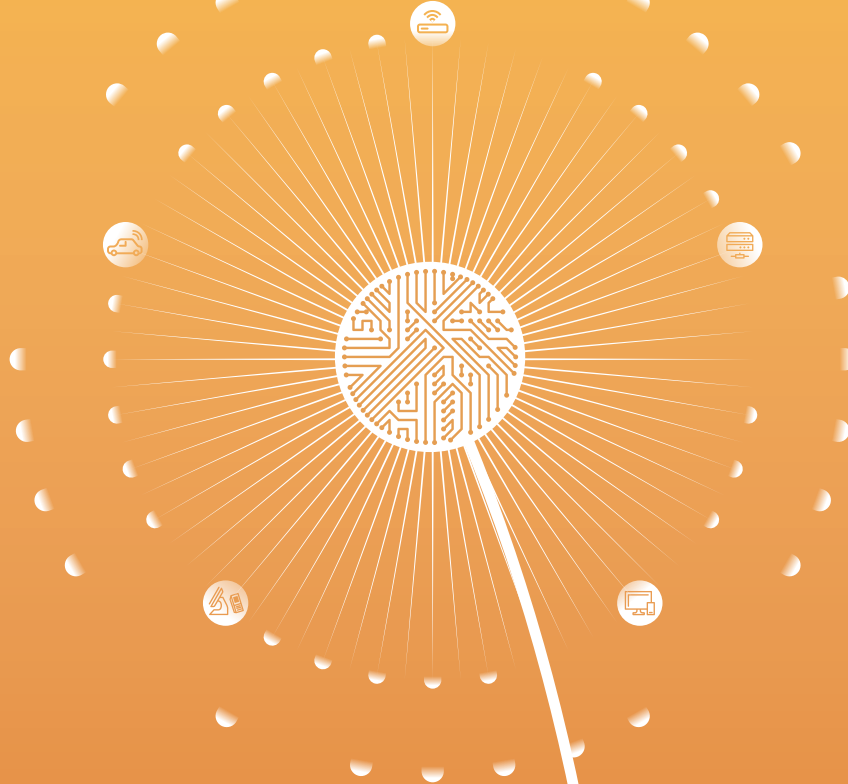




SSE Code 601231



# 2021

Annual Report

Stock Code: 601231

Abbreviated Name: USI

Convertible Bond Code: 113045

Abbreviated Name: USI Convertible Bond

# **Universal Scientific Industrial (Shanghai) Co., Ltd.**

## **2021 Annual Report**

*Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.*

## Important Notice

**I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of the Company hereby assure that the content set out in the annual report is truthful, accurate and complete, and contains no misrepresentations, misleading statements or material omissions, and are individually and collectively responsible for the content set out therein.**

**II. All directors attend the board meeting.**

**III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued a standard and unqualified auditor's report for the Company.**

**IV. Jeffrey Chen, person in charge of the Company, Tan-Yang Liu, person in charge of accounting, and Chern Yuh-Huah, person in charge of the accounting firm (accountant in charge) declare that the financial report in the annual report is truthful, accurate and complete.**

**V. The proposal of profit distribution for the reporting period deliberated and passed by the Board**

Regarding its profit distribution plan for 2021, USI is going to distribute a cash dividend of RMB 2.60 (tax included) for every 10 shares on the basis of the total share capital on the record date for implementing the plan after deducting the number of shares in its special buy-back securities account, without bonus share or transfer of public reserve into share capital, and all the remaining undistributed profits shall be carried forward for distribution in the following years. If the total share capital of the Company and the number of shares in the special buy-back account of the Company change before the record date for implementing the plan, the cash dividend per share to be distributed shall remain unchanged and the total amount of distribution shall be adjusted accordingly.

The Company's Profit Distribution Plan for the 2021 was deliberated and approved at the 15th meeting of the fifth session of the Board of Directors of the Company, and it still needs to be deliberated at the Company's 2021 annual general meeting of shareholders.

**VI. Risk disclosure for forward-looking statements**

Applicable  Not Applicable

This report involves forward-looking statements such as future plans, and does not constitute a material commitment of the Company to investors. Investors are requested to pay attention to investment risks.

**VII. Are there any funds occupied by controlling shareholders and their affiliates for non-operational purposes?**

No

**VIII. Is there any external guarantee in violation of the prescribed decision-making process?**

No

**IX. Are more than half of the directors unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company?**

No

**X. Major risk disclosure**

The major risks facing the Company are described in "Possible Risks" of "Discussion and Analysis of Corporate Development in the Future" in this report.

**XI. Other information**

Applicable  Not Applicable

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Catalog of files for reference	Accounting statements signed and sealed by the person in charge of the Company, the person in charge of accounting and the person in charge of the accounting firm
	Original audit report sealed by the accounting firm and signed and sealed by certified public accountants
	Original copies of all documents and announcements of the Company publicly disclosed in newspapers designated by CSRC during the reporting period

## Section I Definitions

### I. Definitions

In this report, the following terms shall have the following meanings unless the context otherwise requires:

The Company, the Group, USI, or the listed company	Universal Scientific Industrial (Shanghai) Co., Ltd.
SSE	Shanghai Stock Exchange
USI Enterprise Limited	USI Enterprise Limited, the controlling shareholder of the Company, registered in Hong Kong
Universal Scientific Industrial Co., Ltd.	Universal Scientific Industrial Co., Ltd., a company listed on the Taiwan Stock Exchange under the stock code 2350, which terminated its listing on June 17, 2010
ASE Technology Holding Co., Ltd.	ASE Technology Holding Co., Ltd., a company listed on the Taiwan Stock Exchange under the stock code 3711
ASE Inc.	Advanced Semiconductor Engineering, Inc., formerly listed on the Taiwan Stock Exchange under the stock code 2311 and delisted in 2018.
ASE (Shanghai) Inc.	ASE (Shanghai) Inc., a subsidiary of ASE Inc. in which it holds 100% shares
Universal Global Technology Co., Limited	Universal Global Technology Co., Limited, a subsidiary of the Company in which the Company holds 100% shares
Universal Global Technology (Shanghai) Co., Ltd., Jinqiao Facility	Universal Global Technology (Shanghai) Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
USI Electronics (Shenzhen) Co., Ltd., Shenzhen Facility	USI Electronics (Shenzhen) Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
Universal Global Technology (Kunshan) Co., Ltd., Kunshan Facility	Universal Global Technology (Kunshan) Co., Ltd., a wholly-owned subsidiary of the Company
Universal Global Electronics Co., Ltd.	Universal Global Electronics Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
Universal Global Technology (Huizhou) Co., Ltd., Huizhou Facility	Universal Global Technology (Huizhou) Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
Universal Global Scientific Industrial Co., Ltd.	Universal Global Scientific Industrial Co., Ltd., registered in Taiwan, a subsidiary of the Company in which the Company holds 100% shares
USI Vietnam, Vietnam Facility	Universal Scientific Industrial Vietnam Company Limited, a subsidiary of the Company in which the Company holds 100% shares
FAFG	Financiere AFG, a simplified joint stock company established and validly existing under the laws of France and a subsidiary of the Company in which the Company holds 100% shares
ASDI	ASDI Assistance Direction, a simplified joint stock company established and validly existing under the laws of France, controlled by Gilles Baruk Benhamou, a director of the Company
AFG	Asteelflash Group, a simplified joint stock company established and validly existing under the Laws of France. It is a subsidiary of FAFG in which FAFG holds 100% shares. Since January 1, 2022, it has been merged into its parent company FAFG.
Asteelflash Suzhou	Asteelflash (Suzhou) Co., Ltd., a subsidiary of FAFG in which FAFG holds 100% shares
USI Poland, Poland Factory	Formerly known as Chung Hong Electronics Poland SP.Z. O.O; the Company completed the acquisition of 100% of its equity on June 22, 2020, and it was renamed Universal Scientific Industrial Poland Sp.z o.o.
Memtech	Memtech International Ltd., which was listed on the Singapore Stock Exchange in 2004, and was delisted on August 22, 2019. The Company indirectly holds 42.23% of its equity.

2021 Annual Report

EMS	Electronic Manufacturing Services, the services provided by manufacturers for electronic brand owners, such as manufacturing, procurement, partial design and logistics
ODM	Original Design and Manufacturer
DMS	Design and Manufacturing Services
D(MS) <sup>2</sup>	An acronym for DMS combined with Miniaturization and Solution
SMT	Surface Mount Technology, a new generation of electronic assembly technology, which compresses traditional electronic components into components that are tens of times smaller than their original volume and realizes high-density, highly reliable, miniaturized and low-cost assembly of electronic products, as well as automated production. The process for assembling components onto printed (or other) substrates is called SMT process, and the associated assembly equipment is called SMT equipment.
PCB	Printed Circuit Board, known as the “cornerstone” of electronic products. A large number of electronic parts used in electronic products are embedded on PCBs of different sizes. In addition to fixing parts, the main function of PCBs is to provide circuit connections between various parts.
SiP	System in Package; multiple functional wafers, including processors and memory wafers, are integrated into a package according to the application scenarios, the number of package substrate layers and other factors, so as to achieve a basic package scheme with complete functions
CAGR	Compound Annual Growth Rate
The reporting period or current period	January 1, 2021 to December 31, 2021

## Section II Company Profile and Key Financial Indicators

### I. Company Profile

Name in Chinese	环旭电子股份有限公司
Abbreviation in Chinese	环旭电子
Name in English	Universal Scientific Industrial (Shanghai) Co., Ltd.
Abbreviation in English	USISH
Legal representative	Jeffrey Chen

### II. Contact Persons and Contact Information

	Secretary of the Board of Directors	Securities affairs representative
Name	Jinpeng Shi	Lili Liu
Address	F/5, Building B, 169 Shengxia Road, Pudong New Area, Shanghai	F/5, Building B, 169 Shengxia Road, Pudong New Area, Shanghai
Tel.	021-58968418	021-58968418
Fax	021-58968415	021-58968415
Email	Public@usiglobal.com	Public@usiglobal.com

### III. Basic Information

Registered address	1558 Zhangdong Road, Integrated Circuit Industrial Zone, Zhangjiang Hi-tech Park, Shanghai
Change record of registered address	None
Office address	F/5, Building B, 169 Shengxia Road, Pudong New Area, Shanghai
Zip code of office address	201203
Website	www.usiglobal.com
Email	Public@usiglobal.com

### IV. Information Disclosure and Place at Which the Report Is Available

Names and websites of press media on which the Company discloses its annual report	Shanghai Securities News, China Securities Journal, Securities Times, and Securities Daily
Website of the stock exchange on which the Company discloses its annual report	www.sse.com.cn
Annual report available at	Securities Department of the Company

### V. Stock Profile

Stock profile				
Stock class	Listed on	Stock abbreviation	Stock code	Stock abbreviation before change
A shares	Shanghai Stock Exchange	USI	601231	None
Convertible corporate bonds that can be converted into A shares of the Company	Shanghai Stock Exchange	USI Convertible Bond	113045	None

### VI. Other Relevant Information

Accounting firm hired by the Company (within China)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	F/30, 222 East Yan'an Road, Shanghai

	Names of accountants who give their signatures	Yuan Shouqing, and Hu Ke
Sponsor organization that performs the duty of continuous supervision during the reporting period	Name	Haitong Securities Co., LTd.
	Office address	689 Guangdong Road, Shanghai
	Names of sponsor representatives who give their signatures	Zhang Zihui, and Yang Yang
	Period of continuous supervision	April 2, 2021 to December 31, 2022
Financial consultant who performs the duty of continuous supervision during the reporting period	Name	Zhong De Securities Company Limited
	Office address	F/22, Deutsche Bank Tower, China Central Place, 81 Jianguo Avenue, Chaoyang District, Beijing, China
	Names of financial consultant representatives who give their signatures	Wang Wei, and Guan Renhao
	Period of continuous supervision	December 2020 to December 2021

## VII. Key Accounting Data and Financial Indicators in the Past Three Years

### (I) Key accounting data

Unit: yuan Currency: RMB

Key accounting data	2021	2020		YoY (%)	2019
		Before adjustment	After adjustment		
Operating revenue	55,299,654,770.21	47,696,228,222.53	47,696,228,222.53	15.94	37,204,188,424.22
Net profits attributable to shareholders of the listed company	1,857,968,074.82	1,739,435,448.10	1,739,435,448.10	6.81	1,262,103,937.04
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses	1,695,083,855.46	1,615,438,890.95	1,615,438,890.95	4.93	1,044,674,761.73
Net cash flows from operating activities	-1,102,446,978.90	1,436,523,674.10	1,436,523,674.10	176.74	2,425,772,253.61
	End of 2021	End of 2020		YoY (%)	End of 2019
		Before adjustment	After adjustment		
Net assets attributable to shareholders of the listed company	13,081,960,207.42	12,049,820,179.95	12,049,820,179.95	8.57	10,275,615,667.91
Total assets	35,856,733,503.81	31,070,402,620.02	30,938,495,875.49	15.40	21,911,851,349.31

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**(II) Key financial indicators**

Key financial indicators	2021	2020		YoY (%)	2019
		Before adjustment	After adjustment		
Basic EPS (yuan/share)	0.85	0.80	0.80	6.25	0.58
Diluted EPS (yuan/share)	0.83	0.80	0.80	3.75	0.58
Basic EPS net of non-recurring gains/losses (yuan/share)	0.77	0.74	0.74	4.05	0.48
Weighted average ROE (%)	14.83	15.88	15.88	Down 1.05 pct.	12.93
Weighted average ROE net of non-recurring gains/losses (%)	13.53	14.75	14.75	Down 1.22 pct.	10.70

Explanation of the Company's key accounting data and financial indicators in the past three years at the end of the reporting period

Applicable Not Applicable

The net cash flow from operating activities in 2021 decreased by 176.74% mainly due to the increase in inventories in response to customer orders in the current period.

**VIII. Accounting Data Differences under Domestic and Overseas Accounting Standards****(I) Differences in net profits and net assets attributable to shareholders of the listed company in the financial report disclosed under international accounting standards and Chinese accounting standards**

Applicable Not Applicable

**(II) Differences in net profits and net assets attributable to shareholders of the listed company in the financial report disclosed under overseas accounting standards and Chinese accounting standards**

Applicable Not Applicable

**(III) Explanation of differences between Chinese accounting standards and overseas accounting standards**

Applicable Not Applicable

**IX. Key Financial Data by Quarter for 2021**

Unit: yuan Currency: RMB

	Q1 (January - March)	Q2 (April - June)	Q3 (July - September)	Q4 (October - December)
Revenue	10,934,611,963.62	11,338,662,842.90	14,244,559,091.53	18,781,820,872.16
Net profits attributable to shareholders of the listed company	271,906,070.22	279,133,337.38	571,759,229.79	735,169,437.43
Net profits attributable to shareholders of the	232,201,444.36	230,612,730.76	541,472,044.59	690,797,635.75

listed company net of non-recurring gains/losses				
Net cash flows from operating activities	-217,236,055.57	-385,456,159.36	-1,241,451,416.67	741,696,652.70

Explanation of differences between quarterly data and those disclosed in regular reports

Applicable Not Applicable

#### X. Items and Amounts of Non-Recurring Gains/Losses

Applicable  Not Applicable

Unit: yuan Currency: RMB

Items of non-recurring gains/losses	Amount in 2021	Notes (if applicable)	Amount in 2020	Amount in 2019
Gains/losses from disposal of non-current assets	-9,115,989.64	See Note (V), 56 and 58 (V) 56, 58 for details	1,172,336.59	1,318,458.06
Government grants included in current gains/losses, excluding those closely related to operating activities of the Company, or regular government grants in a certain quota in accordance with state policies	50,678,106.85	See Note (V), 52 and 53 (V) 52, 53 for details	76,779,477.12	52,011,788.56
Gains/losses on changes in fair value arising from holding trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except the effective hedging business related to the normal operation of the Company,	134,150,704.71	See Note (V), 6 (V) 6 for details	57,415,602.04	175,214,439.86
Write-back of receivables and provisions for contract assets impairment subject to separate impairment tests	2,836,069.00	See Note (V), 57 and 58 (V) 56, 58 for details	-	-
Other non-operating income or expenditures	18,576,128.64	See Note (V), 57 and 58 (V) 57, 58 for details	11,899,780.26	11,116,543.38
Less: Enterprise income tax affected	34,238,090.20		22,910,526.54	22,248,382.17
Non-controlling interest affected (after tax)	2,710.00		360,112.32	-16,327.62
Total	162,884,219.36		123,996,557.15	217,429,175.31

Explanation on defining a non-recurring gain/loss item listed in Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 - Non-Recurring Gains/Losses as a recurring gain/loss item

Applicable Not Applicable

### XI. Items Measured at Fair Value

Applicable Not Applicable

Unit: yuan Currency: RMB

Item	Opening balance	Ending balance	Change in the current period	Impact on profit of the current period
Financial assets held for trading	182,315,272.70	96,480,087.56	-85,835,185.14	31,292,952.87
Other equity instruments	41,351,831.65	75,957,194.28	34,605,362.63	
Other non-current financial assets	152,935,434.70	236,978,820.68	84,043,385.98	15,032,169.92
Financial liabilities held for trading	-976,413.16	-18,402,480.68	-17,426,067.52	-1,736,900.19
Total	375,626,125.89	391,013,621.84	15,387,495.95	44,588,222.60

### XII. Other information

Applicable Not Applicable

## Section III Management Discussion and Analysis

### I. Discussion and Analysis of Operations

In 2021, as the Company consolidated financial statements with FAFG and its EMS/ODM business accelerated, the Company realized annual operating revenue of RMB 55.30 billion, an increase of 15.94% over RMB 47.70 billion in 2020, with revenue of all categories increasing year on year (YoY).

The Company achieved an operating profit of RMB 2.13 billion in 2021, an increase of 8.67% over RMB 1.96 billion in 2020. The total profit was 2.14 billion yuan, an increase of 8.38% compared with RMB 1.97 billion in 2020. The net profit attributable to shareholders of the listed company was RMB 1.858 billion, an increase of 6.81% over RMB 1.74 billion in 2020. The net profit attributable to shareholders of the listed company net of non-recurring gains/losses was RMB 1.70 billion, an increase of RMB 80 million or 4.93% over RMB 1.62 billion in 2020.

### II. Industry of the Company during the Reporting Period

#### (I) Basic situation of the industry

The EMS industry mainly provides overall supply chain solutions such as design, engineering development, raw material procurement, manufacturing, logistics, testing and after-sales service for various electronic products and equipment.

The rapid development of downstream industries such as tablet computers, smart TVs, smart wearable devices, AR/VR and smart home has driven the healthy development of precision electronic components, smart acoustic machines and smart hardware industries.

The rise of China's manufacturing industry and the continuous and rapid expansion of the electronic consumer market have driven the sustainable development of domestic electronic manufacturing outsourcing industry. After more than 20 years of investment by world-leading EMS providers in China, China has become the most active and competitive region in the global EMS industry.

#### (II) Industry characteristics and development trends

##### 1. The industry has a large overall scale, with high industry concentration and fierce competition

In 2021, the industrial scale of the global EMS industry has exceeded USD 640 billion, with high industry concentration. The top 10 manufacturers in the world accounted for more than 70% of the total revenue. Leading enterprises in the industry have accumulated rich customer resources and industry experience, with large assets and revenues, and maintained a relatively stable leading position. Due to the accelerated upgrading of electronic products and equipment industry, shortened product life cycle and high technical transparency, the industry is experiencing increasingly fierce competition in sub-sectors in the industry. Enterprises in the industry need to actively expand new products and customer incremental demand, improve process, intelligent manufacturing and new product research and development, and increase product added value.

##### 2. 5G drives consumer electronics technology innovation and product upgrade

5G has ushered in the era of "Internet of Everything". New technologies and products such as cloud computing, AI, Internet of Things, smart wearables and AR/VR have been accelerated and promoted, and the application depth and breadth of smart interactive products such as smart phones, tablet computers, smart speakers, wearable devices and automotive electronics have been continuously expanded. Innovative products of consumer electronics are the demand increment most concerned by the EMS industry.

##### 3. The demand for electronic products related to automobiles and cloud infrastructure has grown rapidly

In the global context of "carbon neutrality", the sales volume of new energy electric vehicles has greatly increased. The proportion of electric vehicles in the global sales of new vehicles will continue to grow rapidly. The demand for automotive electronics related to electric vehicles has surged, the upgrading of technologies such as intelligent cockpit and intelligent navigation has accelerated, and the proportion of

manufacturing service outsourcing has increased. In addition, 5G applications have driven broadband infrastructure, and the continuously growing cloud business scale of technology giants has driven the heavy investment in cloud infrastructure, and the demand for related electronic products such as servers, switches and storage has grown rapidly.

### **(III) Periodic, regional and seasonal characteristics of the industry**

#### **1. Periodicity of industry development**

The development of the EMS industry has a great cyclical relationship with downstream industries, and the electronic products industry is closely related to the macroeconomic situation. When the economy is booming, the market demand for electronic products is large and the growth rate is high, which drives the production and sales of the EMS industry; when the economy is in a downturn, the purchasing power of consumers and enterprises declines, the demand for products decreases, and the production and sales volume of industries decreases.

#### **2. Regional characteristics of industry**

The global EMS industry rose in Europe and America, and then gradually shifted to South America, Southeast Asia and Taiwan of China. At present, China, South Asia, Eastern Europe, South America and other regions have become the fastest growing areas of EMS industry due to their advantages of low production costs.

At present, the global electronic intelligent manufacturing service enterprises are mainly concentrated in Asian countries or regions such as China, India and Vietnam. Enterprises in the industry sell their main products to manufacturing and assembly enterprises or directly to downstream brand owners, and finally the products will be sold all over the world.

#### **3. Seasonal characteristics of industry operation**

The electronic intelligent manufacturing service industry has certain seasonal characteristics in terms of orders and revenues. The first and second quarters of each year are traditionally off-seasons, the third quarter is the peak sales season, and the fourth quarter is the peak shipment season. Considering the frequent release of new consumer electronics by brand owners in the second half of a year and the influence of Spring Festival in the first half of a year, the sales revenue of enterprises in this industry in the second half of each year is generally higher than that in the first half of each year.

### **(IV) Competitive position of the Company in the industry**

The Company is a world-renowned manufacturer in the EMS industry. In 2020, USI ranked 12<sup>th</sup> among global EMS providers, with top-ranking annual revenue growth rate and net operating margin in the industry. The Company is an industry leader in SiP miniaturization technology, leading the industry in many business segments.

