10	2,221,792.97	2,164,820.06	Profit on arrangement	28		
General and administrative expenses	11	291,290.80	139,937.72	Less: (1) Non-operating expenses	29	2,361,625.01	36.29
Including: R&D expenses	12			Including: Losses on disposal of fixed assets	30	19,305.63	
Finance expenses	13	-95,838.95	-341,775.96	Non-monetary asset exchange loss (non-monetary trading loss)	31		
Including: Interest expense	14			Loss on arrangement	32		
Interest income	15	-1,087.92	-855.26	IV. Total profits	33	-1,584,339.70	565,559.23
Profit & Loss on exchange (profit displayed with "-")	16	-98,871.92	-345,138.43	Less: Income tax	34		
Δ Asset impairment loss	17			Add: *# Unrecognized losses on investment	35		
	18			V. Net profits	36	-1,584,339.70	565,559.23

Statement of Cash Flows

2019

Unit: CNY

Prepared by: Radisys Systems Equipment Trading (Shanghai) Co., Ltd.

Item	Line No.	Current year	Previous year	Item	Line No.	Current year	Previous year
I. Cash Flows from Operating Activities:	1	-	-	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	21		
Cash received from sales of goods or rendering of services	2	2,796,752.97	3,052,666.40	Cash paid relating to other investing activities	22	-	-
Refunds of Taxes	3	-	6,457.23	Sub-total of cash outflows	23	-	-
Other cash received relating to operating activities	4	1,087.92	855.26	Net cash flows from investing activities	24	-	-
Sub-total of cash inflows	5	2,797,840.89	3,059,978.89	III. Cash Flows from Financing Activities:	25	-	
Cash paid for goods and services	6	325,155.29	297,461.75	Cash received from investments by others	26		
Cash paid to and on behalf of employees	7	2,365,145.01	2,608,135.32	Including: Cash received from Minority shareholder by subsidiary	27	-	
Payments of all types of taxes	8	1,001.70	889.52	Cash received from borrowings	28		
Cash paid relating to other operating activities	9	244,439.43	88,211.78	Cash received relating to other financing activities	29	-	
Sub-total of cash outflows	10	2,935,741.43	2,994,698.37	Sub-total of cash inflows	30	-	
Net cash flows from operating activities	11	-137,900.54	65,280.52	Cash repayments of amounts borrowed	31	-	
II. Cash Flows from Investing Activities:	12			Cash paid for distribution of dividends or profits and for interest expenses	32		
Cash received from return of investments	13			Including: Share dividend and profit of minority paid by subsidiaries	33	-	
Cash received from return on investments	14			Cash paid relating to other financing activities	34	-	
Net cash received from the sale of subsidiary and other companies	15			Sub-total of cash outflows	35		
Net cash received from the sale of fixed assets, intangible assets and other long-term asset	16			Net cash flows from financing activities	36	-	
Cash received relating to other investing activities	17			IV. Effect of Foreign Exchange Rate Changes on Cash	37	-26,653.38	-28,452.84
Sub-total of cash inflows	18	-	-	V. Net Increase in Cash and Cash Equivalents	38	-164,553.92	36,827.68
Cash paid to acquire fixed assets, intangible assets and other long-term assets	19			VI. Cash and Cash equivalents at the beginning of the period	39	286,528.73	249,701.05
Cash paid to acquire investments	20			VII. Cash and Cash equivalents at the end of the period	40	121,974.81	286,528.73

Variation Statement of Owner's Equity

2019

Unit: CNY

Prepared by: Radisys Systems Equipment Trading (Shanghai) Co., Ltd.