## **III. Core Business during the Reporting Period**

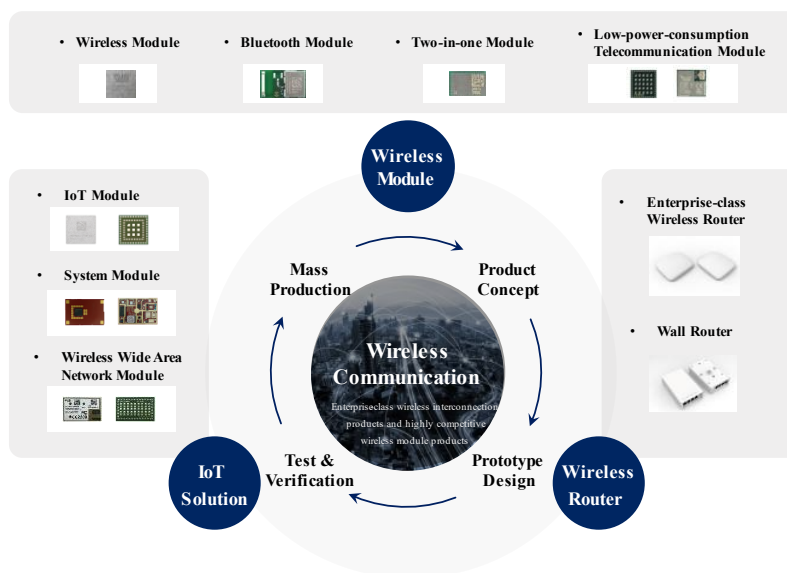
### **(I) Key Products and Solutions**

As a world-leading D(MS)<sup>2</sup> manufacturer, by providing brand customers with more value-added design, manufacturing and related services, USI participates more in developing industry-wide application solutions, and enhances the manufacturing value added of products and overall services. In the future, following the core concept of creating value for customers, USI will attach more importance to Solutions and Services among the D(MS)<sup>2</sup>, strive to expand the base of high-quality customers and strengthen partnership with them, gradually transform the Company from a manufacturing service provider to a total solution provider and comprehensive service provider in the fields mentioned below.



### 1. Wireless communication products

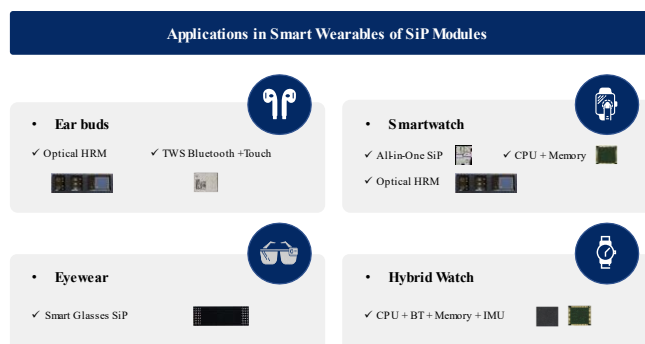
In the field of wireless communication, the Company, with a strong design and manufacturing team, provides customers with design, verification manufacturing and related services for enterprise-class wireless interconnection products and highly competitive wireless module products by collaborating with the world's leading wireless communication IC companies. From product concept, prototype design, testing and verification to mass production, USI, with its R&D team and management system, offers customers with a suitable R&D schedule and reliable quality assurance to meet customer needs, achieve rapid product launches, and enhance customers' competitive advantages. Wireless communication products mainly include wireless communication System-in-Package (SiP) modules, system-level Internet of Things (IoT) modules, IoT modules, low-power-consumption telecommunication modules, enterprise-level wireless routers, etc.



### 2. Consumer electronics

The Company is the industry's leading manufacturer of smart wearable SiP modules. As smart wearables tend to be “light, thin, short and small”, the system in package (SiP) technology has become the key to providing highly integrated and miniaturized designs. Since 2013, the Company has been committed to the miniaturization and highly integrated development of SiP modules related to wearables, including new advanced packaging technologies such as local spacing shielding, selective plastic packaging, film plastic packaging, selective sputtering, shape cutting, dry ice cleaning and 3D steel stencil printing. At

present, smart wearable SiP modules include smart watch SiP module, true wireless earbuds (TWS) module, and optical heart rate module.



In addition to smart wearable SiP modules, the Company also operates video products, connecting devices and other product fields, mainly including LED light bars, timing control boards, source-level drive boards, smart stylus pens, electromagnetic sensing boards, and hair removal machines.

### 3. Industrial electronics

With sophisticated professionals in product R&D, design, project management, manufacturing and logistics support, USI is committed to the industrial product market. The Company provides customers with the most cost-effective, optimized design and a full package of solutions with a strict quality control process, meeting their needs from mass production, diversified production, to customized production.

Industrial products mainly include point-of-sale (POS) and smart handheld device (SHD).



### 4. Computer and storage

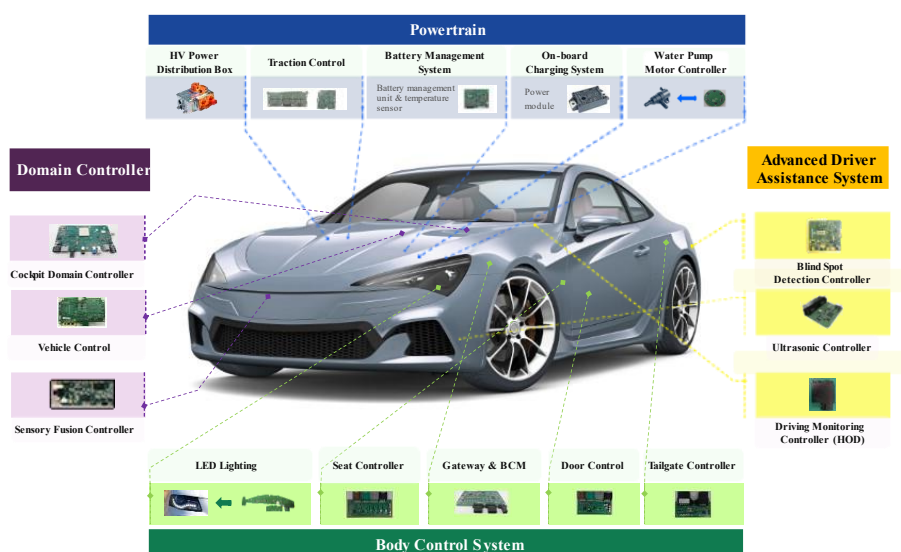
On the market of computer motherboards and peripheral applications, the Company, by adopting efficient manufacturing process and strict quality management system, shortens the time to market and mass production for customers' products, improving efficiency while saving costs. USI's computer motherboard products include motherboards for servers and workstations, and SipSet modules for laptops and tablets, etc. USI's computer peripheral products are mainly devices that connect laptops to peripherals, such as docking station and dongle.

Storage and interconnection products include solid-state drives (SSDs) and enterprise-class high-speed switches and network adapters. USI has industry-leading R&D capabilities for new technologies, such as fibre channel, SAS, SATA, 10 gigabit ethernet, dual port I/O and wireless broadband, etc., and has developed diversified products. The Company is a leading SSD design and manufacturing partner, providing customers with services in manufacturing, hardware design, product verification and customized design of test platform. The Company's OEM products, including high-speed switches and host channel adaptor (HCA) cards, are must-have devices for enterprises, institutions, computing centers and data centers.

## 5. Automotive electronics

With over three decades of experience in the automotive industry, USI provides turnkey DMS solutions and global manufacturing services. The Company has been devoted to improving overall quality control and reducing costs through complete logistics services and flexible IT infrastructure. As a leading manufacturer on the automotive electronics market, USI has built long-term partnership with well-known automotive electronics suppliers across the world.

Automotive electronic products include voltage regulators, rectifiers, battery management systems, power modules for EV charging, hydraulic control modules, motor controllers, external LED lighting, Integrated Electric Parking Brake (IEPB), in-vehicle infotainment system control unit or control panel, etc.



## 6. Medical electronics

Medical electronic products are mainly home care and hospital analytical equipment, including vitamin K antagonist therapy equipment, cardiovascular equipment and glucose metering device.

### (II) Miniaturization design and products

USI has a leading position in SiP miniaturization technology. By integrating several functional ICs and accessory circuits into a module, miniaturized system modules effectively reduce the area of functional modules, improve the efficiency of circuit system, and ensure the effectiveness of electromagnetic interference shielding. With the trend of miniaturization, personalization and functional diversification of consumer electronics, the modules applied in these products are also developing rapidly towards miniaturization and integration of multiple functions, which becomes the mainstream of similar module products.

Through miniaturization technology, most electronic systems, especially for mobile devices, IoT devices, and wearables, can be reduced in size to meet market demands. As SiP is quite complex with regard to the capital input, technologies and product design, the Company will continue to increase investment in multi-functional, more complex and more precise modules to stay on the cutting edge in the industry. In the era of 5G and IoT, the application of wearable devices will be more extensive and diversified, and there will be larger demands for lighter, thinner, shorter and smaller electronic products, and the application of miniaturization technology will be accelerated.

The design and manufacturing ability of “miniaturized” products is one of the core competitiveness of the Company, and the Company will strive to expand the application and market of miniaturized modules. At the same time, in the fields of wireless communication, computers, wearables, solid-state storage, industrial electronics, automotive electronics and other products, the Company will also expand the application of miniaturization technology and develop modular products such as SOM (System on

Module) and SipSet.



At present, USI's SiP products cover WiFi modules, UWB modules, mmWave antenna-in-package (AiP) modules, fingerprint sensor modules, and modules for smart wearables such as watches and earbuds.

#### IV. Analysis of Core Competitiveness during the Reporting Period

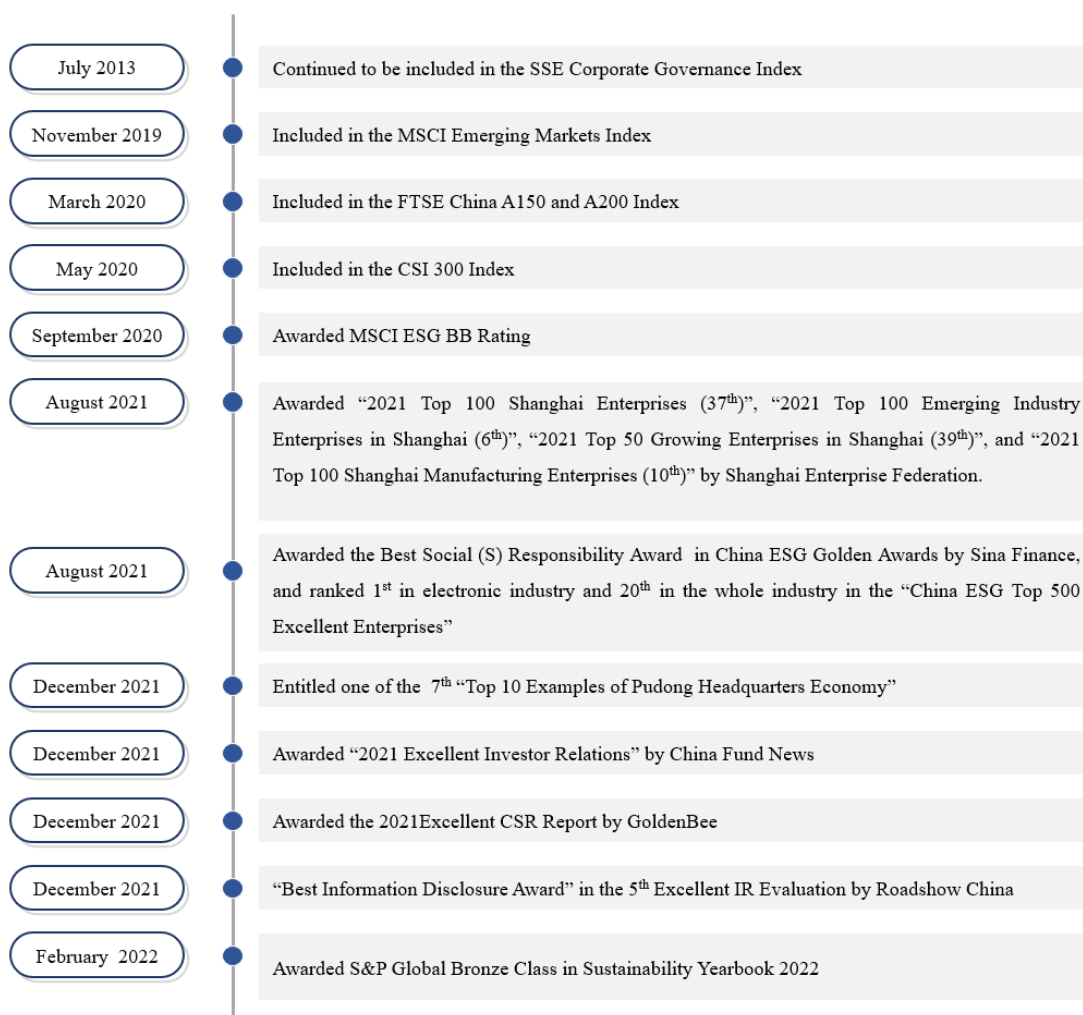
Applicable  Not Applicable

As a large design and manufacturing service provider in the field of electronic products, the Company has the following core competitive advantages:

##### (I) Prominent position in the industry and standardized corporate governance

The Company is a world-renowned manufacturer in the EMS industry. In the global ranking of EMS providers, the Company ranked 12th in revenue scale in 2020, with its annual revenue growth rate and net operating margin of main business ranking top in the industry. The Company is a leading manufacturer in many business segments and an industry leader in SiP miniaturization technology, with a prominent position in the industry.

The Company attaches great importance to internal control and corporate governance, strictly abides by laws and regulations, and the relevant regulatory requirements of Shanghai Stock Exchange as well as requirements of Taiwan Stock Exchange and New York Stock Exchange because of its parent company ASE Technology Holding Co., Ltd. The Company has been rated A for information disclosure by Shanghai Stock Exchange for the last four consecutive years, and won a series of honors for its operations and governance.



## (II) Global layout and advantages in localized services

In December 2020, the Company completed the acquisition of AFG, the second largest EMS company in Europe. At present, it has 27 production bases in 10 countries (including regions) including Chinese mainland, Taiwan, the United States, France, Germany, Britain, Czech Republic, Mexico, Poland, Tunisia and Vietnam, serving world-renowned brand owners. Through its global layout, the Company not only globalizes its business cooperation and production bases, but also focuses on the global market and integrates global resources to become a more international company.



### (III) Diversified business areas and rich product portfolio

The Company not only has the comprehensive strength of professional design and manufacture of electronic products (covering electronic components, spare parts and complete machines) and system assembly, but also has the advantages of strategic selection of sub-sectors and integration of products. The Company's product portfolio is "rich and balanced", covering five major fields, such as 3C (communication, consumption and computer) products, industrial electronics, medical care, automotive electronics, etc. On the basis of "selecting the best among the best", the Company implements horizontal integration across sub-sectors and industries, conforms to the development trend of continuous integration of electronic industry, dynamically realizes the optimal combination of its products, and promotes its sustainable and stable development. At the same time, the Company will strengthen the vertical integration of core components and complete machines, highlight service value, enhance customer engagement and expand quality customers, and then consolidate and enhance its strategic position as an integrated service provider in the supply chain.

The Company always attaches importance to judging the industry development and grasping market opportunities. The Company has established long-term and stable supply chain partnership with many international first-class large-scale electronic product brands, and occupies an important position in the supply chain of its core products. Based on the close cooperation with the world-class electronic brands and the close follow-up of the industry technology development trend, the Company can quickly respond to the changes in market demand, and make forward-looking deployment and advanced research and development of new products in time. At the end of 2020, the Company set up a Miniaturization Competence Center (MCC), committed to becoming a benchmark technology innovation engine in the industry, serving the needs of domestic and foreign customers for miniaturized and modular products around smart phones, smart wearables, automotive electronics and other fields, and providing "one-stop service" from design to manufacturing. In April 2021, the Company started Corporate Venture Capital (CVC). Taking business collaboration as the starting point, it makes strategic investment in upstream and downstream of the industrial chain, organically combines industrial empowerment with capital operation, and incubates business sectors and potential partners with growth potential through the investment of supporting funds and resources, so as to serve the medium and long-term corporate development strategy of enterprises, establish an closed loop of industrial ecology and continuously enhance enterprise value.

### (IV) Focus on automation and intelligent manufacturing

As a global leader in electronic design and manufacturing, the Company has been taking "intelligent manufacturing" as one of its important business strategies. After more than 40 years of development, the Company has the ability of large-scale production management in the electronic manufacturing industry, and has formed a distinctive, industry-leading and effective production and operation management and internal control system in its long-term management practice. The Company can timely and efficiently purchase all kinds of raw materials according to customer needs, complete the assembly of all finished products and related after-sales service, respond quickly to market changes, shorten the delivery cycle and improve production efficiency through the optimization of various supply processes.

The Company uses the mainstream I4.0 automation technology to realize the intelligent manufacturing

roadmap. At present, technologies that have been introduced include internal automation equipment communication network supporting 5G and 4G, Automatic Material Handling Systems (AMHS), fully automated manipulator testing unmanned workshop, and real-time production equipment status monitoring with remote access dashboard; artificial intelligence (AI) technology has been applied to the management of key production equipment, production systems and product inspection systems.

#### **(V) Product innovation driven by R&D**

The Company always attaches importance to technology R&D, and constantly increases investment in R&D. From 2019 to 2021, the Company invested RMB 1.37 billion, RMB 1.576 billion and RMB 1.64 billion respectively in R&D. By the end of 2021, the Company had a R&D team of 2,332 people, and the Company had obtained 696 patents with 173 patents under application.

The Company is a global leader in SiP technology. In 2021, it integrated a number of advanced technologies on the miniaturized and multifunctional SiP, such as double-sided plastic packaging which can ensure the high integration and design flexibility of products and realize double-sided electromagnetic shielding. The Company has successfully developed a new spacing shielding technology that uses metal frames and laser slotting technology on packaging products, so that the products have greater flexibility in design and application.

In addition to miniaturization technology for wearable and communication products, the Company provides multi-process services of electronic packaging process, high-density SMT process and “EMS+” (Electronics Manufacturing Service Plus) for storage, industrial and automotive electronic products.

Based on the advantages of advanced technology and core processes, the Company achieved new breakthroughs in product innovation in 2021. The automotive electronics business has obtained the manufacturing certification of ISO26262; the application products of electric vehicle power system, battery management system and heat dissipation system have been formally mass-produced; the assembly, production and testing of power modules at power semiconductor international manufacturers have been laid out. IGBT and SiC power modules for electric vehicle inverters are expected to be officially mass-produced in 2022. The Company has introduced all-flash array products using PCIe Gen.4 technology, WM-BZ-ST-55 dual-core Bluetooth 5.0 antenna package module, and SOM7225 5G system module integrating memory, power management IC, audio codec and multi-mode wireless connection interface.

#### **(VI) Long-term adherence to sustainable management**

The Company has been adhering to the vision of “Be a most reliable provider for electronic design, manufacturing service, and modularization with diversified global footprints and miniaturization solution”. Guided by the United Nations Sustainable Development Goals (SDGs), it strengthens the SDGs awareness of every employee, and works hand in hand with partners and communities to promote economic growth and productivity improvement in a sustainable way. With the mission of “Turn innovative technologies into value for our customers”, the Company promises to contribute to high-quality and sustainable living space, provide employees with a challenging and fulfilling working environment, create substantial rewards for stakeholders, and fulfill its responsibilities as a world corporate citizen.

People are the valuable assets of the Company. The Company has been constantly improving the career planning, performance appraisal and incentive mechanism of employees, providing a platform for the development of talents, a channel for more outstanding talents to join and a powerful talent guarantee for the Company to achieve its development goals. The Company attaches great importance to personnel training and technological innovation, and provides employees with a suitable career development path through platforms and incentive measures in parallel, and at the same time realizes the accumulation of its own talents. In addition, the Company has established a long-term and effective employee incentive mechanism to improve the cohesion of employees and enterprise competitiveness, and ensure its long-term and stable development. In the last three years, the Company has continuously launched employee stock ownership plans and equity incentive plans according to business needs.

While operating steadily, the Company takes the mission of “creating value for shareholders and sharing growth with shareholders”. By the end of 2021, the Company had achieved a cumulative net profit of RMB 10.03 billion and a cumulative cash dividend of RMB 3.29 billion since its listing, with an average cash payout ratio of 32.79%, effectively safeguarding and enhancing the interests of investors.

## V. Main Operations during the Reporting Period

The Company achieved operating revenue of RMB 55.30 billion in 2021, an increase of 15.94% over RMB 47.70 billion in 2020, and the revenue from various products increased YoY; among them, the revenue from industrial products increased by 67.26% YoY; the revenue from automotive electronics increased by 54.05% YoY; the revenue from computer and storage products increased by 25.28% YoY. The main reasons for the change in operating revenue are: (1) increased revenue in the consolidated FAFG statements in 2021; (2) in 2021, the global economy resumed growth, and the electric vehicle, intelligent manufacturing and new energy industries drove the demand growth of related business segments; the growth rate of the Company's EMS/ODM business accelerated, especially industrial and automotive electronics; (3) new production lines in Mexico and Taiwan sites have been put into production one after another, and orders have increased rapidly. In 2021, the proportion of communication and consumer electronics products in the revenue decreased YoY, while the proportion of industrial, computer and storage products and automotive electronics in the operating revenue all increased.

The total sales, administrative, R&D and financial expenses of the Company in 2021 were RMB 3.33 billion, an increase of RMB 310 million or 10.29% over RMB 3.02 billion in 2020.

The Company achieved operating profit of RMB 2.13 billion in 2021, an increase of 8.67% over RMB 1.96 billion in 2020; the total profit was RMB 2.14 billion, an increase of 8.38% over RMB 1.97 billion in 2020; the net profit attributable to shareholders of the listed company was RMB 1.86 billion, an increase of 6.81% over RMB 1.74 billion in 2020. In 2021, the net profit attributable to shareholders of the listed company net of non-recurring gains/losses was RMB 1.70 billion, an increase of RMB 80 million and 4.93% over RMB 1.62 billion in the same period of 2020.