Item	Current year									Minority interest	TOTAL OWNERS' EQUITY
	Owner's equity belongs to parent company										
	Line No.	Paid-in Capital	Capital reserves	Less: treasury stock	Surplus reserves	Reserve General risk	Undistributed profits	Other	TOTAL		
Line No.	0	1	2	3	4	5	6	7	8	9	10
I. Opening balance	1	3,476,298.00			1,738,149.00		8,918,874.03		14,133,321.03		14,133,321.03
Add: Change of accounting policy	2								-		-
Correction of previous mistakes	3								-		-
II. Beginning balance of current year	4	3,476,298.00	-	-	1,738,149.00	-	8,918,874.03	-	14,133,321.03	-	14,133,321.03
III. Variable amount occurred in current year (decreased amount displayed with "-")	5						-1,584,339.70		-1,584,339.70		-1,584,339.70
A. Net profit	6						-1,584,339.70		-1,584,339.70		-1,584,339.70
B. P&L directly posting in owner's equity	7										
1. Variable net amount on fair value of financial assets available to sale	8										
2. Influence by change of other owner's equity of invested company with equity method	9										
3. Influence of taxation caused by owner's equity related items	10										
4. Others	11										
Sum of III-A and III-B	12						-1,584,339.70		-1,584,339.70		-1,584,339.70
C. Owner's invested and withdrawing capital	13										
1. Owner invested capital	14										
2. Posting amount to owner's equity paid by stock	15										
3. Other	16										
D. Distribution of profits	17										
1. Accrued surplus reserves	18										
2. Distribution to owners/shareholders	19										
Including: Profit (state-owned share dividend and share interest) submitted by state-owned enterprise	20										
Common share dividend	21										
Common share dividend re-investment	22										
3. Others	23										
E. Internal transaction of owner's equity	24										
1. Capital surplus transferred to subscribed capital (or capital stock)	25										
2. Surplus reserve transferred to subscribed capital (or capital stock)	26										
3. Remedying loss with surplus reserve	27										
4. Others	28										
IV. Ending balance	29	3,476,298.00	-	-	1,738,149.00	-	7,334,534.33	-	12,548,981.33	-	12,548,981.33

Variation Statement of Owner's Equity

2018

Unit: CNY

Prepared by: Radisys Systems Equipment Trading (Shanghai) Co., Ltd.

Item	Last year										Minority interest	TOTAL OWNERS' EQUITY
	Owner's equity belongs to parent company											
	Line No.	Paid-in Capital	Capital reserves	Less: treasury stock	Surplus reserves	Reserve General risk	Undistributed profits	Other	TOTAL			
Line No.	0	11	12	13	14	15	16	17	18	19	20	
I. Opening balance	1	3,476,298.00			1,738,149.00		8,353,314.80		13,567,761.80		13,567,761.80	
Add: Change of accounting policy	2								-		-	
Correction of previous mistakes	3								-		-	
II. Beginning balance of current year	4	3,476,298.00	-	-	1,738,149.00	-	8,353,314.80	-	13,567,761.80	-	13,567,761.80	
III. Variable amount occurred in current year (decreased amount displayed with "-")	5	-	-	-	-	-	565,559.23	-	565,559.23	-	565,559.23	
A. Net profit	6								-		-	
B. P&L directly posting in owner's equity	7	-	-	-	-	-	-	-	-	-	-	
1. Variable net amount on fair value of financial assets available to sale	8								-		-	
2. Influence by change of other owner's equity of invested company with equity method	9								-		-	
3. Influence of taxation caused by owner's equity related items	10								-		-	
4. Others	11								-		-	
Sum of III-A and III-B	12	-	-	-	-	-	565,559.23	-	565,559.23	-	565,559.23	
C. Owner's invested and withdrawing capital	13	-	-	-	-	-	-	-	-	-	-	
1. Owner invested capital	14								-		-	
2. Posting amount to owner's equity paid by stock	15								-		-	
3. Other	16								-		-	
D. Distribution of profits	17	-	-	-	-	-	-	-	-	-	-	
1. Accrued surplus reserves	18								-		-	
2. Distribution to owners/ shareholders	19								-		-	
Including: Profit (state-owned share dividend and share interest) submitted by state-owned enterprise	20								-		-	
Common share dividend	21								-		-	
Common share dividend re-investment	22								-		-	
3. Others	23								-		-	
E. Internal transaction of owner's equity	24	-	-	-	-	-	-	-	-	-	-	
1. Capital surplus transferred to subscribed capital (or capital stock)	25								-		-	
2. Surplus reserve transferred to subscribed capital (or capital stock)	26								-		-	
3. Remedying loss with surplus reserve	27								-		-	
4. Others	28								-		-	
IV. Ending balance	29	3,476,298.00	-	-	1,738,149.00	-	8,918,874.03	-	14,133,321.03	-	14,133,321.03	

NOTES TO THE FINANCIAL STATEMENTS

2019

(Currency is RMB, unless elsewhere specified)

A. Brief introduction of the company

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

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

B0 Major accounting policies and accounting estimates

1 Accounting Standards and accounting systems

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

2 Accounting year

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

3 Recording currency and currency conversion

Recording currency is RMB basis.

4 Recording principle and valuation basis

Obligation principle is adopted, historical cost.