### (I) Main business analysis

#### 1. Analysis of changes in related items in income statement and cash flow statement

Unit: yuan Currency: RMB

Items	Amount in the current period	Amount of the same period last year	Change in percentage (%)
Operating revenues	55,299,654,770.21	47,696,228,222.53	15.94
Operating costs	49,981,479,197.84	42,809,550,114.14	16.75
Sales expenses	311,480,902.10	219,892,291.75	41.65
Administrative expenses	1,169,173,384.77	1,123,158,982.65	4.10
Financial expenses	203,398,590.62	95,750,510.66	112.43
R&D expenses	1,641,398,512.61	1,576,363,064.48	4.13
Net cash flow from operating activities	-1,102,446,978.90	1,436,523,674.10	-176.74
Net cash flow from investment activities	-1,486,554,540.33	-3,010,920,320.94	-50.63
Net cash flow from financing activities	2,391,384,303.44	1,824,477,834.32	31.07

Reasons for changes in sales expenses: Mainly due the increase in consolidated revenue and royalties in the current period

Reasons for changes in financial expenses: Mainly due to the increase in costs related to the issuance of convertible corporate bonds in the current period

Reasons for changes in net cash flow from operating activities: Mainly due to the increase in inventory in the current period in response to customer orders.

Reasons for changes in net cash flow from investment activities: Mainly due to the decrease in equity investment in the current period compared with payment for M&A of the overseas company the previous year

Reasons for changes in net cash flow from financing activities: Mainly due to the cash received from the issuance of convertible bonds in the current period.

Detailed explanation of the major changes in the business type, profit composition or profit source of the Company in the current period

Applicable  Not Applicable

#### 2. Revenue and cost analysis

Applicable  Not Applicable

In the current period, the Company's main business income increased by 15.94% over the same period last year, and its main business cost increased by 16.75% over the same period last year. The specific analysis is as follows:

**(1) Main business by sector, product, region and by sales mode**

Unit: yuan Currency: RMB

Main business by product						
Product	Revenue	Operating cost	Gross profit margin (%)	Revenue YoY (%)	Operating cost YoY (%)	Year-on-year change in gross profit margin (%)
Industrial products	7,276,135,793.13	6,074,544,645.90	16.51	67.26	76.05	Down 4.17 pct.
Computer and storage	4,793,053,315.18	4,079,381,724.91	14.89	25.28	27.17	Down 1.27 pct.
Consumer electronics	18,566,021,687.70	16,886,497,387.85	9.05	7.85	8.78	Down 0.77 pct.
Automotive electronics	2,605,088,256.75	2,402,266,475.49	7.79	54.05	52.93	Up 0.68 pct.
Communication electronics	21,211,368,145.31	19,799,912,823.21	6.65	4.57	5.20	Down 0.56 pct.
Medical electronics	280,679,550.41	264,285,249.65	5.84	289.85	305.46	Down 3.63 pct.
Others	521,255,215.26	471,281,079.75	9.59	122.30	183.42	Down 19.50 pct.
Total	55,253,601,963.75	49,978,169,386.76	9.55	15.90	16.76	Down 0.66 pct.
Main business by region						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
Chinese Mainland	38,299,554,979.91	34,498,348,382.50	9.92	8.90	9.21	Down 0.25 pct.
Taiwan, China	17,051,370,814.17	15,654,246,788.13	8.19	10.04	10.76	Down 0.59 pct.
Europe	2,803,209,531.97	2,542,462,768.34	9.30	649.54	681.80	Down 3.74 pct.
Others	10,966,675,435.84	10,902,099,445.89	0.59	35.25	35.97	Down 0.52 pct.
Tradeoff	-13,867,208,798.14	-13,618,987,998.10	1.79	20.86	20.95	Down 0.08 pct.
Total	55,253,601,963.75	49,978,169,386.76	9.55	15.90	16.76	Down 0.66 pct.

Explanation of the main business by sector, product, region and sales mode  
None

**(2) Analysis of production and sales volume**

√Applicable □ Not Applicable

Main products	Output	Sales volume	Inventory	Year-on-year change in	Year-on-year	Year-on-year change

				production (%)	change in sales volume (%)	in inventory (%)
Computer and storage	19,809,213	19,683,453.00	762,612.00	33	27	20
Industrial products	37,916,394	42,350,692.00	618,850.00	402	450	-88
Communication electronics	591,015,901	601,868,775.00	29,128,767.00	0	5	-27
Consumer electronics	264,155,896	257,881,242.00	11,968,140.00	54	51	110
Automotive electronics	51,465,137	55,498,365.00	3,461,042.00	7	15	-54
Medical electronics	0	16,506,212.00	44,915.00	-100	3	-100
Others	6,786,265	6,839,332.00	52,311.00	3	5	-50
Total	971,148,806	1,000,628,071.00	46,036,637.00	14	19	-39

Explanation of production and sales volume

### (3) Performance of major procurement contracts and major sales contracts

Applicable Not Applicable

### (4) Cost analysis

Unit: yuan

Situation by product							
Product	Cost item	Current amount	Percentage in total cost (%)	Amount in the same period last year	Percentage in total cost (%)	YoY (%)	Remark
Communication electronics	Raw materials	17,563,315,933.47	88.73	16,220,124,974.12	86.21	8.28	
Consumer electronics	Raw materials	15,480,396,654.47	91.82	14,435,748,436.59	93.08	7.24	
Computer and storage	Raw materials	3,463,510,159.58	86.15	2,791,807,541.16	88.04	24.06	
Industrial products	Raw materials	5,081,919,122.30	83.86	2,981,371,121.70	86.60	70.46	Due to the increase of consolidated revenue
Automotive electronics	Raw materials	1,793,876,098.35	75.76	1,141,329,332.81	73.50	57.17	Due to the increase of consolidated revenue
Medical electronics	Raw materials	195,058,601.05	74.31	51,073,963.83	78.88	281.91	Due to the increase of consolidated revenue
Others	Raw materials	355,017,372.12	77.23	138,850,899.05	91.46	155.68	Due to the increase of consolidated revenue
Total		43,933,093,941.3	88.18	37,760,306,269.26	88.42	16.35	

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Explanation of other aspects of cost analysis

The Company completed the acquisition of FAFG and consolidated its statements in December 2020. With FAFG's financial statements consolidated for the full year of 2021, and the Company's consolidated revenue has grown significantly.

**(5) Changes in the consolidation scope due to equity changes of major subsidiaries during the reporting period**

Applicable Not Applicable

**(6) Major changes or adjustments in the business, products or services of the Company during the reporting period**

Applicable Not Applicable

**(7) Major customers and major suppliers**

**A. Main customers of the Company**

The sales to the top five customers amounted to RMB 329.75 million, accounting for 59.63% of the total annual sales; among the top five customers, the sales to related parties amounted to 0RMB , accounting for 0% of the total annual sales.

During the reporting period, the proportion of sales to a single customer exceeded 50% of the total, and there were new customers among the top 5 customers or heavy dependence on a few customers.

Applicable Not Applicable

**B. Main suppliers of the Company**

The purchase amount from the top five suppliers was RMB 206.15 billion, accounting for 44.83 % of the total annual purchase amount; among the top five suppliers, the purchase amount from related parties was 0 yuan, accounting for 0 % of the total annual purchase amount.

During the reporting period, the proportion of purchases from a single supplier exceeded 50% of the total, and there were new suppliers among the top 5 suppliers or heavy dependence on a few suppliers.

Applicable Not Applicable

Other explanations

The sales of the Company's top five customers are as follows:

Unit: 10,000 yuan Currency: RMB

No.	Customer name	Sales	Proportion to total annual sales (%)
1	Company A	1,803,650.04	32.62
2	Company B	838,884.48	15.17
3	Company C	242,666.08	4.39
4	Company D	207,534.48	3.75
5	Company E	204,718.83	3.7
Total		3,297,453.92	59.63

The purchase amount of the Company's top five suppliers is as follows:

Unit: 10,000 yuan Currency: RMB

No.	Supplier name	Purchase amount	Proportion in total annual purchase (%)
1	Supplier A	1,035,366.40	22.52
2	Supplier B	798,231.42	17.36
3	Supplier C	96,448.51	2.10
4	Supplier D	66,400.86	1.44
5	Supplier E	65,002.91	1.41
Total		2,061,450.10	44.83

3. Expenses

Applicable Not Applicable

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Items	2021	2020	Change	YoY	Explanation
Sales expense	311,480,902.10	219,892,291.75	91,588,610.35	41.65	Mainly due the increase in consolidated revenue and royalties in the current period
Financial expenses	203,398,590.62	95,750,510.66	107,648,079.96	112.43	Mainly due to the increase in costs related to the issuance of convertible corporate bonds in the current period
Loss on assets impairment	-18,746,153.38	-11,792,788.58	-6,953,364.80	58.96	Mainly due to the provisions for losses on inventory impairment in accordance with accounting policies in the current period
Loss on credit impairment	-1,706,888.48	7,894,930.75	-9,601,819.23	-121.62	Mainly due to the provisions for losses on credit impairment in accordance with accounting policies in the current period
Income from change in fair value (losses are represented by '-')	44,588,222.60	-6,272,200.14	50,860,422.74	-810.89	Mainly resulted from the changes in fair value caused by derivative financial products
Investment income (losses are represented by '-')	111,678,979.96	83,440,494.33	28,238,485.63	33.84	Mainly due to the settlement income of derivative financial products of hedging operation in the current period and the cash dividend received from equity investment.
Gain from disposal of assets (losses are represented by '-')	2,414,697.02	1,796,090.81	618,606.21	34.44	Mainly due to the increase in income from fixed asset disposal in the reporting period.
Other income	50,678,106.85	76,779,477.12	-26,101,370.27	-34.00	Mainly due to the decrease in government subsidies recognized in the current period
Non-operating income	19,628,576.06	14,978,610.83	4,649,965.23	31.04	Mainly due to the income received from insurance claim and changes in lease in the reporting period
Non-operating expenses	12,583,134.08	3,066,306.86	9,516,827.22	310.37	Mainly due to losses on asset scrapping in

					the current period
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## 4. R&amp;D investment

**(1) Particulars of R&D investment**√Applicable Not Applicable

Unit: yuan

Expensed R&D investment in the current period	1,641,398,512.61
Capitalized R&D investment in the current period	0
Total R&D investment	1,641,398,512.61
Proportion of total R&D investment in operating revenue (%)	2.97
Proportion of capitalized R&D investment (%)	0

**(2) Table of R&D personnel**√Applicable Not Applicable

Number of R&D personnel in the Company	2,332
Proportion of R&D personnel in the total number of employees of the Company (%)	9.7
Breakdown by educational background	
Educational background	Number of personnel
Doctor's degree	8
Master's degree	779
Bachelor's degree	1,233
Junior college	248
Senior high school and under	64
Breakdown by age	
Age	Number of personnel
Under 30 years old (excluding 30 years old)	544
30-40 years old (including 30 years old and excluding 40 years old)	1,069
40-50 years old (including 40 years old and excluding 50 years old)	565
50-60 years old (including 50 years old and excluding 60 years old)	149
60 years old and above	5

**(3) Remark**Applicable Not Applicable**(4) Reasons for major changes in the composition of R&D personnel and its impact on the future development of the Company**Applicable Not Applicable**5. Cash flow**√Applicable Not Applicable

Items	2021	2020	Reasons for change
Net cash flow from operating activities	-1,102,446,978.90	1,436,523,674.10	Mainly due to the increase in inventory in the current period in response to customer orders
Net cash flow from investing activities	-1,486,554,540.33	-3,010,920,320.94	Mainly due to less equity investment in the current period compared with expenses for M&A

			of overseas subsidiary last year
Net cash flow from financing activities	2,391,384,303.44	1,824,477,834.32	Mainly due to the cash received from the convertible corporate bonds in the reporting period

**(II) Explanation of significant changes in profit caused by non-main business**

□Applicable √ Not Applicable

**(III) Analysis of assets and liabilities**

√Applicable □Not Applicable

**1. Assets and liabilities**

Unit: Yuan

Item	December 31, 2021	Proportion to total assets (%) December 31, 2021	December 31, 2020	Proportion to total assets (%) December 31, 2020	YoY	Remark
Financial assets held for trading	96,480,087.56	0.27	182,315,272.70	0.59	-47.08	Mainly due to the decrease of accounts receivable factoring business in the current period
Inventory	9,037,562,662.64	25.20	6,765,336,245.29	21.77	33.59	Mainly due to stock and inventory preparation in response to customers' expected orders as a result of global component shortage and the pandemic
Investments in other equity instruments	75,957,194.28	0.21	41,351,831.65	0.13	83.69	Mainly due to the changes in the fair value of industrial fund investment in the current period
Construction in progress	798,015,703.22	2.23	431,942,421.24	1.39	84.75	Mainly due to the construction of new plants and the purchase of machinery and equipment to meet growing operational needs
Other non-current assets	136,815,311.18	0.38	89,743,706.46	0.29	52.45	Mainly due to the increase of prepaid expenses for equipment and construction costs in the reporting period
Other non-current financial assets	236,978,820.68	0.66	152,935,434.70	0.49	54.95	Mainly due to new strategic equity investments in the current period
Short-term	2,480,500,031.	6.92	375,341,430.81	1.21	560.8	Mainly due to the

borrowings	68				6	adjustment of the fund structure and the increase of short-term loans from overseas banks in the reporting period
Taxes payable	238,676,479.75	0.67	179,000,709.13	0.58	33.34	Mainly due to the increase in returns and the accrual of income tax in the current period
Derivative financial liabilities	976,413.16	0.00	18,402,480.68	0.06	-94.69	Mainly resulted from the changes in fair value caused by derivative financial products
Long-term borrowings	1,101,220,467.55	3.07	3,011,668,944.64	9.69	-63.43	Mainly due to the adjustment of the fund structure and the repayment of short-term loans from overseas banks in the reporting period
Deferred income	59,791,942.70	0.17	32,724,563.92	0.11	82.71	Mainly due to government subsidies related to assets received in the current period
Bond payable	3,115,505,143.28	8.69	0.00	0.00	Not applicable	Mainly resulted from the issuance of convertible corporate bonds in the current period
Treasury stock	341,236,339.88	-0.95	-134,707,206.58	-0.43	153.32	Mainly due to share buy-back in the current period
Surplus reserve	738,004,669.96	2.06	542,610,242.85	1.75	36.01	Mainly due to the accrual of surplus reserve in the current period
Other equity instruments	409,902,116.17	1.14	0.00	0.00	Not applicable	Mainly due to conversion rights from the convertible corporate bonds in the current period

Other explanations

None

## 2. Overseas assets

√Applicable □ Not Applicable

### (1) Asset size

Including: overseas assets 23,500,315,447.75 (unit: yuan; currency: RMB), accounting for 45.37% of the total assets.

### (2) Relevant explanations on the relatively high proportion of overseas assets

Applicable Not Applicable

### 3. Major asset restrictions as of the end of the reporting period

Applicable  Not Applicable

### 4. Other explanations

Applicable  Not Applicable

#### (IV) Analysis of industry business information

Applicable  Not Applicable

1. In terms of communication products, according to the data compiled by the Company, Apple smart phones accounted for 17% of the global smart phone market in 2021, with sales reaching 228 million units, an increase of 19% over that of 2020.

WW Smart Phone Estimated Market Share

	2020		2021		20'21
	Shipments (M units)	Market Share%	Shipments (M units)	Market Share%	YoY Growth%
Worldwide Total	1243	-	1319	-	6.1
Samsung	240	19	265	20	11
Apple	192	15	228	17	19
Xiaomi	139	11	180	14	30
Vivo	97	8	124	9	28
OPPO	106	9	132	10	24
Others	470	38	391	30	-17

Source: USI, Jan. 2022

2. In terms of consumer electronics, according to the market survey report compiled by the Company, the overall wearable product market shipments grew at a CAGR of 11%.

WW Wearable Market Forecast

Product	2020	2021F	2022F	2023F	2024F	2025F	20/21 YoY	20-25 CAGR
Total Shipment (M Units)	446	537	622	681	727	763	20%	11%
Earwear	268	330	393	434	466	492	23%	13%
Watch	106	133	152	167	181	192	25%	12%
Wrist Band	70	72	75	76	76	76	3%	2%
Others	2.0	2.1	2.5	3.0	3.4	3.8	3%	14%
Market Share (%)								
Earwear	60%	61%	63%	64%	64%	64%		
Watch	24%	25%	24%	25%	25%	25%		
Wrist Band	16%	13%	12%	11%	10%	10%		
Others	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%		

Source: USI, Feb. 2022

3. In terms of computers and storage products, according to the data compiled by the Company, the market demand for server mainboards and switches will still maintain stable growth. By strengthening cooperation with major customers, the Company strives for more market shares and orders.

## 3.1 Server Revenue by Region

Sum of Vendor Revenue (\$M) Region	2020	2021	2022	2023	2024	2025	CAGR
North America	35,108	39,105	41,542	42,870	44,748	45,987	5.5%
Greater China	22,484	25,882	28,358	29,694	31,456	32,738	7.8%
Western Europe	9,824	11,004	11,530	12,079	12,463	12,915	5.6%
Japan (Region)	3,504	3,543	3,615	3,744	3,782	3,906	2.2%
Mature Asia/Pacific	2,366	2,659	2,679	2,746	2,814	2,820	3.6%
Emerging Asia/Pacific	1,601	1,734	1,763	1,811	1,845	1,871	3.2%
Latin America	1,725	1,710	1,675	1,759	1,746	1,715	-0.1%
Eastern Europe	1,076	1,114	1,175	1,243	1,314	1,365	4.9%
Middle East and North Africa	1,227	1,297	1,340	1,323	1,321	1,338	1.7%
Eurasia	1,162	1,011	1,101	1,164	1,207	1,221	1.0%
Sub-Saharan Africa	368	429	437	442	444	417	2.5%
Grand Total	80,446	89,488	95,214	98,875	103,138	106,293	5.7%

Source: USI, Feb. 2022

## 3.2 Global Ethernet Switch and Router Market

Unit: USD billion

	2020	2021	2022	2023	2024	2025	20'-25' CAGR
Switch and router	42.7	43.1	43.6	44.0	44.4	44.9	1.0%

Source: USI, Feb. 2022

3.3. In terms of storage products, SSD is the important product of the Company. According to the data compiled by the Company, SSD applications are growing in laptops and data centers, and the demand has obviously increased. The annual market growth rate in 2021 was 15%. The compound growth rate of SSD market from 2020 to 2025 is about 9.3%. While actively maintaining existing customers, the Company is striving to develop new customers and focus on developing enterprise-level products.

Unit: USD million

	2020	2021	2022	2023	2024	2025	20/21 YoY	20-25 CAGR
Total SSD Revenue	32,083	36,959	37,744	41,341	46,193	49,992	15%	9.3%

Source: USI, Feb. 2022

4. In terms of industrial products, according to the data compiled by the Company, the market of the main products, smart handheld devices and POS, grew by 8.8% in 2021 due to the growth of logistics and warehousing demand and the recovery of retail industry.

Unit: USD billion

	2020	2021	2022	2023	2024	2025	20/21 YoY	20-25 CAGR
Total POS Revenue	65	71	76	83	90	98	8.8%	8.5%

Source: USI, Feb. 2022

5. In terms of automotive products, according to the data compiled by the Company, the automotive electronics industry resumed its growth as the epidemic and material shortage abated; in particular, the compound growth rate of demand for ADAS and HEV-EV is relatively high.

## 5.1 Automotive Electronics Forecast by Domain

Unit: USD million

Domain	2020	2021	2022	2023	2024	2025	20-25 CAGR
ADAS	24,758	28,874	33,379	37,524	41,362	47,573	14%
Body & Convenience	16,861	17,661	18,010	18,450	18,581	18,736	2.1%

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Chassis & Safety	19,597	19,958	20,105	20,314	20,407	20,797	1.2%
HEV-EV	6,567	9,634	12,699	16,229	20,007	22,662	28%
Information	28,348	29,510	29,879	31,340	32,809	33,318	3.3%
Powertrain	27,364	28,781	30,328	31,148	30,856	30,748	2.4%
Grand Total	123,495	134,418	144,400	155,005	164,022	173,834	7.1%

Source: USI, Feb. 2022

### 5.2 New Energy Cars Sales

M units	2019	2020	2021	2022	2023	2024	2025	2026	CAGR (20-26)
Total	2.6	5.3	7.7	13.9	19.0	25.0	32.3	41.3	41.0%
PHEV	0.7	1.0	2.0	2.7	3.8	5.0	6.4	8.1	40.6%
EV	1.9	4.2	5.7	11.3	15.2	19.9	25.8	33.3	41.1%

Source: USI, Feb. 2022

### 5.3 Total Auto Power Module

Unit: USD million

	2019	2020	2021	2022	2023	2024	2025	CAGR (20-25)
Total Auto Power Module	1,113	1,173	1,636	2,030	2,643	3,440	4,387	30.2%
IGBT Power Module	849	951	1,376	1,744	2,260	2,930	3,477	29.6%
MOSFET Power Module	243	197	223	241	274	312	375	13.7%
Wide Bandgap Power Module	21	24	36	46	109	198	535	86.0%

Source: USI, Feb. 2022

6. In terms of medical products, according to the data compiled by the Company, the market demand for electronic manufacturing services has grown steadily.

Medical Product Assembly Value, 2020-2025

Unit: USD million

	2020	2021	2022	2023	2024	2025	20-25 CAGR
Medical Diagnostics	18,590	19,950	21,430	22,890	24,330	25,850	6.8%
Therapeutic	11,010	11,475	11,980	12,515	13,050	13,640	4.4%
Monitoring & Surgical	17,650	18,650	19,660	20,870	22,120	23,450	5.8%
Total	47,250	50,075	53,070	56,275	59,500	62,940	5.9%

Source: USI, Feb. 2022

**(V) Analysis of investment**

Overall analysis of foreign equity investment

√Applicable  Not Applicable

In order to implement its development strategy, in 2021, the Company injected capital into Huizhou Facility and Vietnam Facility as planned, which have been completed and put into operation. In 2021, the Company increased investment in industrial funds and started Corporate Venture Capital (CVC) investment.

**1. Significant equity investment**√Applicable  Not Applicable

1) On July 3, 2020, the second meeting of the fifth Board of Directors of the Company reviewed and approved the Proposal on Foreign Investment by Wholly-owned Subsidiaries, which proposed to increase the total project investment of Vietnam Facility by USD 158 million, and adjusted the total project investment of Vietnam Facility from USD 42 million to USD 200 million. Among them, the Company invested USD 80 million through Universal Global Technology Co., Limited, and the rest of the funds were financed from banks or raised by Vietnamese Facility. For details, please refer to the Announcement on Foreign Investment of Wholly-owned Subsidiaries (L.2020-053).

The Company injected capital to Vietnam Facility in batches. As of December 31, 2021, it has invested a total capital of USD 80 million through Universal Global Technology Co., Limited.

2) On March 26, 2021, the ninth meeting of the fifth Board of Directors and the eighth meeting of the fifth Board of Supervisors of the Company reviewed and approved the Proposal on Using Raised Funds to Increase Capital of Subsidiaries, and agreed that the Company would use RMB 600 million raised funds from convertible corporate bonds to increase the capital of Huizhou Facility, the implementer of the fundraising project “Huizhou Facility Electronic Products Production Project”. The Company will inject capital into Huizhou Facility in batches according to the progress of the fundraising project. For details, please refer to the Announcement on Using Raised Funds to Increase Capital of Subsidiaries (No. 2021-030).

As of December 31, 2021, the Company has used the raised funds to inject RMB 325 million into Huizhou Facility.

**2. Significant non-equity investment** Applicable  Not Applicable**3. Financial assets measured at fair value**√Applicable  Not Applicable

Company	Number of shares held at the beginning of the period	Beginning book value	Number of shares held at the end of the period	Ending book value	Gain/loss during the reporting period
TriKnight Capital Corporation	29,285,000.00	41,351,831.65	29,285,000.00	75,957,194.28	14,910,026.14
PHI FUND, L.P.	10,798,010.00	64,091,002.18	15,000,000.00	93,130,696.47	3,782,154.36
GaN System Inc.	N/A	N/A	589,622.00	31,878,465.32	-
Senscomm Semiconductor Co., Ltd.	N/A	N/A	257,937.00	20,000,000.00	-
Glory Ventures	N/A	N/A	1,000,000.00	1,000,000.00	-
Others	N/A	252,757,224.54	N/A	186,473,333.29	72,526,893.91
Total	40,083,010.00	358,200,058.37	46,132,559.00	408,439,689.36	91,219,074.41

Note: Gain/loss during the reporting period includes fair value evaluation, gains and losses from disposal, cash dividends and handling fees

**4. Specific progress of material asset restructuring and integration during the reporting period**

√Applicable □ Not Applicable

After the Company completed the equity transfer of FAFG in December 2020, it started the collaborative integration with AFG. In 2021, the regional management collaboration between the Company and AFG production bases has been completed, and cooperation has been strengthened in global sales, customer service, finance, IT, supply chain, R&D, etc.

Opinions of independent directors

The independent directors have agreed on this matter.

**(VI) Sale of material assets and equity**

□Applicable √Not Applicable

**(VII) Analysis of major holding and joint stock companies**

√Applicable □ Not Applicable

Company Name	Currency of registered capital	Registered capital (RMB)	Total assets	Net assets	Net profit
UNIVERSAL GLOBAL TECHNOLOGY(KUNSHAN)CO., LTD.	RMB	550,000,000.00	326,055.37	142,773.92	30,680.16
Universal Global Electronics (Shanghai) Co., Ltd.	RMB	50,000,000.00 (note)	6,121.25	6,105.14	124.73
Universal Global Technology Co., Limited	USD	327,500,000.00 (note)	436,721.43	69,911.49	-8,356.50
Universal Global Technology (Shanghai) Co., Ltd.	RMB	1,330,000,000.00	378,769.37	179,893.92	32,720.79
Universal Global Technology (Huizhou) Co., Ltd	RMB	460,000,000.00	58,666.29	44,657.13	-969.19
USI Science and Technology (Shenzhen) Co.,Ltd	RMB	10,000,000.00	1,571.39	1,325.47	115.81
USI Electronics (Shenzhen) Co., Ltd.	USD	75,000,000.00	267,351.84	138,632.46	24,222.00
USI Japan Co., Ltd.	JPY	95,000,000.00	820.25	731.54	59.41
Universal Global Technology Co., Limited	NTD	1,980,000,000.00 (note)	617,519.27	151,106.96	23,839.12
Universal Global Industrial Co., Limited	USD	11,000,000.00	196,417.48	9,099.42	407.49
Universal Scientific Industrial De México S.A. De C.V.	MXN	1,258,077,326.00	196,586.22	44,883.56	-4,976.66
USI America, Inc.	USD	9,500,000.00	5,206.97	4,432.62	100.57
Universal Global Technology Co., Limited	USD	51,000,000.00 (note)	23,075.15	23,068.20	488.81
UNIVERSAL SCIENTIFIC INDUSTRIAL VIETNAM COMPANY LIMITED	USD	80,000,000.00	117,011.48	46,382.06	-4,338.53

Universal Scientific Industrial (France)	EUR	321,374,822.00 (note)	213,806.26	174,921.38	-1,302.29
USI Inc.	NTD	1,399,727,400.00	176,351.92	75,549.99	4,281.23
	PLN	80,852,300.00	25,546.45	22,392.55	4,230.03
FINANCIERE AFG	EUR	183,649,562.80	513,144.38	313,625.62	13,620.28

Note: the registered capital includes the amount of re-investment to other subsidiaries, and the amount of total assets, net assets and net profit is from standalone financial statements

## 2. Joint-stock company

Unit: RMB 10,000 yuan

Company Name	%	Currency of registered capital	Registered capital (RMB)	Total assets	Net assets	Net profit
Universal Global Technology Co., Limited	49	RMB	220,000,000	65,418.35	23,312.33	1,269.96
M-Universe Investments PTE.LTD.	42.23	USD	138,969,126	139,563.56	94,076.13	3,782.03

## 3. Subsidiaries or joint-stock companies that contributed over 10% to the net profit of the Company

Unit: RMB 10,000 yuan

Company Name	Revenue	Operating profit	Net profit	Contribution to consolidated net profit
Universal Global Technology (Shanghai) Co., Ltd.	829,683.29	37,226.90	32,720.79	17.62%
UNIVERSAL GLOBAL TECHNOLOGY(KUNSHAN)CO., LTD.	582,101.67	35,423.56	30,680.16	16.52%
USI Electronics (Shenzhen) Co., Ltd.	414,141.46	26,659.61	24,222.00	13.05%

## (VIII) Structured entities controlled by the Company

Applicable Not Applicable

## VI. Discussion and Analysis of Corporate Development in the Future

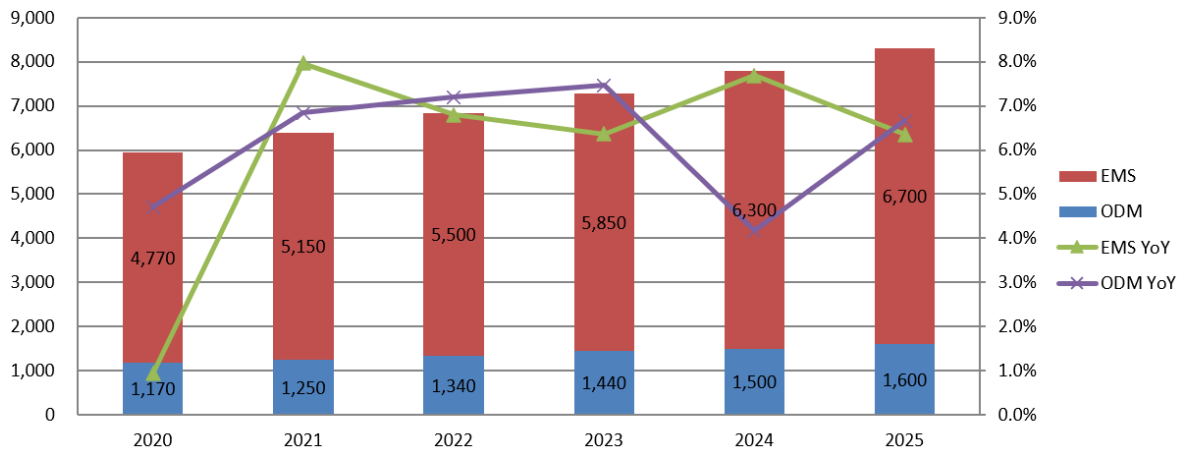
### (I) Industry Landscape and Trends

Applicable Not Applicable

#### 1. Global market capacity of the industry

According to the reports by professional market research institutions compiled by the Company, the global electronic manufacturing service (EMS) revenue exceeded USD 640 billion in 2021, and is expected to reach USD 830 billion in 2025, growing at an average CAGR of 7.1% from 2020 to 2025. The overall market shows a steady growth trend, and the Asia-Pacific region will maintain a leading growth rate.

Global EMS/ODM Market Forecast



Source: USI, Feb. 2022

The Worldwide CM, EMS and ODM Market by Region, 2020-2025

The Worldwide CM, EMS and ODM Market by Region, 2020-2025							
Region	2020	2021	2022	2023	2024	2025	CAGR
<b>CM Revenue (\$M)</b>							
Americas	99,043	97,524	101,398	105,838	110,591	116,661	3.3%
EMEA	72,669	71,139	73,376	75,899	78,590	81,675	2.4%
APAC	422,944	475,809	510,965	551,779	595,962	639,951	8.6%
<b>Total</b>	<b>594,656</b>	<b>644,472</b>	<b>685,739</b>	<b>733,517</b>	<b>785,143</b>	<b>838,288</b>	<b>7.1%</b>
<b>EMS Revenue (\$M)</b>							
Americas	96,702	95,251	99,061	103,420	108,074	114,018	3.3%
EMEA	68,949	67,501	69,661	72,099	74,695	77,682	2.4%
APAC	312,070	356,094	382,437	413,945	448,463	482,556	9.1%
<b>Total</b>	<b>477,721</b>	<b>518,846</b>	<b>551,159</b>	<b>589,463</b>	<b>631,231</b>	<b>674,256</b>	<b>7.1%</b>
<b>ODM Revenue (\$M)</b>							
Americas	2,341	2,273	2,337	2,419	2,518	2,644	2.5%
EMEA	3,720	3,638	3,715	3,800	3,895	3,993	1.4%
APAC	110,874	119,715	128,529	137,835	147,499	157,396	7.3%
<b>Total</b>	<b>116,935</b>	<b>125,627</b>	<b>134,580</b>	<b>144,054</b>	<b>153,912</b>	<b>164,032</b>	<b>7.0%</b>

Source: USI, Feb. 2022

2. Global competitive landscape and industry ranking

Among global EMS providers, USI ranked 12<sup>th</sup> in 2020.

Rank	Name of manufacturer	Operating income (USD 100 million)	Annual growth rate	Net operating margin
	Year	2020	19'20	2020
1	Honghai	1,823	5.4%	2.1%
2	PEGATRON	475	7.3%	1.6%
3	Quanta	371	11%	2.3%
4	COMPAL	353	11%	1.0%
5	Wistron	286	0.9%	1.5%
6	Jabil Circuit, Inc.	276	5.0%	0.8%

7	Flextronics	233	-6.4%	1.8%
8	BYD	228	23%	3.8%
9	INVENTEC	173	5.2%	1.3%
10	delta	99	14%	9.7%
11	TPV	92	4.3%	2.5%
12	USI	70	30%	3.6%
	Whole Industry	5940	7.1%	2.2%

Source: USI, Feb. 2022

### 3. Industry trend of profit level and analysis of net profit margin

The Company's net profit margin was 3.63% in 2020 and 3.36% in 2021, better than the average of the world's top 10 contract manufacturers (CMs).

The reasons why the Company's net income ratio is higher than the industry average are as follows:

(1) USI has a diversified and balanced product mix, and its products are high technology-based. USI has competitive advantages in the segments of the Company's product categories. Meanwhile, USI provides design and manufacturing services in key parts and components, rather than end product assembly.

(2) USI has an industry-leading technology level. The Company has a high product yield and process capacity above industry average. For instance, USI's average first pass yield of SMT process exceeds 99.7%.

(3) USI has an advantage in cost control. In the process of new product introduction (NPI), USI gain an advantage in cost management by selecting best-match materials; USI effectively controls the unit production cost by adopting an efficient production line layout and an institutionalized, systematized and standardized production process. In addition, the Company optimizes the existing manufacturing process and builds an intelligent factory by introducing intelligent automation, transforming labor-intensive manufacturing into high-productivity intelligent manufacturing, improving product quality, enhancing process stability and on-schedule delivery ability, and maximizing cost-effectiveness.

### 4. Industry landscape

In the short-to-medium term, the demand for traditional 3C products will continue to grow more slowly. What used to drive high-speed growth of the industry, such as PCs and mobile phones, has entered into the maturity stage. In this case, modular and system integration products, providing fast and easy-to-use market solutions, have been widely applied in mobile phones and wearable devices. With more features of health monitoring and big data analysis rolling out, it is expected that more wearable devices will adopt modular solutions in the future. In addition, with the rapid development of new technologies such as 5G and AI, the improvement of data resource storage, calculation and application demand in China has driven the growth of data center scale. In early 2022, the "14<sup>th</sup> Five-year Plan" proposed that "data center is the digital base of digital economy", and "counting from east to west" provides bottom support for data center and facilitates the development of digital economy. The construction period of "counting from east to west" project is from 2022 to 2025. The data center has a long industrial chain, wide coverage and great driving effect, which will drive the transformation, upgrading and innovative development of many core industries of digital economy, including electronic information manufacturing, software and information technology services.

In the medium-to-long term, 5G will be the largest opportunity for the electronic industry. 5G will actually usher in an era of Internet of Things (IoT), where everything is connected, by meeting the needs of growing mobile data traffic and the emerging devices and application scenarios in the future. With the accelerated integration of 5G with Industrial Internet, cloud computing, big data, artificial intelligence (AI), and IoT, the amount and complexity of data should be supported by high-performance computing, which brings new opportunities for the development of AI and edge computing, and subsequently boosts the demand for hardware, electronic equipment, communication and storage. In addition, the automobile industry is undergoing the transformation of "electrification, intelligence, unmanned and networking". The accelerated development of automobile intelligence makes the intelligent boundary expand continuously, and many fields such as intelligent cockpit, intelligent driving, power electronics, electric motor control and battery energy storage will usher in accelerated growth.

(II) Corporate Development Strategy

□Applicable √ Not Applicable

### 1. Industry development trend

As the EMS business model has grown matured and EMS service capabilities have continuously improved, the global EMS industry has expanded its serviceable fields, and the revenue/shipments has increased year by year. In order to meet the growing needs of brand customers, the EMS industry continuously expands to the high-end field of the product value chain. This trend brings broader space for USI, a manufacturer that has product planning, design and R&D capabilities. According to the market analysis report and the market data collected by the Company, the global EMS/ODM market has been growing steadily with a CAGR of 7.1%.

### 2. Industrial barriers

#### (1) Barriers of R&D and manufacturing capacity

Due to the rapid development of electronic products, short product iteration cycle, and the deepening of specialization in the division of labor, brand customers put forward much higher and more stringent requirements for manufacturing service providers in product design and process research and development. Market demand promotes the transformation and upgrading of manufacturing services from traditional manufacturing to intelligent manufacturing. Through intelligent automation, the Company can optimize the manufacturing process, improve product quality, enhance process stability and on-schedule delivery ability, etc., and provide supporting facilities in the overall R&D technical capability, process technical support, quality technical control and production technical management. This has become a very high threshold to enter the electronic manufacturing services.

#### (2) Barriers to entering brand owners' supply chain

Against a background of rapid product evolution and intensified global competition in electronic industry, CMs can only achieve sustainable profitability by cooperating with large brand customers and joining their global eco-system of division of labour. Before that, however, they need long-term marketing and promotion, strict certification of quality system and product performance verification. Therefore, strict vendor qualification is the barrier for new entrants.

#### (3) Barriers of mass production management

One of EMS providers' key services for global brand customers is mass production service. To achieve high efficiency and quality of product manufacturing under the circumstances of numerous production lines, various types of raw materials in large quantities, and high-volume purchase orders, the EMS providers should adopt standardized management of production process and operation procedures, real-time online monitoring, product testing and inspection, etc. This requires strong competences in production management of EMS companies.

#### (4) Barriers of supply chain management (SCM)

EMS providers serve clients in a wide range of fields, including communication and consumer electronics; the EMS services vary from product R&D, design, material procurement, manufacturing, quality control, logistics, distribution to after-sales service; the services are provided globally, making it necessary for EMS providers to have global procurement, distribution and maintenance capabilities to reduce costs and better serve their brand customers. Therefore, it is a complex and systematic for EMS providers to meet each customer's needs of services in the whole the supply chain, and establish an efficient and competitive supporting system for upstream and downstream services. It is an obstacle for EMS providers to develop excellent supply chain management competence that meets customers' needs.

#### (5) Barriers of sufficient capital investment

The EMS providers must have the manufacturing capacity matched with the business scale of their large-scale brand customers, which requires sufficient investment in fixed assets such as equipment, plants, supporting facilities, etc. Specifically, to realize precision manufacturing, the EMS providers need to purchase a large number of expensive SMT line, assembly and test equipment, which requires high initial investment, and subsequent investments in technologies and equipment renewal along with constant product upgrades; on the other hand, mass production needs large-scale, complete procurement system, for which a large amount of working capital is required. Therefore, continuous and sufficient capital investments can be another obstacle to entering the EMS industry.

### 3. Changes in competitive landscape

The top manufacturers in the global contract manufacturing industry are relatively stable, and top three product categories (communication, computer and consumer electronics) by revenue share maintain relatively stable growth.

According to the statistics from professional institutions collected by the Company, in 2021, the revenue of the top three categories in the contract manufacturing industry was communication, accounting for 36%, computer, accounting for 34%, and consumer electronics, accounting for 14%.

It is estimated that by 2025, communications, computer and consumer electronics will account for 85% of the entire contract manufacturing industry. From 2019 to 2025, the three categories will grow at a CAGR of 6.7%, 5.8%, 1.8% respectively.

#### 4. Challenges ahead

(1) Industry players strive for market share more actively, intensifying the competitive pressure of market expansion.

(2) To respond to clients' the requirements of high-quality service and cost control, USI needs to continuously increase investment, improve efficiency and reduce costs, facing increasing difficulties in large-scale operation and refined management.

(3) USI, which has accelerated vertical integration and global business expansion through M&A and strategic investment, needs to arrange financing projects and the funds appropriately, control financial risks, promote effective integration and synergy after the M&A and, eventually, achieve the goal of creating value for the Company. The whole process has some uncertainties and risks.

#### 5. Corresponding strategies

(1) Based on the Company's technical, capital, and resource integration advantages, USI has deepened partnership with the existing customers and try to win more customers to extend its business.

(2) Complying with the development trend of “global demand and localized service”, USI has rationally distributed global production capacity, introduced new technologies and developed new products for customers with advanced manufacturing process, flexible production capacity and localized service, and shortened the time from design concept to mass production to provide more added value.

(3) USI has increased R&D investment in key technologies and application fields, strengthened vertical integration and industrial cooperation between upstream and downstream of the industrial chain by integrating Group resources, sharing technologies and independent innovation, and actively deployed new products and new customers in the industrial and automotive electronics fields to seize the business opportunities of future market growth.

(4) USI has deepened business collaboration with FAFG, continuously integrated the global production bases and technical capabilities of both parties, focused on new terminal markets and customers together, and realized the expansion of global revenue scale in the future.

(5) Starting from the Company's development strategy, USI has introduced professionals with world-renowned enterprise experience to achieve the development goals in important business areas.

(6) USI has maintained a stable financial structure and a sufficient source of funds required for the development of new technologies and products.

### (III) Business plan

Applicable  Not Applicable

#### 1. Overall plan

As a global electronic design, manufacturing and service D(MS)<sup>2</sup> provider, the Company will not only pursue internal growth, but actively seek external growth momentum in the future. Adhering to the strategy of “modularization, diversification and globalization”, the Company revolves around five major fields: 4C + 1I (Communication, Computer, Consumer and Car Electronics + Industrial Products), based on rich and balanced product lines, with miniaturized solutions as the technical core, lays out the future of the industry with a global perspective, continuously innovates in miniaturized solutions, and strives to create value for customers.

Through long-term and stable cooperation with global leading brand manufacturers for many years, the Company has maintained its leading role in miniaturized modules, SiP, wearable electronics manufacturing and other sub-sectors. Meanwhile, the Company adheres to the strategy of “selecting the best among the best”, and locks in a niche market with high growth and certain market scale according to market dynamics, customer needs and mainstream technology of electronic technology, combined with the core advantages accumulated over the years. The Company will continue to seek external growth opportunities, and strengthen products, supply chains, customers, technologies and manufacturing bases to drive continued revenue and profitability growth.

Focusing on the development trend of smart cars, automotive power modules and power electronics are another focus of the Company's development strategy. The Company has been deeply engaged in automotive and electricity business for over 30 years, with years of accumulated technology and

experience. At present, the Company has entered into the assembly, production and testing of power modules of international power semiconductor manufacturers, and is expected to formally mass produce IGBT and SiC power modules used in Inverter for electric vehicles in 2022. Through flexible organization, the Company will introduce production automation and continuously strengthen the power production and testing technology related to electric vehicles, which is expected to continue to grow rapidly in the next five years.

## 2. R&D plan

Cutting-edge process capability, strict quality control system and real-time feedback for manufacturing and sales have always been the key factors for customers to build long-term trust and partnership with a company. To maintain its competitive edge in the industry, USI must continue to strengthen its R&D capacity, and increase the proportion of investment into product R&D. By recruiting outstanding R&D talents from both Chinese mainland and Taiwan, the Company will inject vitality into the development of various new technologies and products, integrate the capabilities of software, hardware and miniaturization, and improve the added value and profit of products.

Currently USI has been devoted to producing lighter, thinner, shorter, smaller products with low-power consumption, strong interconnectivity, and intelligent learning capability. Looking into the future, USI will use 5G lab test and verification methods to provide the best miniaturized antenna design for intelligent mobile devices, and expand the technology to computer, communication, wearable, industrial and car electronics, connecting the cloud storage and cloud computing, and integrating all product technologies to form an IoT network to meet the needs of customers.

In 2022, the Company will continue to study SESUB technology and its application in SiP, embedding the main chip inside the substrate, making full use of the substrate surface to provide more space for SiP design and parts arrangement, and thereby realizing high density and miniaturization of products. In addition, due to COVID-19 outbreak, anti-epidemic or epidemic prevention materials have been added to structural parts (especially plastics). In order to avoid infection by contact, antibacterial agents have been added to the material process formula, and antibacterial agents or disinfectants have been sprayed on the surface of portable products. At the same time, how to strengthen the durability of materials must also be considered. The Company's R&D team continues to expand business opportunities in the field of material application.