5 Foreign Currency Translation

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

6 Cash Equivalents

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

7 Accounts receivable bad debt losses recognized standards

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

8 Fixed asset valuation and depreciation methods

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

Fixed assets were initially recorded at historical cost

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

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

9 Amortization and valuation method of intangible assets

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

10 Long-term deferred expenses

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

11 Revenue recognition principle

Revenue for providing labor services

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

12 Accounting methods for income tax

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

13 Related parties

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

C Taxation Items

Main taxation items applicable to the company include:

- | | | |
|---|--------------------|---|
| 1 | Value-added Tax | Statutory Value-added tax rate is 6%. Revenues generated from off-shore services with exception of VAT was approved by Shanghai tax authority on July 13, 2016. So the revenues are VAT-free. |
| 2 | Company Income Tax | Income tax rate is 25%. |

NOTES TO THE FINANCIAL STATEMENTS

D Notes to items on financial statements

1 Monetary fund

	<u>Dec.31, 2019</u>	<u>Dec.31, 2018</u>
Cash on hand		
Cash in bank	121,974.81	286,528.73
Total	<u>121,974.81</u>	<u>286,528.73</u>

2 Accounts receivable

	<u>Dec.31, 2019</u>	<u>Dec.31, 2018</u>
Accounts receivable	12,789,422.61	12,163,705.01
Bad debt provision	-	-
Net value	<u>12,789,422.61</u>	<u>12,163,705.01</u>

Aging summary:

	<u>Dec.31, 2019</u>			<u>Dec.31, 2018</u>		
	Amount	Portion	Bad debt provision	Amount	Portion	Bad debt provision
Less than 1 year	12,789,422.61	100%	-	12,163,705.01	100%	-
Total	<u>12,789,422.61</u>	<u>100%</u>	<u>-</u>	<u>12,163,705.01</u>	<u>100%</u>	<u>-</u>

Affiliated Enterprises and debtor with big amount under accounts receivable

Name of the customer	Contents	<u>Amount</u>	<u>Notes</u>
Radisys Corporation		10,029,777.60	

3 Other Accounts Receivable

	<u>Dec.31, 2019</u>	<u>Dec.31, 2018</u>
Other Accounts Receivable	7,260.00	5,066,745.75
Provision for bad debit	-	-
Net value	<u>7,260.00</u>	<u>5,066,745.75</u>

4 Prepaid accounts

Aging summary:

	<u>Dec.31, 2019</u>		<u>Dec.31, 2018</u>	
	Amount	Portion	Amount	Portion
Within 1 year	3,580.00	100%	3,580.00	100%
Total	<u>3,580.00</u>	<u>100%</u>	<u>3,580.00</u>	<u>100%</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Fixed assets and accumulated depreciation

	Testing Equipment	Electronic Equipment	Transport Equipment	Office Equipment	Computer Equipment	Total
<u>Original Cost</u>						
Beginning	56,000.00	91,250.66	-	12,360.02	28,635.26	188,245.94
Increased						-
Decreased	(56,000.00)	(91,250.66)	-	(12,360.02)	(28,635.26)	(188,245.94)
Ending	-	-	-	-	-	-
<u>Accumulated Depreciation</u>						
Beginning	50,400.02	82,125.14	-	11,124.17	24,137.18	167,786.51
Increased					1,153.80	1,153.80
Decreased	(50,400.02)	(82,125.14)	-	(11,124.17)	(25,290.98)	(168,940.31)
Adjust						
Ending	-	-	-	-	-	-
<u>Net</u>						
Beginning	5,599.98	9,125.52	-	1,235.85	4,498.08	20,459.43
Ending	-	-	-	-	-	-

6 Accrued Payroll

	Dec.31, 2019	Dec.31, 2018
Accrued Payroll	362,718.03	264,100.92
Welfare payable		
Total	<u>362,718.03</u>	<u>264,100.92</u>

7 Other payable

	Dec.31, 2019	Dec.31, 2018
Total	<u>10,538.06</u>	<u>3,143,596.97</u>

8 Paid-in Capital

	Dec.31, 2019		Dec.31, 2018	
	USD	RMB	USD	RMB
Radisys Convedia (Ireland) Limited	<u>420,000.00</u>	<u>3,476,298.00</u>	<u>420,000.00</u>	<u>3,476,298.00</u>
Total	<u>420,000.00</u>	<u>3,476,298.00</u>	<u>420,000.00</u>	<u>3,476,298.00</u>

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

9 Surplus reserves

	Beginning	Increased	Decreased	Ending
General reserve fund	<u>1,738,149.00</u>	-	-	<u>1,738,149.00</u>
Total	<u>1,738,149.00</u>	-	-	<u>1,738,149.00</u>

NOTES TO THE FINANCIAL STATEMENTS

10	Undistributed profit	Dec.31, 2019	Dec.31, 2018
	Beginning amount	8,918,874.03	8,353,314.80
	Net profit of the year	<u>(1,584,339.70)</u>	<u>565,559.23</u>
	Distributable profit	<u>7,334,534.33</u>	<u>8,918,874.03</u>
	Less: Appropriation of reserve fund	-	-
	Ending amount	<u>7,334,534.33</u>	<u>8,918,874.03</u>
11	Operation Income	Year 2019	Year 2018
	Operation Income	<u>3,288,517.93</u>	<u>2,964,624.36</u>
	Total	<u>3,288,517.93</u>	<u>2,964,624.36</u>
12	Operation Cost	Year 2019	Year 2018
	Operation Cost	<u>527,071.43</u>	<u>435,157.50</u>
	Total	<u>527,071.43</u>	<u>435,157.50</u>
13	Extra taxes	Year 2019	Year 2018
	Total	<u>915.78</u>	<u>889.52</u>
14	Sales & Marketing expenses	Year 2019	Year 2018
	Total	<u>2,221,792.97</u>	<u>2,164,820.06</u>
15	General and administrative expenses	Year 2019	Year 2018
	Total	<u>291,290.80</u>	<u>139,937.72</u>
16	Financial expenses	Year 2019	Year 2018
	Interest expenses		
	Interest income	(1,087.92)	(855.26)
	Foreign exchange loss/income	(98,871.92)	(345,138.43)
	Others	<u>4,120.89</u>	<u>4,217.73</u>
	Total	<u>(95,838.95)</u>	<u>(341,775.96)</u>
17	Non-operation Income	Year 2019	Year 2018
	Items		
	waived payments	<u>433,999.41</u>	-
	Total	<u>433,999.41</u>	-

NOTES TO THE FINANCIAL STATEMENTS

18	Non-operation expenses		
	Items	Year 2019	Year 2018
	Bad debt	2,342,319.38	-
	Loss Of Fixed Assets	19,305.63	-
	Fine	-	36.29
	Total	<u>2,361,625.01</u>	<u>36.29</u>

E ADJUSTING THE NET PROFITS TO THE OPERATING CASH FLOWS

	Items	Year 2019	Year 2018
	Net profit of this year	(1,584,339.70)	565,559.23
	Add: Provision for impairment of assets	-	-
	Depreciation of fixed assets	1,153.80	2,109.72
	Amortization of intangible assets		
	Amortization of long-term prepaid expenses		
	Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)	19,305.63	-
	Financial expenses	26,653.38	28,452.84
	Loss arising from investments (or deduct: gains)		
	Deferred tax credit (or deduct: debit)		
	Decrease in inventories (or deduct: increase)		
	Decrease in operating receivables (or deduct: increase)	4,669,581.83	(281,407.79)
	Increase in operating payables (or deduct: decrease)	(3,270,255.48)	(249,433.48)
	Others	-	-
	Net cash flows from operating activities	<u>(137,900.54)</u>	<u>65,280.52</u>

F RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

2 Related parties

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

NOTES TO THE FINANCIAL STATEMENTS

3 Transactions between related parties

(1) Accounts Receivable and Accounts Payable

Items	Related parties	Dec.31, 2019	Dec.31, 2018
Accounts receivable	Radisys Technologies (Shenzhen) Co., Ltd.	2,759,645.01	2,776,172.00
	Radisys Canada	-	53,162.35
	Radisys Corporation	<u>10,029,777.60</u>	<u>9,334,370.66</u>
		<u>12,789,422.61</u>	<u>12,163,705.01</u>
Other receivable	Radisys Corporation	-	4,962,578.57
	Radisys Canada	-	96,907.18
		-	<u>5,059,485.75</u>
Other accounts payable	Radisys Corporation	-	2,627,180.99
	Radisys Canada	-	499,030.46
		-	<u>3,126,211.45</u>

G Other Matters

No other matters required for disclosure.

H Subsequent events after the balance sheet date

No subsequent event after the balance sheet date to disclose.

TAXABLE INCOME RECONCILIATION

2019

	Currency: RMB Amount
Accounting income for the year	(1,584,339.70)
Add: Amortization of bad debts	-
Business entertainment expenses over limit	17,016.86
Advertising and business publication expenses	
Loss Of fixed assets disposal	
Amortization of intangible assets	
Amortization of long-term prepaid expenses	
Penalty expenses	
Commercial premium	15,662.99
Others – Bad debt	2,342,319.38
Others – unreceived office deposit	
Accrued expenses	(17,385.52)
Accrued payroll	(264,100.92)
Total Addition	<u>2,093,512.79</u>
Less: Amortization of start-up costs	-
Investment Income (except investment stock income within one year)	
**	-
Total Deduction:	<u>-</u>
Taxable income for the year	509,173.09
Add: Carried forward losses of prior years	<u>(509,173.09)</u>
Taxable income reconciled	<u><u>0.00</u></u>

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