Therefore, the Company will focus on the following R&D directions:

(1) Developing the design capability of wireless communication modules and 5G new RF products; continue to focus on the development of QUALCOMM's latest 5G IoT platform, upgrade product specifications in line with the mainstream trend of the market, and take into account the product life cycle;

(2) Automotive electronic products;

(3) Continuously expanding the application of miniaturized products into the IoT field, and constantly improving manufacturing process;

(4) Cooperating with other industry-leading technology companies to produce module products with higher integration and more functions, and expand to IoT and other fields;

(5) Developing network-attached storage (NAS) devices for cloud computing, and cooperating with major chip companies for the development of high-performance SSD and R&D on miniaturization of SSD;

(6) Developing miniaturization and automation technologies, and automation tools;

(7) Persistently developing products with green design to reduce material and energy consumption.

## 3. Production plan

Through M&A of FAFG, USI has 27 production sites in 10 countries or regions, including Chinese mainland, Taiwan, the United States, France, Germany, the United Kingdom, the Czech Republic, Mexico, Poland, Tunisia and Vietnam. By acquiring part of Memtech's equity and strengthening the vertical integration of industries, the Company will appropriately expand the production capacity of production bases in other regions according to customer demand and future growth demand. In 2021, the Company's factories in Vietnam and Huizhou were completed and officially put into production.

Since 2016, referring to the spirit of Industry 4.0 and taking Shanghai Zhangjiang factory as the first demonstration site, the Company has worked out the "5-star factory standard" for intelligent manufacturing, that is, the machines are 100% automated, light-off production is enabled in more than 80% of the production lines, and the direct manpower is less than 30%. The Company plans to upgrade its main factories to 3-star and 4-star in 2023, and upgrade its four factories to 5-star light-off factories in

2025 to realize fully automated production.

In addition, the Company has set up a digital transformation committee, continuously strengthened digital management, comprehensively improved its entire process, and made good use of IT technology platform to upgrade, so as to create future competitive advantages.

#### 4. Human resources (HR) plan

According to its future development strategy, USI has formulated an HR plan on the basis of HR demand forecast, including talent recruitment and training. To satisfy the needs of business development and enhance work efficiency, USI intends to optimize HR structure, and improve the level of automated manufacturing. The Company will continue to improve the people-oriented corporate culture, create growth opportunities for employees, establish a career development, performance evaluation and incentive mechanism for employees, and reduce employee turnover so as to provide a strong talent foundation for the Company to achieve its development goals.

#### 5. Sustainable business plan

USI integrates the core values of “unity of knowledge and action, concerted efforts” into its business strategy and operation management, constantly pursues sustainable development, and actively promotes the improvement of environment (E), society (S) and governance (G). In terms of environment (E), it reduces environmental impact, promotes resource recycling development and actively seeks climate governance solutions to cope with climate change. In terms of society (S), it continues employee care and promotes social participation activities to exert enterprise influence, and thus realizes global partnership. In terms of governance (G), it upholds the principle of safeguarding investors' rights and interests, strengthening operational risk management and implementing information security control to achieve a sound corporate governance structure.

In 2010, USI started to issue annual sustainability reports, and established Sustainability Committee of the Group in 2020, ranking top in the industry rankings published by S&P Global, MSCI, Sustainalytics, SynTao Green Finance, Sino-Securities Index, Wind and other domestic and foreign ESG rating agencies. At the beginning of 2022, USI released the report “Task Force on Climate-Related Financial Disclosure, TCFD”, managed and disclosed climate risks and opportunities, and launched a phased strategy to achieve the goal of net zero carbon emissions in 2050.

### (IV) Possible risks

Applicable  Not Applicable

#### 1. Macroeconomic fluctuation risk

Electronic manufacturing industry is closely related to technological development and consumer demand. The Company has been keeping an eye on market changes, maintaining close interaction with customers to grasp their demand changes, strengthening the collection and analysis of market information to reduce the impact of product demand changes on the Company, participating in product design or product development with leading customers in the industry, so as to realize resource sharing and ensure that R&D technology can meet customer's needs. However, if the global macroeconomic growth declines further, resulting in weak demands for downstream communications, consumer electronics and industrial electronics products, the Company's operating performance may face adverse effects.

#### 2. Industry competition risks

EMS industry is a fully competitive industry with numerous global manufacturers, but its overall concentration is on the rise. According to market research and information collected by USI, the revenue of the world's top 25 EMS manufacturers accounted for more than 80% of the entire market in 2020 and 2021, and the industry kept high level of rivalry and concentration. With an increasing number of industry participants and shortened product life cycle, the Company is faced with intense competition in sub-sectors of the industry. If the Company cannot ensure the leading advantages of technology and products or extend the industrial chain to the design with high added value in time, its market share and profit margin may face the risk of being squeezed.

#### 3. Risk of high customer concentration

During the reporting period, the the Company's revenue from its top five customers accounted for 59.63% of the total revenue, showing high customer concentration. Such customers are internationally-renowned electronic brands, and have established a long-term and stable cooperative relationship with USI to ensure sufficient business order. In spite of this, if the customer demand declines, or the Company fails to timely meet the customer requirements in product R&D and design, product quality control, qualified supplier certification, delivery date, etc., it may cause certain fluctuations in customer orders, thus

adversely affecting the Company's business scale and operating performance. Therefore, the Company faces the risk of high customer concentration to a certain extent.

#### 4. Risk of technology R&D and upgrading

Communication electronics, consumer electronics, computers and storage products account for more than 80% of its revenue. The 3C products, characterized by rapid technological update, frequent product technology upgrade and gradually shortened product life cycle, is becoming increasingly miniaturized, shorter and thinner. As new technologies and products are constantly emerging in the industry where the Company is operating, the rapid upgrading of technologies and products may impact the Company's products using existing technologies. If the Company fails to reasonably and continuously increase investment in technology R&D, or timely develop new products with higher quality and meeting customer needs, it will be unable to maintain its core competitiveness, which will have a potential adverse impact on its profitability. In recent years, the Company has gradually realized the "global" production and operation layout through M&A or establishing new subsidiaries in different countries and regions around the world. However, there are differences in laws and regulations, accounting and tax systems, business practices, corporate management systems, corporate cultures and other aspects between the operating bases located in various countries or regions and listed company. The Company and merged or newly established companies still need to integrate at least in financial management, customer management, resource management, business development, corporate culture, etc. If the relevant integration plan is not effectively implemented, it may face risks such as unsatisfactory synergy M&A or newly established enterprises, loss of core personnel, and decline in performance.

#### 5. Transnational operation risk

To better serve major customers, USI has arranged production, sales and logistics worldwide to quickly respond to the product delivery needs of major customers. As a result, the Company has 27 large-scale production bases (including those under construction) in 10 countries and regions. Overseas companies need to abide by the laws and regulations of their countries and regions when conducting business and setting up institutions abroad, and to a certain extent, they need to rely on overseas raw material suppliers, technical service providers or overseas third-party service institutions to ensure the orderly operation of daily businesses. If the laws, regulations, industrial policies or political and economic environment of the countries and regions where overseas business is located have undergone major changes, or there are unpredictable factors such as international tensions, wars, trade sanctions or other force majeure, it may have potential adverse effects on the normal business operation and sustainable development of overseas companies. In addition, if the countries and regions where the relevant overseas businesses are located have restrictions on foreign exchange control and dividend distribution, overseas companies may have the risk of restrictions on dividend remittance.

#### 6. Emerging risk: Upstream supply chain risk

Due to COVID-19 outbreak and the shortage of global chip capacity, since 2020, there has been a continuous shortage of supply in the electronics supply chain, a shortage of chips and key components, and an increase in procurement and international logistics costs. In order to ensure on-time delivery, the Company also needs more materials to establish safety stock. Due to the overstock or understock of certain components, the Company's materials in stock have increased greatly. In response to the existing supply chain risks, the Company needs to have more flexibility in the procurement of key components, material inventory management, production scheduling, etc. It also needs to confirm demand more closely with customers and make dynamic adjustment, and arrange shipments and international transportation reasonably to avoid negative impact on the operation.

#### (V) Miscellaneous

Applicable    Not Applicable

#### **VII. The circumstances and reasons for the Company's failure to disclose according to the standards due to special reasons such as non-applicability of the standards or state secrets and trade secrets**

Applicable    Not Applicable

## Section IV Corporate Governance

### I. Particulars on corporate governance

√ Applicable   □ Not Applicable

During the reporting period, the Company, in strict accordance with the relevant requirements of the Company Law the Securities Law and the Code of Corporate Governance for Listed Companies, China Securities Regulatory Commission, and Shanghai Stock Exchange, strengthened information disclosure efforts, continuously optimized the corporate legal person governance structure, established the sound internal control system, and standardized the business operation, to effectively guarantee the interests of the Company and its all shareholders. The Company's general meeting of shareholders, Board of Directors, Board of Supervisors, and all operation levels had clear responsibilities. All directors, supervisors and members of the senior management were diligent and responsible. Directors and supervisors actively participated in the Company's general meetings of shareholders, meetings of the Board of Directors, and meetings of the Board of Supervisors, and earnestly performed their responsibilities. Related directors voluntarily abstained from voting on relevant related transactions to ensure the safe, stable, healthy and sustainable development of the Company.

(I) Shareholders and general meetings of shareholders: The Company convened and held general meetings of shareholders in accordance with the requirements of the Company Law, the Articles of Association, and the Rules of Procedure for the General Meeting of Shareholders. The general meetings of shareholders complied with the relevant provisions in aspects of preparations, proposals, procedures, voting and resolutions, resolution execution and information disclosure, and ensured that all shareholders, especially minority shareholders, fully exercised their voting rights and maintained equal status. The Company also invited lawyers to attend the general meetings of shareholders to confirm and witness the convening procedures, deliberation matters, and identities of attendees, and issue legal opinions to ensure the legality and validity of the general meeting of shareholders.

(II) Relationship between the controlling shareholder and the listed company: The Company and its controlling shareholder were independent of each other. The Company's board of directors, board of supervisors and internal institutions could operate independently. The Company established a long-term mechanism to prevent the controlling shareholder and its affiliated companies from occupying the listed company's funds and infringing on the listed company's interests, and no major shareholders occupied the listed company's funds and assets.

(III) Directors and the Board of Directors: The Company elected directors in strict accordance with the selection and appointment procedures stipulated in the Company Law and the Articles of Association. The Company's Board of Directors met the requirements of laws and rules in terms of number and composition of members. The Company's directors could seriously attend the meetings of the Board of Directors in accordance with the Procedure Rules of the Board of Directors and other regulations. The Board of Directors set up four special committees, namely the Audit Committee, the Strategic Committee, the Nomination Committee, and the Remuneration Committee, of which the membership is reasonable. Since their establishment, the special committees have been operating in strict accordance with the corresponding work regulations, and fully playing its professional role in the Company's operation and management. The independent directors of the Company, in strict compliance with the Guidelines on the Performance of Duties by Independent Directors, performed their responsibilities in a conscientious and responsible, diligent and honest manner, and put forward valuable opinions and suggestions in the process of reviewing related transactions and internal control norms.

(IV) Supervisors and the Board of Supervisors: The Company's Board of Supervisors strictly complied with the relevant provisions of the Company Law and the Articles of Association, met the requirements of laws and rules in terms of number and composition of members, and could, according to the Rules of Procedure of the Board of Supervisors and other regulations, seriously performed their responsibilities, and supervised the compliance with laws and regulations of the Company's finance personnel, directors and members of the senior management in performing their responsibilities and expressed relevant opinions.

(V) Performance evaluation and incentive and restraint mechanisms: The Company established fair and transparent performance evaluation standards and incentive and restraint mechanism for members of the senior management; the members of the senior management of the Company were appointed in an open and transparent manner and in compliance with the provisions of relevant laws and regulations.

(VI) Information disclosure and transparency: The Company truthfully, accurately, completely and timely disclosed relevant information through Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and the website of Shanghai Stock Exchange, in strict accordance with relevant laws and regulations and the requirements of the Information Disclosure Management Regulations formulated by the Company, and did a good job in confidentiality before information disclosure, and earnestly fulfilled the obligation of information disclosure as a listed company, to ensure the openness, fairness and impartiality of information disclosure by the Company and actively safeguard the legitimate rights and interests of the Company and its investors, especially minority shareholders. During the reporting period, the Company was not criticized, condemned or punished by regulatory agencies for information disclosure violations.

(VII) Investor relations and related stakeholders: The Company, in accordance with the relevant requirements of the Self-disciplinary Rules Listed Companies No. 3 - Cash Dividends of Listed Companies by China Securities Regulatory Commission and the Guidelines for the Self-supervision of Listed Companies No. 1 - Standardized Operation of Shanghai Stock Exchange, firmly established the awareness of rewarding shareholders, improved the cash dividend regulations, maintained the consistency, rationality and stability of the cash dividend policy, and ensured the authenticity of cash dividend information disclosure. The Company actively received all kinds of investors, and set up an investor relations section on the Company's website, which further strengthened investors' understanding and recognition of the Company, promoted the benign interaction between the Company and investors, and was conducive to effectively protecting the interests of investors. The Company could fully respect and safeguard the legitimate rights and interests of its employees, suppliers, customers, banks and other stakeholders, and achieved mutual benefits in economic exchanges to promote the sustainable and healthy development of the Company.

(VIII) Establishment and improvement of the internal control system: The Company continuously improved the internal control system and strengthened the execution and implementation of internal control norms in strict accordance with the regulatory requirements, and performed the self-inspection and self-evaluation over the effectiveness of internal control of the Company's key business processes and key control links on the basis of strengthening daily supervision and special inspections.

(IX) Registration and management of insiders: The Company strictly implemented the Administrative Regulations for Registration of Information Insiders in accordance with the requirements of regulatory agencies.

Whether there are significant differences between the Company's corporate governance and laws, administrative regulations and the requirements of China Securities Regulatory Commission on corporate governance of listed companies; if there are significant differences, the reasons shall be explained

Applicable  Not Applicable

## **II. Specific measures taken by the Company's controlling shareholder and actual controller to ensure the independence of the Company's assets, personnel, finance, organization, and business, and solutions, work progress and subsequent work plans adopted by them to affect the Company's independence**

Applicable  Not Applicable

For details, see the "Commitment to Guarantee the Independence of Listed Companies" in "Section VI Important Matters".

Situation that the Company's controlling shareholder, actual controller, and other units under their control are engaged in the same or similar business as or with the Company, impact of horizontal competition or major changes in horizontal competition on the Company, settlement measures taken, settlement progress and subsequent settlement plans

Applicable  Not Applicable

## **III. Brief Introduction to general meetings of shareholders**

Session number	Holding date	Query index of the designated website on which the	Disclosure date when the resolution is	Resolution
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		resolution is published	published	
2020 annual general meeting of shareholders	April 23, 2021	<a href="http://www.sse.com.cn">www.sse.com.cn</a> (Announcement No.: 2021-041)	April 24, 2021	Deliberated and approved 16 proposals, including the Work Report of the Board of Directors for the Year 2020, the Work Report of the Board of Supervisors for the Year 2020, the Financial Final Report for the Year 2020, 2020 Annual Report and Its Summary, the Profit Distribution Preplan for the Year 2020, the Proposal on Regular Related Transactions for the Year 2020, the Proposal on Estimated Regular Related Transactions for the Year 2020, the Proposal on Investment Quota of Wealth Management Products with Self-owned Idle Funds for the Year 2021, the Proposal on Bank Credit Line for the Year 2021, the Proposal on Financial Derivatives Transactions for the Year 2021, the Proposal on Renewal of Financial Audit Institution, the Proposal on Renewal of Internal Control Audit Institution, the Proposal on Amendment to the Articles of Association, the Proposal on Agreeing to Provision of Mutual Guarantees by Controlled Subsidiaries, the Proposal on Amendment to the External Guarantee Management Regulations, and the Proposal on Supplement of Candidates for Non-Independent Directors of the Fifth Session of the Board of Directors
The first interim general meeting of shareholders for the year of 2021	September 13, 2021	<a href="http://www.sse.com.cn">www.sse.com.cn</a> (Announcement No.: Lin 2021-075)	September 14, 2021	Deliberated and approved 3 proposals, including the Proposal on 2021 Employee Stock Ownership Plan (Draft) and Its Summary, the Proposal on the Administrative Measures for 2021 Employee Stock Ownership Plan, and the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the 2021 Employee Stock Ownership Plan

Convening of an interim general meeting of shareholders requested by the preferred shareholders whose voting rights have been restored

Applicable  Not Applicable

Particulars on general meetings of shareholders

Applicable  Not Applicable

**IV. Directors, supervisors and members of the senior management****(I) Shareholding change and remuneration of directors, supervisors and members of the senior management currently employed and retired during the reporting period**

√Applicable   □Not Applicable

Unit: Share

Name	Position (note)	Sex	Age	Commencement date of term of office	Termination date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in share of the year	Reasons for change	Total pre-tax remuneration from the Company during the reporting period (RMB 10,000)	Whether remuneration was obtained from related parties of the Company
Jeffrey Chen	Chairman of the Board of Directors	Male	58	2018-06-28	2023-04-27	0	0	0	N/A	250 or more	Yes
Jeffrey Chen	Director	Male	58	2016-04-19	2023-04-27	0	0	0	N/A		Yes
Chen-Yen Wei	Director and General Manager	Male	68	2008-06-20	2023-04-27	0	0	0	N/A	250 or more	No
Dtuang Wang	Director	Male	63	2018-07-16	2023-04-27	0	0	0	N/A	Below 40	Yes
TS Chen	Director (Resigned)	Male	61	2018-07-16	2021-04-23	0	0	0	N/A	Below 40	Yes
Rutherford Chang	Director	Male	43	2010-03-10	2023-04-27	0	0	0	N/A	Below 40	Yes
Neng Chao Chang	Director	Male	44	2017-04-17	2023-04-27	0	0	0	N/A	Below 40	Yes
Gilles Baruk Benhamou	Director	Male	68	2021-04-23	2023-04-27	0	0	0	N/A	Below 40	Yes
Yiyun Chu	Independent Director	Male	58	2017-04-17	2023-04-27	0	0	0	N/A	Below 40	No
Yunwei Tang	Independent Director	Male	78	2017-04-17	2023-04-27	0	0	0	N/A	Below 40	No
Michael	Independent	Male	60	2020-04-28	2023-04-27	0	0	0	N/A	Below 40	No

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Chung	Director										
Meng-Kuo Shih	Chairman of the Board of Supervisors	Male	59	2008-06-19	2023-04-27	0	0	0	N/A	Below 40	Yes
Andrew Robert Tang	Supervisor	Male	47	2016-04-19	2023-04-27	0	0	0	N/A	Below 40	Yes
David Huang	Employee supervisor	Male	50	2020-04-28	2023-04-27	0	0	0	N/A	40~100	Yes
Ta-I Lin	Senior Vice President	Male	59	2011-02-09	2023-04-27	20,700	20,700	0	N/A	150~250	No
Chueh Hou	Senior Vice President (Resigned)	Male	66	2009-12-09	2021-12-24	0	0	0	N/A	150~250	No
Feng-Ta Chen	Senior Vice President	Male	60	2008-06-20	2023-04-27	0	0	0	N/A	150~250	No
Hung-Chi Liu	Senior Vice President (Resigned)	Male	66	2008-06-20	2021-12-24	0	56,000	56,000	Stock option incentive exercise	150~250	No
Yuan-Hsin Sheng	Vice President	Male	64	2009-12-09	2023-04-27	0	0	0	N/A	40~100	No
Jing Cao	Senior Vice President	Male	63	2017-04-27	2023-04-27	0	0	0	N/A	250 or more	No
Chen-Lung Wei	Senior Vice President	Male	59	2017-04-27	2023-04-27	0	0	0	N/A	150~250	No
Jeh-Chang Lee	Senior Vice President	Male	59	2020-04-28	2023-04-27	0	0	0	N/A	100~150	No
Yung-Che Fang	Senior Vice President	Male	57	2020-04-28	2023-04-27	0	0	0	N/A	100~150	No
Johnson Lien	Senior Vice President	Male	54	2020-04-28	2023-04-27	0	0	0	N/A	150~250	No
Chia-Hsiung Yu	Vice President	Male	63	2020-04-28	2023-04-27	0	0	0	N/A	100~150	No
Tsung-Yi Chiu	Vice President (Resigned)	Male	55	2020-04-28	2021-12-24	0	0	0	N/A	150~250	No

Yueh-Ming Lin	Vice President	Male	56	2020-04-28	2023-04-27	0	0	0	N/A	150~250	No
Tan-Yang Liu	Vice President and Chief Financial Officer	Male	57	2008-06-20	2023-04-27	0	20,000	20,000	Stock option incentive exercise	100~150	No
Jinpeng Shi	Senior Vice President and Secretary to the Board of Directors	Male	46	2018-06-28	2023-04-27	0	52,000	52,000	Stock option incentive exercise	250 or more	No
Total	/	/	/	/	/	20,700	148,700	128,000	/		/

Note: During the reporting period, the Company assumed expenses of options and employee stock ownership plan granted to the directors, supervisors and members of the senior management, totaling RMB 6.60 million, which were not included in the pre-tax remuneration they received from the Company.

Name	Work Experience
Jeffrey Chen	Jeffrey Chen, from Taiwan, China, graduated from the University of British Columbia with a master's degree in business administration. Mr. Chen has served as chairman of Universal Scientific Industrial (Shanghai) Co., Ltd. since June 2018. He joined the predecessor of ASE Technology Holding Co., Ltd. in 1994, serving successively as the assistant to the central staff office, special assistant to the chairman and chief of staff of the Group, as well as CFO and director of ASE Test Limited, a subsidiary of the Group and a listed company on NASDAQ. He previously worked for Citibank Taiwan as the general manager assistant and Bankers Trust Taipei Branch as the assistant general manager. Currently he also serves as a director of ASE Technology Holding Co., Ltd. and an independent director of Mercuries & Associates Holding, LTD.
Chen-Yen Wei	Chen-Yen Wei from Taiwan, China, holds a bachelor's degree from National Chiao Tung University. Mr. Wei joined Universal Scientific Industrial Co., Ltd in 1979, where he served successively as engineering manager, vice president of finished product business group, senior vice president of communication product business group, senior vice president of corporate service unit, and general manager of the company. Currently he serves as the director and president of the Company.
Dtuang Wang	Dtuang Wang, from Taiwan, China, holds a bachelor's degree in laws from National Taiwan University, a master's degree in laws from National Chung Hsing University, and a doctorate in law from National Chengchi University. He was the CEO of ASE Foundation, a director of Dinggu Holdings Co., Ltd., a director of Hongjing Construction Co., Ltd., an independent executive director of First Commercial Bank Co., Ltd., dean of School of Law, Ming Chuan University. Currently he serves as Group Chief Executive and Corporate Governance Director of ASE Technology Holding Co., Ltd. and a member of the company's Risk Management Committee, a director of ASE Semiconductor Manufacturing Co., Ltd., and the professor of Ming Chuan University Law School.
Rutherford Chang	Rutherford Chang, American, holds a bachelor's degree in Psychology from Wesleyan University. Mr. Chang served as the special assistant to the chairman of J&R Holding and the special assistant to the chairman of Advanced Semiconductor Engineering, Inc. In addition to serving as a director of the

	company, he also serves as a director of ASE Semiconductor Manufacturing Co., Ltd.
Neng Chao Chang	Neng Chao Chang, British, with a bachelor's degree in economics from Williams University, is a former analyst at Morgan Stanley. He currently serves as the general manager of USI America Inc., a director of ASE Test Inc., a director of USI Inc., and a director of Advanced Semiconductor Engineering, Inc.
Gilles Baruk Benhamou	Gilles Baruk Benhamou, French, born in June, 1953, graduated from École Polytechnique in Paris with a master's degree in science. Mr. Gilles Benhamou has more than three decades' experience in the electronic components & assembly industry. Currently he serves as the CEO of Financière AFG S.A.S., the CEO of ASDI Assistance Direction, the CEO of Saphir, a director of Decelect, and the CEO of Retail Evolution.
Yunwei Tang	Chinese, with a doctorate in accounting from SUFE, is the founder of the Chinese Accounting Professors Association. Mr. Tang worked for SUFE where he held the following positions including a lecturer, associate professor, assistant to the president, professor, vice president and president. He previously served as a member of the China Accounting Standards Committee, a member of Chinese Auditing Standards Board, president of Shanghai Accounting Association, and a member of the Listing Committee for Shanghai Stock Exchange. Mr. Tang served as a senior researcher of the International Accounting Standards Board from March 1999 to January 2000. He was awarded honorary membership to the Association of Chartered Certified Accountants, an honorary fellowship of Lingnan University in Hong Kong, and the title of an outstanding international visiting professor of the American Accounting Association. During the reporting period, in addition to serving as the independent director of the Company, he also served as an independent director of China Jushi Co., Ltd., , Ping An Healthcare and Technology Company Limited and Shanghai Lujiazui International Financial Asset Exchange Co.,Ltd..
Yiyun Chu	Yiyun Chu, Chinese, with a doctorate in accounting from Shanghai University of Finance and Economics (SUFE), is a professor and doctoral advisor of the School of Accounting, SUFE, a researcher at Key Research Institute of Accounting and Finance, SUFE, and selected candidate of accounting master training project of the Ministry of Finance, who concurrently takes the position of a member of the Committee for Accounting Standards for Business Enterprises appointed by the Ministry of Finance, the director of Accounting Society of China, and executive secretary of Accounting Education Branch, Accounting Society of China. He also serves as an independent director of Ping An, Bank of Hebei (Not listed) and Bank of Jiaxing, and an external supervisor of Ping An Bank.
Michael Chung	Michael Chung, from Taiwan, China, has a bachelor's degree in Electrical Engineering from National Tsing Hua University, Taiwan. Mr. Chung served as the general manager of the business group of Hon Hai Precision Industry Co., Ltd. and the chief executive officer of TPK Holding Co., Ltd. He joined AcSiP in June 2019 as the Chairman of the Board since. He also serves as an independent director of LuxNet Corp., a director of SAVITECH, Dasheng Venture Capital Co., Ltd, Feng Tay Enterprises Co., Ltd. and LOROM INDUSTRIAL CO., LTD.
Meng-Kuo Shih	Meng-Kuo Shih, from Taiwan, China, has a master's degree in management science from Taiwan Jiaotong University. Mr. Shih used to serve as deputy director of finance of TECO Electric & Machinery Co., Ltd., director of finance of TECO OPTRONICS CORPORATION, chief financial officer and spokesperson of InterServ International Inc., and chief financial officer of Advanced Semiconductor Engineering, Inc. In addition to the director of USI, he holds the position of a director of USI Inc.
Andrew Robert Tang	Andrew Robert Tang, American, graduated from Yale University. Mr. Tang previously worked for private investment companies and Morgan Stanley, and joined Advanced Semiconductor Engineering, Inc. in 2014 where he currently assumes the Vice President. He also serves as a director of Guam Capital Investment Company.
David Huang	David Huang, from Taiwan, China, holds an EMBA from Shanghai Jiaotong University. Mr. Huang previously worked for Universal Scientific Industrial Co., Ltd. Currently he serves as the director of USI's manufacturing services.
Ta-I Lin	Ta-I Lin, from Taiwan, China, has a bachelor's degree in Electrical Engineering from National Cheng Kung University and a master's degree of EMBA from Peking University. After graduation, Mr. Lin joined in Universal Scientific Industrial Co., Ltd. where he served successively as the general manager of Universal Scientific Information Products Business Division, president of USI Electronics (Shenzhen) Co., Ltd., and the manager of Universal Scientific Industrial Co., Ltd. Taiwan Factory. Currently, serves as the senior Vice President of the Company.

Feng-Ta Chen	Mr. Feng-Ta Chen, from Taiwan, China, once served as deputy manager of SAMPO CORP., manager of wireless network card operation management of Universal Scientific Industrial Co., Ltd., associate manager of ERP project management, associate manager of global human resources administration, and general manager of Shanghai Zhangjiang Factory, Jinqiao Factory, and Shengxia Factory of USI. Currently, he serves as the senior vice president of the Company's global sales and after-sales service department.
Jing Cao	Jing Cao, American, holds a double master's degree in engineering from Arizona State University. Once served as the senior Vice President of Mindspeed, the vice president of Tyco Electronics Co., Ltd., and the senior Vice President of UTAC Semiconductor Co., Ltd. Currently, serves as the senior vice president of the Company.
Yuan-Hsin Sheng	Yuan-Hsin Sheng, from Taiwan, China, once served as the general manager of Eagle Test Systems Taiwan, the vice president of ASE Inc., and the vice president of Universal Scientific Industrial Co., Ltd. Currently, serves as the senior vice president of the Company.
Tan-Yang Liu	Tan-Yang Liu, from Taiwan, China, holds a master's degree from the University of Southampton, UK. Once worked as director of Audit Department of KPMG, deputy manager of Underwriting Department of Taiwan International Securities Investment Consulting Corp., the deputy manager of International Department of UOB Securities Pte Ltd, the deputy manager of International Department of Mega Capital (Asia) Company Limited, and the vice president of Capital Market Department of Polaris Securities Co., Ltd. Currently, serves as the vice president and chief financial officer of the Company.
Jinpeng Shi	Chinese, holds a bachelor's degree from the School of Economics and Management of Tongji University, and a EMBA's degree from China Europe International Business School. Once worked as the project manager of International Business Department of Guotai Junan Securities, the director of the Shanghai Investment Banking Department of Southwest Securities, and the vice president of Investment Banking Department, the president of No.3 Business Department and the managing director of Great Wall Securities. Currently, serves as the senior vice president and the secretary to the Board of Directors of the Company.
Yung-Che Fang	Yung-Che Fang, from Taiwan, China, holds a doctor's degree in Mechanical and Aeronautical Engineering from Case Western Reserve University. Once worked as the executive vice president at SOCLE Technology Corporation, and the vice president at GIGABYTE Technology Co., Ltd. and First International Computer, Inc. Currently, serves as the senior vice president of the Company.
Jeh-Chang Lee	Jeh-Chang Lee from Taiwan, China, holds a MBA's degree from University of Maryland. Mr. Lee Once worked as the deputy director of Taiwan Semiconductor Manufacturing Co., Ltd. and currently serves as the senior vice president of the Company.
Johnson Lien	Johnson Lien, from Taiwan, China, holds a MBA's degree from Chung Hsing University. Once worked as the special assistant to the general manager and the marketing director of Siliconware Precision Industries Co., Ltd., and the vice president at Avct and Avct Optical Electronic and at Jmex Solutions. Currently, serves as the senior vice president of the Company.
Chia-Hsiung Yu	Chia-Hsiung Yu, from Taiwan, China, holds a MBA's degree from National Chiao Tung University. Currently, serves as the vice president of the Company.
Yueh-Ming Lin	Yueh-Ming Lin, from Taiwan, China, holds a bachelor's degree of Electrical Engineering from Feng Chia University. Mr. Lin Joined in Universal Scientific Industrial Co., Ltd. In 1995. Currently, serves as the vice president of the Company.
TS Chen	TS Chen, from Taiwan, China, holds a bachelor's degree in industrial engineering from Chung Yuan Christian University. Mr. Chen joined in Advanced Semiconductor Engineering, Inc. in June 1988. Before joining ASE Group, he worked for Taiwan Integrated Circuit Manufacturing Co., Ltd. and Philips Electronic Building Elements Industries (Taiwan) Ltd. From June 1988 to June 2006, Mr. Chen served successively as the senior vice president at Advanced Semiconductor Engineering, Inc. and the general manager at Zhongli Branch of Advanced Semiconductor Engineering, Inc. From June 2006 to May 2012, he worked as the general manager of Powerase Technologies Inc. From June 2006 to June 2015, he served as the supervisor of Advanced Semiconductor Engineering, Inc.; in June 2015, he was appointed as director of the Company; In August 2015, served as the general manager at Zhongli Branch of Advanced Semiconductor Engineering, Inc. No longer served as director of the Company after April 23, 2021.

Chueh Hou	Chueh Hou, from Taiwan, China, holds an MBA's degree from Tunghai University. In July 1987, Mr. Hou joined in Universal Scientific Industrial Co., Ltd. where he served as the manager of the engineering department, the director of the development office, the vice president of the business office, the senior vice general manager of the business division, and the general manager of the Company. He was appointed as the senior vice president of the Company in December 2009, and no longer held this position due to retirement on December 24, 2021.
Hung-Chi Liu	Hung-Chi Liu, from Taiwan, China, graduated from the Electronics Department of Chung Yuan Christian University. Mr. Liu once worked as the purchasing engineer of NCR Systems Taiwan Ltd., the manager of HP Development Company, L.P., the person in charge of the Wireless Communication Products Division of Universal Scientific Industrial Co., Ltd. He was appointed as the senior vice president of the Company in June 2008, and no longer held this position due to retirement from December 24, 2021.
Tsung-Yi Chiu	Tsung-Yi Chiu from Taiwan, China, holds a master's degree in Industrial Management from National Taiwan University of Science and Technology. Mr. Chiu was appointed as the vice president of the Company in April 2020, and no longer held this position due to early retirement from December 24, 2021.

Particulars on other information

Applicable Not applicable

**(II) Employment of directors, supervisors and senior management currently employed and retired during the Reporting Period****1. Employment in shareholders' companies**

√Applicable    □Not Applicable

Name of person employed	Name of shareholder's company	Position held in shareholder's company	Commencement date of term of office	Termination date of term of office
Jeffrey Chen	ASE Technology Holding Co., Ltd., etc.	Director (representative) of ASE Technology Holding Co., Ltd., Advanced Semiconductor Engineering, Inc. and ASE TEST, Inc.; supervisor of ASE (Shanghai) Inc., ASE (Kunshan) Japan Inc. and ASE (Korea) Inc. Supervisor, ASE (Weihai) Inc.; director of Wuxi Tongzhi Microelectronics Co., Ltd., ASE Test Limited (Singapore), ASE Test Holdings Ltd. And Omniquet Industrial Ltd.; supervisor of ASE Assembly & Test (Shanghai) Limited; director of Shanghai Ding Hui Real Estate Development Co., Ltd.; director (representative) of ASE Electronics Inc.; director of Advanced Semiconductor Engineering (HK) Limited, Suzhou ASE Semiconductors Co., Ltd., Shanghai Ding Wei Real Estate Development Co., Ltd., Shanghai Ding Yu Real Estate Development Co., Ltd., KunShan Ding Hong Real Estate Development Co., Ltd., Shanghai Ding Qi Property Management Co., Ltd., Shanghai Ding Fan Commercial Management Co., Ltd., Shanghai DingXu Property Management Co., Ltd., and Super Zone Holdings Ltd.; chairman of the Board of Directors and director (representative) of USI Inc.; director of Huntington Holdings International Co., Ltd., Shanghai Ding Yao Real Estate Development Co., Ltd. and Real Tech Holdings Limited	/	/
Chen-Yen Wei	USI Inc., etc.	Director of USI Inc., HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD., UNITECH HOLDINGS INTERNATIONAL CO. LTD., REAL TECH HOLDINGS LIMITED, and Universal ABIT Holding Co., Ltd.	/	/
Dtuang Wang	ASE Technology Holding Co., Ltd.	Chief executive and corporate governance director, member of the Risk Management Committee and chief risk officer, chief information security officer of ASE Technology Holding Co., Ltd.; director (representative), and chief executive of Advanced Semiconductor Engineering, Inc.; chairman of the Board of Directors and general manager at Advanced Semiconductor Engineering (China) Ltd.; director and general manager at ASE Assembly & Test (Shanghai) Limited; director of SINO HORIZON; director of Hung Ching Development & Construction Co.; director of Hong Jing New Stocks Co., Ltd.; Director and CEO of ASE Cultural and Education Foundation and ASE Environmental Sustainability Foundation	/	/
Rutherford	ASE Technology	Director of ASE Technology Holding Co., Ltd.,	/	/

Chang	Holding Co., Ltd.	director (representative) of Advanced Semiconductor Engineering, Inc., director (representative) of ASE TEST, Inc., director and general Manager of ASE Investment (Kunshan) Limited, and director (representative) of USI Inc.		
Neng Chao Chang	Advanced Semiconductor Engineering, Inc.	Director (representative) of Advanced Semiconductor Engineering, Inc., director (representative) of ASE TEST, Inc., and director (representative) of USI Inc.	/	/
Meng-Kuo Shih	USI Inc., etc.	Director of USI Inc., HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD., UNITECH HOLDINGS INTERNATIONAL CO. LTD., REAL TECH HOLDINGS LIMITED, Universal ABIT Holding Co., Ltd. and USI Enterprise Limited	/	/
Andrew Robert Tang	Advanced Semiconductor Engineering, Inc., etc.	Supervisor (representative) of Advanced Semiconductor Engineering, Inc.; ASE TEST, Inc.; director of Shanghai Ding Hui Real Estate Development Co., Ltd., Shanghai Ding Wei Real Estate Development Co., Ltd., and Shanghai Ding Yu Real Estate Development Co., Ltd.; supervisor (representative) of USI Inc.; director of ASE Cultural and Education Foundation and ASE Environmental Sustainability Foundation	/	/
Chen-Lung Wei	USI Inc., etc.	Director of USI Inc., director of HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD., and director of Universal ABIT Holding Co., Ltd.	/	/
Ta-I Lin	Universal ABIT Holding Co., Ltd.	Director	/	/
Tan-Yang Liu	USI Inc., etc.	Director of USI Enterprise Limited and director of USI Inc.	/	/
TS Chen	ASE Technology Holding Co., Ltd., etc.	Director (representative) of ASE Technology Holding Co., Ltd.; director (representative) of Advanced Semiconductor Engineering, Inc. and general manager at its Zhongli Branch; supervisor of Suzhou ASE Semiconductors Co., Ltd.; director of ASE (Weihai) Inc. and ASE (Kunshan) Inc.; director (representative) of Lu-Chu Development Corporation	/	/
Particulars on employment in shareholders' companies	TS Chen no longer served as director of the Company from April 23, 2021.			

**2. Employment in other companies**

√Applicable    □Not Applicable

Name of person employed	Name of other companies	Position held in other companies	Commencement date of term of office	Termination date of term of office
Dtuang Wang	School of Law of Ming Chuan University, etc.	Director and CEO of Zhang Yao Hongying Social Welfare and Charity Foundation and Honorary Professor at School of Law of Ming Chuan University	/	/
Gilles Baruk Benhamou	Saphir, etc.	CEO of Saphir, director of Decelect, CEO of Retail Evolution, and CEO of ASDI Assistance Direction		
Meng-Kuo Shih	Global Venture Capital Co., Ltd.	Director	/	/
Andrew Robert Tang	Guam Capital Investment	Director	/	/
Yunwei Tang	China Jushi Co., Ltd., etc.	Independent director of China Jushi Co., Ltd., Ping An Healthcare and Technology Co., Ltd., and Shanghai Lujiazui International Financial Asset Exchange Co.,Ltd.	/	/
Yiyun Chu	Shanghai University of Finance and Economics, etc.	Professor and PhD advisor with School of Accounting, SUFE, member of the 1 <sup>st</sup> Advisory Committee for Accounting Standards for Business Enterprises of the Ministry of Finance, director of the Accounting Society of China, executive secretary-general at the Accounting Education Branch of the Accounting Society of China, full-time researcher at Institute of Accounting and Finance, Shanghai University of Finance and Economics as the Key Research Base of Humanities and Social Sciences of the Ministry of Education, and independent director of Ping An Insurance (Group) Company of China, Bank of Hebei Co., Ltd. (Unlisted), and Bank of Jiaxing (Unlisted)	/	/
Michael Chung	AcSiP, etc.	Chairman of the Board of Directors of AcSiP, independent director of LuxNet Corp., and director of Savitech Corp., Dasheng Venture Capital Co., Ltd., FENG TAY ENTERPRISES CO., LTD., and LOROM INDUSTRIAL CO., LTD.	/	/
Ta-I Lin	SUMA-USI Electronics Co., Ltd.	Director	/	/
Jinpeng Shi	GJS Capital Co., Ltd., etc.	Director of GJS Capital Co., Ltd. and supervisor of SUMA-USI Electronics Co., Ltd.	/	/
Particulars on employment in other	None			

companies	
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**(III) Remuneration of directors, supervisors and members of the senior management**√Applicable Not Applicable

Decision-making procedures for the remuneration of directors, supervisors and members of the senior management	The relevant proposals on the annual remuneration of members of the senior management personnel shall be reviewed by the Remuneration Committee under the Board of Directors and then submitted to the Board of Directors for deliberation and approval before implementation.
Determination basis for the remuneration of directors, supervisors and members of the senior management	Remuneration shall be determined according to their performance appraisal, combined with the Company's asset status, profitability and progress of annual business objectives.
Actual payment of the remuneration of directors, supervisors and members of the senior management	For details, see Section IV-I (I) Shareholding change and remuneration of directors, supervisors and members of the senior management currently employed and retired during the reporting period.
Total remuneration actually received by all directors, supervisors and members of the senior management at the end of the Reporting Period	RMB 30.52 million

**(IV) Changes in directors, supervisors and members of the senior management of the Company**√Applicable Not Applicable

Name	Position	Change	Reason for change
TS Chen	Director	Resigned	Resignation due to work arrangement adjustment
Gilles Baruk Benhamou	Director	Appointed	New appointment
Chueh Hou	Senior vice president	Resigned	Resignation due to retirement
Hung-Chi Liu	Senior vice president	Resigned	Resignation due to retirement
Tsung-Yi Chiu	Vice president	Resigned	Resignation due to retirement

**(V) Particulars on punishments by securities regulatory authorities in the past three years**Applicable Not Applicable**(VI) Others**Applicable Not Applicable**V. Meetings of the Board of Shareholders held during the reporting period**

Session of meeting	Holding date	Resolution
The 8 <sup>th</sup> meeting of the fifth session of the Board of Directors	March 1, 2021	The following proposals were deliberated and adopted: 1. Proposal on the Company's Qualification for the Public Issuance of Convertible Corporate Bonds 2. Proposal on the Listing of Convertible Corporate Bonds 3. Proposal on Opening a Special Account for Funds Raised by Public Issuance of Convertible Corporate Bonds and Signing a Regulatory Agreement
The 9 <sup>th</sup> meeting of the fifth session of the Board of Directors	March 26, 2021	The following proposals were deliberated and adopted: 1. Proposal on the 2020 Work Report of the Board of Directors 2. Proposal on the 2020 Work Report of the General Manager 3. Proposal on 2020 Final Financial Report

		<ol style="list-style-type: none"> <li>4. Proposal on 2021 Annual Report and its Summary</li> <li>5. Proposal on 2020 Annual Internal Control Self-Assessment Report</li> <li>6. Proposal on 2020 Annual Corporate Social Responsibility Report</li> <li>7. Proposal on 2020 Profit Distribution Plan</li> <li>8. Proposal on Recognition of Loss of Assets Deductible Against Taxable Income in 2020</li> <li>9. Proposal on the Remuneration of the Company's Senior Management in 2020</li> <li>10. Proposal on Regular Related Party Transactions in 2020</li> <li>11. Proposal on Predicted Regular Related Party Transactions in 2021</li> <li>12. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2021</li> <li>13. Proposal on Bank Credit Lines in 2021</li> <li>14. Proposal on the Amount of Financial Derivative Transactions Allowed for 2021</li> <li>15. Proposal on the Company's Provision of Financial Assistance to Subsidiaries</li> <li>16. Proposal on New Candidates for Non-independent Directors of the Fifth Session of the Board of Directors</li> <li>17. Proposal on Appointing Securities Affairs Representative</li> <li>18. Proposal on Formulating 2021 Internal Audit Plan</li> <li>19. Proposal on Renewing the Contract with Financial Audit Institutions</li> <li>20. Proposal on Renewing the Contract with Internal Control Audit Institutions</li> <li>21. Proposal on Amending the Articles of Association</li> <li>22. Proposal on Amending the Rules of Registration for Insiders</li> <li>23. Proposal on Replacing Pre-issuance Investments Using Self-Owned Funds and Flotation Costs with Raised Funds</li> <li>24. Proposal on Using Raised Funds for the Supplementary Working Capital Project</li> <li>25. Proposal on Using Raised Funds to Inject Capital into Subsidiaries</li> <li>26. Proposal on Using Idle Raised Funds for Cash Management</li> <li>27. Proposal on Guarantees Between Holding Subsidiaries</li> <li>28. Proposal on Amending the Administrative Rules of External Guarantee</li> <li>29. Proposal on Holding 2020 Annual General Meeting of Shareholders</li> </ol>
The 10 <sup>th</sup> meeting of the fifth session of the Board of Directors	April 26, 2021	<p>The following proposals were deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on Quarterly Report for Q1 2021</li> <li>2. Proposal on Amending the Rules of Information Disclosure</li> <li>3. Proposal on Amending the Internal Reporting Rules for Major Issues</li> <li>4. Proposal on Confirmation of the Participants and Vesting price of Core Employee Stock Ownership Plan Phase II</li> </ol>
The 11 <sup>th</sup> meeting of the fifth session of the Board of Directors	cJuly 12, 2021	<p>The following proposals were deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on Retroactive Adjustment of Financial Statements for Business Combination not Under Common Control</li> <li>2. Proposal on the Use of Self-owned Funds for Corporate Venture Capital and Authorization of Investment Quota</li> </ol>
The 12 <sup>th</sup> meeting of the fifth session of the Board of	August 24, 2021	<p>The following proposals were deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on the 2021 Semi-Annual Report and its Summary</li> <li>2. Proposal on the Special Report on the Deposit and Actual</li> </ol>

Directors		<p>Usage of the Raised Funds in the First Half of 2021</p> <p>3. Proposal on the Plan for Share Buy-back by Centralized Bidding Transactions</p> <p>4. Proposal on 2021 Employee Stock Ownership Plan (Draft) and its Summary"</p> <p>5. Proposal on the Administrative Rules for 2021 Employee Stock Ownership Plan</p> <p>6. Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Formalities Related to 2021 Employee Stock Ownership Plan</p> <p>7. Proposal on Holding the First Extraordinary General Meeting of Shareholders in 2021</p>
The 13 <sup>th</sup> meeting of the fifth session of the Board of Directors	October 26, 2021	<p>The following proposals were deliberated and adopted:</p> <p>1. Proposal on Quarterly Report for Q1 2021</p> <p>2. Proposal on the Adjustment of Participants and Cancellation of Part of the Options in the Incentive Stock Option Plan 2015</p> <p>3. Proposal on the First Exercise Period of Incentive Stock Option Plan 2019 Part I and the Method of Independent Exercise</p> <p>4. Proposal on Adjustment of Some Issues and Cancellation of Part of the Stock Options in the Incentive Stock Option Plan 2019</p> <p>5. Proposal on First Exercise Period of Incentive Stock Option Plan 2019 Part II and the Method of Independent Exercise</p> <p>4. Proposal on Adjustment and Cancellation of Part of the Stock Options in the Incentive Stock Option Plan 2019</p> <p>7. Proposal on Adjustment of the Use of the Company's Shares bought back in 2019</p>
The 14 <sup>th</sup> meeting of the fifth session of the Board of Directors	December 14, 2021	<p>The following proposals were deliberated and adopted:</p> <p>1. Proposal on USI's Wholly-owned Subsidiary FAFG's Combination with its Wholly-owned Subsidiary AFG</p> <p>2. Proposal on Amending the Procedures for Loaning of Funds</p>

## VI. Performance of functions and duties by directors

### (I) Attendance of directors at meetings of the Board of Directors and general meetings of shareholders

Name of director	Independent director or not	Attendance at meetings of the Board of Directors						Attendance at general meetings of shareholders
		Number of attendance required	Number of attendance in person	Number of attendance by communication	Times of attendance by proxy	Number of absence	Two consecutive absences in person or not	Number of attendance
Jeffrey Chen	No	7	7	6	0	0	No	2
Rutherford Chang	No	7	7	7	0	0	No	0
Neng Chao Chang	No	7	7	7	0	0	No	0
Dtuang Wang	No	7	7	7	0	0	No	0
Chen-	No	7	7	7	0	0	No	0

Yen Wei								
TS Chen	No	2	2	2	0	0	No	0
Gilles Baruk Benhamou	No	5	5	5	0	0	No	0
Yiyun Chu	Yes	7	7	7	0	0	No	2
Yunwei Tang	Yes	7	7	7	0	0	No	0
Michael Chung	Yes	7	7	7	0	0	No	0

Particulars on two consecutive absences in person from meetings of the Board of Directors

Applicable Not Applicable

Number of meetings of the Board of Directors held in 2021	7
Including: on site	0
by communication	5
on site x by communication	2

**(II) Objection raised by directors to relevant issues of the Company**

Applicable Not Applicable

**(III) Others**

Applicable Not Applicable

**VII. Special committees under the Board of Directors**

Applicable Not Applicable

**(1). Members of special committees under the Board of Directors**

Type of special committees	Name of members of special committees
Audit Committee	Yunwei Tang, Jeffrey Chen, Chen-Yen Wei, Yiyun Chu, and Michael Chung
Nomination Committee	Michael Chung, Jeffrey Chen, Chen-Yen Wei, Yunwei Tang, and Yiyun Chu
Remuneration and Appraisal Committee	Yiyun Chu, Jeffrey Chen, Chen-Yen Wei, Michael Chung, and Yunwei Tang
Strategic Committee	Jeffrey Chen, Chen-Yen Wei, Gilles Baruk Benhamou, Neng Chao Chang, and Michael Chung

**(2). 5 meetings held by the Audit Committee during the reporting period**

Holding date	Meeting content	Important comments and suggestions	Other information on performance of functions and duties
March 26, 2021	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on Financial Final Accounts Report of 2020 2. Proposal on 2020 Final Financial Report 3. Proposal on 2020 Annual Internal Control Self-Assessment Report 4. Proposal on 2020 Profit Distribution Plan 5. Proposal on Regular Related	The Company's financial report was true, complete and accurate, with no related cheating, fraud and material misstatement, and the Company had no significant accounting error adjustments, no changes in significant accounting policies and estimates, no matters involving important accounting judgments, and no matters resulting in a non-standard audit report with unqualified opinions. The actual operation of the	Conducted on-site research on the Company's operation and communicated with the management on the Company's development.

	<p>Party Transactions in 2020</p> <p>6. Proposal on Predicted Regular Related Party Transactions in 2021</p> <p>7. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2021</p> <p>8. Proposal on Bank Credit Lines in 2021</p> <p>9. Proposal on the Amount of Financial Derivative Transactions Allowed for 2021</p> <p>10. Proposal on the 2020 Work Report of the General Manager</p> <p>11. Proposal on Formulating 2021 Internal Audit Plan</p> <p>12. Proposal on Renewing the Contract with Internal Control Audit Institutions</p> <p>13. Proposal on Renewing the Contract with Financial Audit Institutions</p> <p>14. Proposal on Replacing Pre-issuance Investments Using Self-Owned Funds and Flotation Costs with Raised Funds</p> <p>15. Proposal on Using Raised Funds for the Supplementary Working Capital Project</p> <p>16. Proposal on Using Raised Funds to Inject Capital into Subsidiaries</p> <p>17. Proposal on Using Idle Raised Funds for Cash Management</p> <p>18. Proposal on 2020 Performance Report of the Audit Committee</p>	<p>Company's internal control complied with the requirements of the corporate governance norms for listed companies issued by the China Securities Regulatory Commission.</p>	
April 26, 2021	<p>The following proposals were deliberated and submitted to the Board of Directors:</p> <p>1. Proposal on Financial Statements for Q1 2021</p> <p>2. Proposal on Work Report on Internal Control for Q1 2021</p>	<p>The Company's financial report was true, complete and accurate, with no related cheating, fraud and material misstatement, and the Company had no significant accounting error adjustments, no changes in significant accounting policies and estimates, no matters involving important accounting judgments, and no matters resulting in a non-standard audit report with unqualified opinions. After the internal audit work report was reviewed, no major problems were found in the internal audit work.</p>	<p>Communicated with the management on the Company's development.</p>
July 12, 2021	<p>Proposal on Retroactive Adjustment of Financial data for Business Combination not Under Common Control was deliberated and submitted to the Board of Directors.</p>	<p>The external appraiser appointed by the Company confirmed the fair value of various identifiable assets, liabilities and contingent liabilities of FAFG obtained in the business combination. According to the relevant accounting standards, it was necessary to retrospectively</p>	<p>Communicated with the chief financial officer and the secretary of the board of directors on the allocation of the ppa company's</p>

		adjust some of the financial data of the Company's 2021 First Quarter Report. The financial statements retrospectively adjusted in line with the relevant provisions of the accounting standards, objectively and truly reflected the Company's financial situation and actual operating results.	acquisition premium.
August 24, 2021	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on Financial Statements for H1 2021 2. Proposal on Work Report on Internal Control for H1 2021 3. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2020	The Company's financial report was true, complete and accurate, with no related cheating, fraud and material misstatement, and the Company had no significant accounting error adjustments, no changes in significant accounting policies and estimates, no matters involving important accounting judgments, and no matters resulting in a non-standard audit report with unqualified opinions. After the internal audit work report was reviewed, no major problems were found in the internal audit work. The Company used the raised funds in accordance with the provisions and requirements of relevant laws, regulations, and regulatory documents, and disclosed the relevant information of the raised funds in a timely, true, accurate and complete manner, with no violation of the use and management of the raised funds.	Conducted research on the Company's operation and communicate with the management on the Company's development.
October 26, 2021	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on Quarterly Report for Q3 2021 2. Proposal on Work Report on Internal Control for Q3 2021	The Company's financial report was true, complete and accurate, with no related cheating, fraud and material misstatement, and the Company had no significant accounting error adjustments, no changes in significant accounting policies and estimates, no matters involving important accounting judgments, and no matters resulting in a non-standard audit report with unqualified opinions. After the internal audit work report was reviewed, no major problems were found in the internal audit work.	Conducted research on the Company's operation and communicate with the management on the Company's development.

**(3). 1 meeting held by the Nomination Committee during the reporting period**

Holding date	Meeting content	Important comments and suggestions	Other information on performance of functions and duties

March 26, 2021	Deliberated and approved the Proposal on Nominating and Supplementing Candidates (company) for Non-Independent Directors of the Fifth Session of the Board of Directors	The Nomination Committee performed its duties diligently in accordance with relevant regulations and the provisions of the Articles of Association and the Rules of Work of the Nomination Committee of the Company, reviewed the Company's nomination and addition of non-independent director candidates for the fifth session of the Board of Directors, and formulated a proposal to be submitted to the Board of Directors of the Company for deliberation.	None
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**(4). 4 meetings held by the Remuneration and Appraisal Committee during the reporting period**

Holding date	Meeting content	Important comments and suggestions	Other information on performance of functions and duties
March 26, 2021	Deliberated and approved the Proposal on Confirming the Company's Members of the Senior Management for the Year 2020, and agreed to submit the proposal to the Board of Directors for deliberation.	The remunerations paid by the Company to directors, supervisors and members of the senior management were in line with the Company's remuneration system standards, and the remuneration data disclosed were true, reasonable and accurate.	None
April 26, 2021	Deliberated and approved the Proposal on Confirming the Holders of Phase-2 Core Employee Stock Ownership Plan and the Transfer Price, and agreed to submit it to the Board of Directors for deliberation.	The holders identified in the current employee stock ownership plan all met the relevant laws and regulations, the holding conditions stipulated in the normative documents, and the determination standards for the participants stipulated in the employee stock ownership plan. Their subject qualification as the holders was legal and valid. The current employee stock ownership plan was conducive to the sustainable development of the listed company, and there was no situation that damages the interests of the listed company and its all shareholders.	None
August 24, 2021	Deliberated and approved the following proposals and agreed to submit them to the Board of Directors for deliberation: 1. Proposal on "2021 Employee Stock Ownership Plan (Draft) and Its Summary" 2. Proposal on the "Administrative Measures for	The Company's 2021 employee stock ownership plan could further improve the Company's remuneration incentive mechanism, fully mobilize the enthusiasm of the Company's core employees, realize the long-term development of the Company and the full integration of employees'	None

	2021 Employee Stock Ownership Plan” 3. Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the 2021 Employee Stock Ownership Plan	interests, and facilitate the Company sustainable operations, thus the meeting agreed with the Company to implement the 2021 employee stock ownership plan.	
October 26, 2021	Deliberated and approved the following proposals and agreed to submit them to the Board of Directors for deliberation: 1. Proposal on Adjustment of Incentive Objects and Cancellation of Partial Equity under the 2015 Stock Option Incentive Plan 2. Proposal on the Satisfaction with Exercise Conditions by the First Exercise Period of the Initial Grant of the 2019 Stock Option Incentive Plan and Exercise of the Right by Self-Exercise 3. Proposal on Adjustment of Matters Related to the Initial Grant of the 2019 Stock Option Incentive Plan and Cancellation of Partial Equity 4. Proposal on the Satisfaction with Exercise Conditions by the First Exercise Period of the Reserved Grant of the 2019 Stock Option Incentive Plan and Exercise of the Right by Self-Exercise 5. Proposal on Adjustment of Matters Related to the Reserved Grant of the 2019 Stock Option Incentive Plan and Cancellation of Partial Equity	The exercise conditions for the first exercise period of the initial grant equity and reserved grant equity under the incentive plan were met, and the Company's implementation of the exercise was in line with the relevant provisions of the Option Incentive Plan and the Option Incentive Administration Measures. The adjustment and cancellation were performed in line with the relevant provisions of the Company's Stock Option Incentive Plan (Draft) and Appraisal Administrative Measures for Implementation of the Stock Option Incentive Plan.	None

**(5). 3 meetings held by the Strategic Committee during the reporting period**

Holding date	Meeting content	Important comments and suggestions	Other information on performance of functions and duties
March 26, 2021	The members of the Strategic Committee listened carefully to the 2021 Strategic Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. made by the Company's President Mr. Chen-Yen Wei, and discussed it. None of the participating members had any objection to the report.	The members of the Strategic Committee listened carefully to the 2021 Strategic Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. made by the Company's President Mr. Chen-Yen Wei, and discussed it. None of the participating members had any objection to the report.	Understood the impact of international trade frictions on the Company's business

July 12, 2021	The Strategic Committee deliberated the Proposal on Using Self-owned Funds for Enterprise Venture Capital Investment and Investment Quota Authorization, and agreed to submit it to the Board of Directors for deliberation.	The Strategic Committee deliberated the Proposal on Using Self-owned Funds for Enterprise Venture Capital Investment and Investment Quota Authorization, and agreed to submit it to the Board of Directors for deliberation.	None
August 24, 2021	The Strategic Committee deliberated the Proposal on the Plan for Repurchasing Shares through Centralized Bidding Transactions and agreed to submit it to the Board of Directors for deliberation.	The Strategic Committee deliberated the Proposal on the Plan for Repurchasing Shares through Centralized Bidding Transactions and agreed to submit it to the Board of Directors for deliberation.	None

**(6). Specific particulars on matters of objection**

Applicable Not Applicable

**III. Particulars on risks in the Company identified by the Board of Supervisors**

Applicable Not Applicable

The Board of Supervisors had no objection to the supervision during the reporting period.

**IX. Employees of the parent company and major subsidiaries at the end of the period****(I) Employees**

Number of on-the-job employees of the parent company	2,636
Number of on-the-job employees of the main subsidiaries	22,131
Total number of on-the-job employees	24,768
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	13
Breakdown by function	
Function	Number
Production	16,163
Sales	734
Technical	4,902
Financial	231
Administrative	2,738
Total	24,768
Breakdown by education background	
Education background	Number
Doctor's degree	13
Master's degree	1,385
Bachelor's degree	3,919
Junior college	3,421
Senior school's degree and below	16,030
Total	24,768

**(II) Remuneration policy**

Applicable Not Applicable

According to the needs of the Company's development strategy, combined with industrial characteristics, talent market supply and demand, employment areas and other factors, the Company applied a market-following strategy for the remuneration of ordinary position personnel, while gave key position personnel and outstanding talents competitive remuneration and provided them with equity incentives such as stock options or employee stock ownership plan.

**(III) Training program**√Applicable Not Applicable

The Company has established a dual-track learning pathway. On the one hand, internal training courses in different categories are designed systematically and arranged by five colleges, so that trainees can take required courses, join training sessions held by internal lecturers as well as workshops organized by external professional lecturers. On the other hand, the Company promotes the Individual Development Program (IDP), so as to ensure the depth and breadth of employees' career development and contribute to sustainable development.

**(IV) Labor outsourcing**√Applicable Not Applicable

Total working hours of labor outsourcing	7,909,001.53
Total remuneration paid for labor outsourcing	172,374,675.64

**X. Plan for profit distribution or capitalization from public reserve funds****(I) Formulation, implementation or adjustment of the cash dividend policy**√Applicable Not Applicable

Regarding its profit distribution plan for 2020, USI intended to distribute a cash dividend of RMB 5 (tax included) for every 10 shares on the basis of the total share capital on the record date for implementing the plan after deducting the number of shares in its special buy-back securities account, without bonus share or transfer of public reserve into share capital, and all the remaining undistributed profits were carried forward for distribution in the following years. The Company's total share capital on the record date for implementing the plan for 2020 profit distribution was 2,209,609,072 shares, and after the deduction of 11,332,177 shares in the Company's special buy-back securities account, the actual number of shares participating in the distribution was 2,198,276,895 shares. 2020 profit distribution was completed on June 3, 2021.

Regarding its profit distribution plan for 2021, USI is going to distribute a cash dividend of RMB 2.60 (tax included) for every 10 shares on the basis of the total share capital on the record date for implementing the plan after deducting the number of shares in its special buy-back securities account, without bonus share or transfer of public reserve into share capital, and all the remaining undistributed profits were carried forward for distribution in the following years.

Prior to the record date for implementing the plan, in case of any changes in the Company's total share capital and the number of shares in the Company's special buy-back securities account, the amount of cash dividends distributed per share will remain unchanged, and the total distribution will be adjusted accordingly.

The Company's Profit Distribution Plan for the Year 2021 was deliberated and approved at the 15<sup>th</sup> meeting of the fifth session of the Board of Directors of the Company, and it still needs to be deliberated at the Company's 2021 annual general meeting of shareholders.

**(II) Special description of the cash dividend policy**√Applicable Not Applicable

Whether in compliance with provisions of the Articles of Association or requirements of the resolution of the general meeting of shareholders	√Yes <input type="checkbox"/> No
Whether the dividend standard and ratio are definite and clear	√Yes <input type="checkbox"/> No
Whether the related procedures and mechanisms for decision-making are complete	√Yes <input type="checkbox"/> No
Whether independent directors performed their duties responsibly and played their due roles	√Yes <input type="checkbox"/> No
Whether minority shareholders were given the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests were fully protected	√Yes <input type="checkbox"/> No

**(III) If the profits of the Company and the parent company's profits distributable to shareholders are positive during the reporting period, but there is no profit distribution plan, the Company shall disclose the reasons, the usage and the utilization plan of the undistributed profits in detail**

Applicable Not Applicable

### **XI. Equity incentive plan, employee stock ownership plan or other employee incentive measures of the Company and their impacts**

#### **(I) Incentive matters disclosed in temporary announcements and without further progress or change in subsequent implementation**

Applicable Not Applicable

Overview	Index
Option exercise of the Incentive Stock Option Plan 2015: In the fourth quarter of 2021, a total of 19,900 shares were exercised and registered for transfer. As of December 31, 2021, a total of 7,798,620 shares were exercised and registered for transfer, accounting for 37.56% of the total number of exercisable stock options.	For details, see the announcement (No.: 2022-001) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on January 5, 2022
Option exercise of the Incentive Stock Option Plan 2019 Part I: In the fourth quarter of 2021, a total of 509,300 shares were exercised and registered for transfer. As of December 31, 2021, a total of 509,300 shares were exercised and registered for transfer, accounting for 3.15% of the total number of exercisable stock options.	
Option exercise of Incentive Stock Option Plan 2019 Part II: In the fourth quarter of 2021, no option was exercised yet.	
The Core Employee Stock Ownership Plan Phase II completed the non-trading transfer of shares: On December 22, 2021, the Company received the Transfer Registration Confirmation issued by China Securities Depository and Clearing Co., Ltd.; 1,780,050 shares held in the Company's special buy-back securities account (B882423910) were transferred to the Company's second-phase core employee stock ownership plan securities account in the form of non-trading transfer on December 21, 2021, at a price of RMB 12.665 per share (the total transaction consideration was RMB 22,544,333.25)	For details, see the announcement (No.: 2021-102) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on December 23, 2021
The Employee Stock Ownership Plan 2021 completed the non-trading transfer of shares: On September 23, 2021, the Company received the Transfer Registration Confirmation issued by China Securities Depository and Clearing Co., Ltd.; 281,200 shares held in the Company's special buy-back securities account (B882423910) were transferred to the Company's securities account for Employee Stock Ownership Plan 2021 in the form of non-trading transfer on September 22, 2021, at a price of RMB 0 per share.	For details, see the announcement (No.: 2021-077) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on September 24, 2021

#### **(II) Incentive matters not disclosed in temporary announcements or with further progress**

Equity incentive

Applicable Not Applicable

Other particulars

Applicable Not Applicable

Employee stock ownership plan

Applicable Not Applicable

The Core Employee Stock Ownership Plan Phase I held 1,280,600 shares in the lock-up period, and as of December 31, 2021, a total of 479,900 shares have been sold.

Other incentive measures

Applicable Not Applicable

#### **(III) Equity incentives granted to directors and members of the senior management during the reporting period**

Applicable Not Applicable

#### **(IV) Establishment and implementation of appraisal mechanism and the incentive mechanism for senior management during the reporting period**

Applicable Not Applicable

The Company had an appraisal and incentive mechanism. The Remuneration and Appraisal Committee evaluated directors, supervisors and members of the senior management and formulated an annual remuneration plan based on the profit completion and the Company's operational indicators of the very year. The plan comprehensively considered the average annual salary level of related industries and the current situation of the Company, and linked the annual salary of the Company's operators with the Company's asset status, profitability and completion of annual business goals, to fully mobilize the enthusiasm of operators, further improve the work performance appraisal and the survival of the fittest mechanism for the Company's members of the senior management, and strengthen the restraint of responsibility objectives.

## **XII. Construction and implementation of internal control system during the reporting period**

Applicable Not Applicable

During the reporting period, the Company revised the Internal Reporting System for Major Matters, the Rules of Information Disclosure, the Rules of External Guarantee Management, the Administrative Regulations for Registration of Information Insiders and the Procedures for Loaning of Funds and continued carrying out internal control construction, optimization and improvement. The Company maintained effective internal control in all material aspects of financial and non-financial reporting.

Particulars on major defects in the internal control during the reporting period

Applicable Not Applicable

## **XIII. Management and control on subsidiaries during the reporting period**

Applicable Not Applicable

During the reporting period, subject to the requirements of the Company's internal control system, the Company carried out effective management in terms of operation, organization structure, human resources, finance, capital, guarantee and information disclosure of its subsidiaries in accordance with the Administration Regulations for Subsidiaries. Subsidiaries operated in accordance with the administration regulations formulated by the Company, and established corresponding decision-making, execution, monitoring and feedback systems. Their organizational structures were with clear division of labor and sound and clear functions.

## **XIV. Particulars on the internal control audit report**

Applicable Not Applicable

Whether to disclose the internal control audit report: Yes

Type of internal control audit report opinions: An unqualified opinion

## **XV. Rectification of problems identified in self-examination of governance special actions by the listed company**

Not Applicable

## **XVI. Others**

Applicable Not Applicable

## Section V Environmental and Social Responsibility

### I. Environmental information

#### (I) Environmental protection information of companies belonging to key pollutant-discharge units and their main subsidiaries announced by the environmental protection department

√Applicable □Not Applicable

#### 1. Pollutant Discharge information

√Applicable □Not Applicable

1) The information of wastewater detection and waste treatment in USI in 2021 is as follows:

Information on Wastewater Discharge in 2021							
Number & of wastewater discharge port	ws-3101154143063-1			Monitoring units and methods	Shanghai Weizheng Test Technology Co., Ltd.		
Discharge standard	“Integrated Wastewater Discharge Standard” DB31/199			Discharge mode and destination	It is discharged from the pipe and enters the urban sewage treatment plant		
Testing items	Standard value	Test date					
		2021/1/12	2021/3/10	2021/05/21	2021/8/23	2021/10/14	2021/11/23
PH	6--9	7.72	7.56	6.99	6.7	7.2	6.2
Suspended Solids (SS) (mg/L)	≤400	246	34	80	33	34	34
Chemical Oxygen Demand (COD) (mg/L)	≤500	286	188	160	90	182	105
Biochemical Oxygen Demand (BOD5) (mg/L)	≤300	46.4	46.0	34.6	21.7	48.7	22.4
Ammonia Nitrogen (NH <sub>3</sub> -N) (mg/L)	≤45	15.2	20.8	2.22	2.74	8.22	0.24
Total Nitrogen (mg/L)	≤70	25.7	23.6	18.1	23.9	13.2	3.02
Total Phosphorus (mg/L)	≤8	1.76	1.79	2.79	0.2	0.61	0.41
Petroleum (mg/L)	≤15	0.29	<0.06	0.16	<0.06	0.14	0.13
Animal and Vegetable Oils (mg/L)	≤100	<0.06	0.94	0.43	<0.06	0.08	<0.06
Anionic Surfactant (mg/L)	≤20	0.10	0.32	<0.17	0.12	0.44	0.36
Total Dissolved Solids (mg/L)	≤2000	466	410	1.02×10 <sup>3</sup>	214	596	467
Remarks	/	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified

Information on Solid (Hazardous) Waste Discharge in 2021						
Name	Category	Code	Output (tons)	Transfer amount (tons)	Storage capacity (tons)	Disposal or recovery
PCB dust, board edge, PCB with parts	Hazardous waste	900-045-49	25.932	25.932	0	Hand it over to a qualified unit for processing
Empty barrels, rags, filter elements and sludge contaminated with chemicals	Hazardous waste	900-041-49	39.216	39.216	0	Hand it over to a qualified unit for processing
Organic resin	Hazardous waste	900-014-13	30.17	30.17	0	Hand it over to a qualified unit for processing
Bromopropane	Hazardous waste	900-404-06	18.366	18.366	0	Hand it over to a qualified unit for processing
Waste isopropanol and other solvents	Hazardous waste	900-402-06	165.132	165.132	0	Hand it over to a qualified unit for processing
Waste oil	Hazardous waste	900-249-08	0.51	0.51	0	Hand it over to a qualified unit for processing
Waste cutting fluid	Hazardous waste	900-006-09	1.014	1.014	0	Hand it over to a qualified unit for processing
Waste activated carbon	Hazardous waste	900-039-49	7.582	7.582	0	Hand it over to a qualified unit for processing
200L iron drum	Hazardous waste	900-041-49	120	120	0	Hand it over to a qualified unit for processing
Waste fluorescent tubes	Hazardous waste	900-023-29	0.19	0.19	0	Hand it over to a qualified unit for processing
Lead-acid waste battery	Hazardous waste	900-044-49	0	0	0	Hand it over to a qualified unit for processing
Lead-tin paste and tin slag	Hazardous waste	900-025-31	0	0	0	Hand it over to a qualified unit for processing
Laboratory waste	Hazardous waste	900-047-49	0.1	0.1	0	Hand it over to a qualified unit for processing

2) The treatment information of industrial waste gas and hazardous waste in USI Electronics (Shenzhen) Co., Ltd. in 2021 is as follows:

Discharge port information	Types of pollutants	Discharge mode	Implementation standards	Is there any excessive emission?	Is the total emission approved?
A1	Tin, lead and their compounds Non-methane total	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None

	hydrocarbons				
A2	Tin, lead and their compounds Non-methane total hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None
A3	Tin, lead and their compounds Non-methane total hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None
B4	Tin, lead and their compounds Non-methane total hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None
B5	Tin, lead and their compounds Non-methane total hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None
C6	Tin, lead and their compounds Non-methane total hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None

Hazardous waste generation information is as follows:

Species	Output T/a	Delivery situation		
		Delivery volume T/a	Delivery date	Collection and transportation unit
Waste organic solvent	21.26	21.26	January to December 2021	1.DONGGUAN WEIJI RENEWABLE RESOURCES CENTRALIZED PROCESSING CENTER CO., LTD. 2. Huizhou TCL Environment Technology Co., Ltd. 3. 100% legally handled by Hanlan (Foshan) Industrial Environment Service Co., Ltd. and other companies
Waste circuit board (without electronic components)	45.809	45.809	January to December 2021	
Waste circuit board (with electronic components)	5.596	5.596	January to December 2021	
Abandoned packing drums/empty containers	4.57	4.57	January to December 2021	
Waste emulsion	0.65	0.65	January to December 2021	
Waste dry battery	0.06	0.06	January to December 2021	
Waste cloth/paper/sand/cotton swabs/wood chaff/gloves/other wastes containing solvents	34.02	34.02	January to December 2021	
Waste mineral oil	0.245	0.245	January to December 2021	
Waste activated carbon	14.02	14.02	January to December 2021	

Waste fluorescent tubes	0.125	0.125	January to December 2021
Total	126.455	126.455	January to December 2021

3) Information on wastewater detection, waste treatment and industrial waste gas emission of Asteelflash Suzhou. in 2021 is as follows:

Information on Wastewater Discharge in 2021				
<b>Number &amp; position of wastewater discharge port</b>	Coordinates: x=53452.745 Y=31496.402		<b>Monitoring units and methods</b>	Suzhou Youlian Checking & Measuring Technology Service Co.,Ltd.
<b>Discharge standard</b>	Water Quality Standard for Sewage Discharged into Urban Sewers > GB/T31962-2015		<b>Discharge mode and destination</b>	It is discharged from the pipe and enters the urban sewage treatment plant
Testing items	Standard value	Test date		
		2021/4/30 April 30, 2021	2021/07/21 July 21, 2021	2021/10/18 October 18, 2021
PH	6.5-9.5	7.35	7.82	7.1
Suspended Solids (SS)(mg/L)	≤400	26	20	19
Chemical Oxygen Demand (COD)(mg/L)	≤500	214	24	95
Biochemical Oxygen Demand (BOD5)(mg/L)	≤350	71.9	8.4	43.8
Ammonia Nitrogen (NH <sub>3</sub> -N)(mg/L)	≤45	24.1	6.4	11.8
Total Nitrogen(mg/L)	≤70	70.0	7.41	1.27
Total Phosphorus(mg/L)	≤8	3.76	0.73	13.0
Animal and Vegetable Oils (mg/L)	≤100	0.45	ND	ND
Remarks	/	Qualified	Qualified	Qualified

Information on Solid (Hazardous) Waste Discharge in 2021						
Name	Category	Code	Output (tons)	Transfer amount (tons)	Storage capacity (tons)	Disposal or recovery
PCB plate edges, PCB with parts	Hazardous waste	900-045-49	16.7535	14.2335	2.52	Hand it over to a qualified unit for processing
Empty buckets and rags contaminated with chemicals	Hazardous waste	900-041-49	5.151	5.151	0	Hand it over to a qualified unit for processing
Waste isopropanol and other solvents	Hazardous waste	900-402-06	7.06	6	1.06	Hand it over to a qualified unit for processing
Waste oil	Hazardous waste	900-999-49	17.741	17.741	0	Hand it over to a qualified unit for processing
Waste fluorescent	Hazardous	900-023-29	0	0	0	NA

tubes	waste					
Lead-tin slag	Hazardous waste	900-000-31	0.2	0	2.2	Self-storage
Waste activated carbon	Hazardous waste	900-039-49	0.224	0.224	0	Hand it over to a qualified unit for processing

Information on Industrial Exhaust Emission in 2021							
Sampling position	point	Standard dry flue gas flow rate	Test result				Remarks: Reporting date: January 13, 2021
			Particulate matter		Voc		
			Emission concentration Mg/m3	Emission rate Kg/h	Emission concentration Mg/m3	Emission rate Kg/h	
PTH 1#		1172	ND	ND	ND	ND	Entrusted third party: Suzhou Youlian Checking & Measuring Technology Service Co.,Ltd.
PTH 2#		3510	ND	ND	ND	ND	
PTH 3#		5774	ND	ND	ND	ND	
PTH 4#		1854	ND	ND	ND	ND	
SMT 5#		636	ND	ND	ND	ND	
SMT 6#		2772	ND	ND	ND	ND	
SMT 7#		1800	ND	ND	ND	ND	
SMT 8#		1956	ND	ND	ND	ND	
SMT 9#		1836	ND	ND	ND	ND	
SMT 10#		1174	ND	ND	ND	ND	
Washing Room 1#		1204	1.4	0.00169	ND	ND	
Washing Room 2#		1272	ND	ND	ND	ND	

## 2. Construction and operation of pollution prevention and control facilities

√Applicable □ Not Applicable

### 1) USI

Construction status: A new sewage treatment station is built in 2021 to treat the wastewater after cleaning with water-based cleaning agent.

There is no change in waste gas and noise treatment facilities in 2021 compared with that in 2020.

In 2021, the waste gas treatment facilities and waste water treatment facilities are in good operation, and consumables such as activated carbon and filter cotton are replaced regularly. The outsourced monitoring results of each waste gas and waste water discharge outlet show that the waste gas reaches the standard.

Total emissions: hazardous waste 273 tons / VOCs 3.785 tons

Excessive emissions: N/A

Approved total discharge: wastewater COD<sub>Cr</sub>: 11.1341t/a; ammonia nitrogen: 0.5592t/a; exhaust gas particulate matter: 1.795 t/a; SO<sub>2</sub>: 0.013t/a; NO<sub>x</sub>: 1.1098t/a; VOCs: 12.1229t/a

### 2) Shenzhen Facility

Construction status: There is no change in pollution source treatment facilities in 2021 compared with that in 2020.

3 discharge ports in Building A: UV photolysis + activated carbon adsorption

2 discharge ports in Building B: UV photolysis + activated carbon adsorption

1 discharge port in Building C: Activated carbon adsorption (laboratory, unused in recent two years)

Operation status: In 2021, the waste gas treatment facilities are in good operation, with regular operation and maintenance. The outsourced monitoring results of each waste gas outlet show that the waste gas reaches the standard.

Total emissions: 126 tons of hazardous waste / 1.227 tons of VOCs

Excessive emissions: N/A

Approved total emissions: currently no relevant requirements by Shenzhen government

### 3) Asteelflash Suzhou

Construction status: There is no change in pollution source treatment facilities in 2021 compared with that in 2020.

12 discharge ports in Building 1: Activated carbon adsorption

Operation status: In 2021, the waste gas treatment facilities are in good operation, with regular operation and maintenance. The outsourced monitoring results of each waste gas outlet show that the waste gas reaches the standard.

Total emissions: hazardous waste 47.13 tons / VOCs 0 tons

Excessive emissions: no excessive emissions

Approved total emissions: currently no relevant requirements by Suzhou government

### 3. Environmental impact assessment (EIA) of construction projects and other environmental protection administrative licenses

Applicable  Not Applicable

1) USI

Name of administrative license	Project file name	Production or approval unit	Document No.	Content description
Pollutant discharge permit	Pollutant discharge permit	Pudong New Area Ecological Environment Bureau	91310000745611834X001U	None
EIA report form	Environmental Impact Assessment Report Form of Technical Transformation Project of Deep Intelligent Production Line of Ultra-thin Communication Module	Pudong New Area Ecological Environment Bureau	H.P.H.B.X.P.[2009] No. 360	None
EIA registration form	Staff Canteen Project of USI	NA	20193100000300000434	None

2) Shenzhen Facility

The latest EIA and main administrative licensing information are as follows:

Name of EIA/Administrative License	Licensing Authority	Licensing Date	License File No.
EIA Reply (Expansion Project)	Approved by Shenzhen Nanshan District Environmental Protection and Water Affairs Bureau	June 17, 2015	S.N.H.S.P.X [2015] No.113
Pollutant discharge permit	Nanshan Administration Sub-bureau of Shenzhen Ecological Environment Bureau	December 9, 2019	Permit No.: 91440300723001066L001Q

3) Asteelflash Suzhou

The latest EIA and main administrative licensing information are as follows:

Name of EIA/Administrative License	Licensing Authority	Licensing Date	License File No.
Production technical transformation project with an annual output of 150 million automatic canned cigarette oil boxes	Suzhou Wujiang Ecological Environment Bureau	July 8, 2019	W.H.J [2019] No.180
Pollutant discharge permit	Suzhou Wujiang Ecological Environment Bureau	May 22, 2020	Permit No.: 91320509734422894M001Y

### 4. Emergency plan for environmental emergencies

Applicable  Not Applicable

Project file name	Filing Date	Filing Department	Record No.
Emergency Plan for Sudden Environmental Time of Universal Scientific Industrial (Shanghai) Co., Ltd.	July 29, 2021	Pudong New Area Ecological Environment Bureau	02-310115-2021-276-L
Emergency Plan for Environmental Emergencies of USI Electronics (Shenzhen) Co., Ltd.	November 30, 2020	Shenzhen Ecological Environment Bureau	440305-2020-0067-L

### 5. Environmental self-monitoring scheme

Applicable  Not Applicable

The Company entrusts a third-party environmental testing agency to conduct environmental monitoring work for the Company in strict accordance with the relevant requirements of the Technical Guide for Self-Monitoring of Pollutant Discharge Units. At the same time, the Company has also formulated a detailed daily monitoring plan to regularly and routinely monitor emission sources of various pollutants. After being tested by a third-party environmental testing agency, pollutants in all processes of the Company meet the discharge standards.

### 6. The situation of administrative punishment due to environmental problems during the reporting period

Applicable  Not Applicable

### 7. Other environmental information that should be disclosed

Applicable  Not Applicable

Participation in environmental pollution liability insurance	None
Payment of environmental tax	Pay environmental tax on time every quarter
Environmental policy and annual environmental objectives and results	Complying with laws and regulations, responding to environmental protection, hazard prevention, communication training, pollution prevention, continuous improvement, energy saving and waste reduction, effective utilization, setting goals and sustainable operation.
Environmental protection investment and environmental technology development	Every year, special funds are invested in environmental protection projects to ensure that environmental protection funds are earmarked. The funds are used for annual environmental testing, pollution prevention and control, waste reduction and recycling to ensure that all environmental emissions meet the requirements of environmental protection laws and regulations.
Recycling of waste products	A waste management plan has been formulated, in which hazardous wastes are handed over to qualified units for treatment and non-hazardous wastes are recycled by licensed recycling units or cleared and transported to licensed incineration plants for treatment.
Total resource consumption in 2021	USI: 207,553 tons of water and 73,522,365 Kwh of electricity USI Electronics (Shenzhen) Co., Ltd.: 98,965 tons of water and 28,038,300 Kwh of electricity Asteelflash Suzhou: 164,054 tons of water and 13,411,700 Kwh of electricity
Environmental violations in 2021	None
Environmental awards in 2021	None

### (II) Description of environmental protection of companies other than key pollutant-discharging units

Applicable  Not Applicable

### (III) Relevant information conducive to protecting ecology, preventing and controlling pollution and fulfilling environmental responsibilities

Applicable  Not Applicable

1. Recycling of electronic waste

USI adheres to the principles of “pollution prevention and continuous improvement” and “energy saving, waste reduction and effective use” and lists waste reduction and reuse as the Company’s policies which are implemented by all factories and listed as annual performance indicators. It strengthens the effective control of wastes through regular data recording, tracking and monitoring of use and output. Among them, hazardous wastes are handed over to licensed qualified processors for treatment and non-hazardous wastes are recycled by licensed recyclers or cleared and transported to licensed incineration plants for treatment; in 2021, the recovery rate of waste reached 85.46%. USI will continue to implement the waste reduction policy, reduce the waste from the source, and strive to achieve the goal of sustainable resources.

#### 2. Cleaning technology

USI follows the strategy of green management and ecological design of products, quickly responds to the latest international environmental protection laws and regulations and environmental protection instructions of sales areas, and formulates “Specifications of Green Products” to control the hazardous substances contained in electronic components and products. In product design, USI considers the potential environmental impact of products according to specifications of green products and Design for Environment (DfE) operation procedures, and adopts the latest international energy consumption laws and regulations (Energy Star and ErP) and various environmental indicators (such as utilization of materials, energy saving and carbon reduction, recyclability, etc.) to reduce the negative impact of product life cycle on the environment.

The design and R&D personnel of USI have the ability of designing ecological products, and continuously introduce the concepts of green products and clean technologies to ensure that the clean technology products manufactured and sold will meet the requirements of environmental protection laws and regulations of various countries and meet customer needs, development trends of environmental protection and internal control standards of the Company. The revenue of clean technology products accounts for 32.8% of the Company's overall revenue and the Company will continue to invest in research and development to increase the proportion of clean technology products in the future.

#### **(IV) Measures taken to reduce their carbon emissions during the reporting period and their effects**

√Applicable    □ Not Applicable

USI continues to implement the greenhouse gas reduction policy. Since 2007, it has carried out internal inventory of greenhouse gases according to ISO 14064-1 standard. In 2010, it integrated various production bases for inventory, which was verified by a third-party verification agency, and established the basic data of USI. Since 2018, Taiwan’s factory categories have been introduced, and mainland factories have also been introduced one after another. In 2020, a more comprehensive and in-depth category inventory has been conducted. In addition, the carbon footprint accounting of products has been carried out since 2017, and information disclosure has been carried out in accordance with relevant international norms, initiative regulations and customer requirements.

In response to the challenges brought by climate change to USI, the mainland plant has used 100% renewable energy, while the Mexican plant consumes 30% of its annual power from renewable energy.

In addition, Zhangjiang plant and Shenzhen plant conduct carbon quota management according to local regulations. Moreover, the total amount management of greenhouse gases, the trading system and the possible energy tax or carbon tax are all issues that we continue to pay attention to. In addition to continuous energy saving improvement, USI continues to promote green commitment and environmental protection related measures in various plants to reduce risks and opportunities brought by climate change.

##### 1. USI

In 2021, the Company implements energy-saving benefits in plants and replaces the two-fluid humidifier with high-pressure micro-mist humidifier, saving about 44,230 Kwh of electricity annually.

##### 2. Shenzhen Facility

The Company actively implements the emission reduction initiatives, trains its employees to save energy and reduce consumption, and effectively controls the air conditioning in office space, saving about 36,000 KWh of electricity annually.

##### 3. Asteelflash Suzhou

1) Clean energy and new energy were used from January 2021, mainly including hydropower, nuclear power and new energy. Among them, the total electricity consumption in 2021 is 13,407,010 KWh, of which green electricity consumption accounts for 15% of the total electricity consumption.

2) In March 2021, some water pumps of the air conditioning system were reconstructed, saving about

225,360 Kwh of electricity annually.

3) One cooling tower was replaced in February and in August 2021 respectively, saving about 935,611 Kwh of electricity

## II. Social Responsibility Work

√Applicable  Not Applicable

USI actively participates in social welfare, honors the promise of “actively promoting social well-being and participating in social welfare activities” in the Sustainable Development Policy, and hopes to become one of the models of corporate social citizenship. In 2021, it invested RMB 3,048,341 to support social welfare projects. In addition to donating money, it widely practiced the four main axes of “investing in education”, “giving back to the society”, “conserving the environment” and “promoting literature and art” through various activities, so as to realize local care, contribute to the community and build a sustainable future.

In addition to expanding education to get rid of poverty, and actively carrying out rural education, rural revitalization and other public welfare actions, USI also continues to sponsor projects such as “China Go League”, “Love Library”, “The Million Tree Project”, “Coastal Cleanup”, “Road Public Welfare Service” and art and cultural performances in various factories. With the promotion and practice of enterprises, it can give more positive energy to society and environment and create better value for human society by combining the efforts of all people.

## III. Consolidate and expand the achievements of poverty alleviation and rural revitalization

√Applicable  Not Applicable

USI expands the achievements of poverty alleviation in education as the main axis, actively carries out public welfare actions such as rural education and rural revitalization, and makes every effort to consolidate the achievements of poverty alleviation, help more students realize their dreams and achieve harmonious social development. In 2021, USI promoted revitalization activities such as “Science and Technology Helps Rural Education”, “Hope for Pearl”, “Western Student Aid Plan”, “Spring Festival Gift Package” for Rural Revitalization by Charity Federation, “Hearty Wish” and “Huanghe Jiaotong University Student Aid Activity”, with a total investment of RMB 216,000 to help 1,043 poor students.

### (I) Science and technology helps rural education

USI uses science and technology to help rural education, donating computer in classrooms for rural schools, improving teaching environment, enriching teaching resources and helping rural students get better educational resources. A total of 150 computers were donated to build computer classrooms in five schools in Gansu and Qinghai Province, benefiting 961 students. USI continued to follow up the computer teaching and use in class of caring teachers and students, and specially organized a team of professional social workers, technicians, project executors and local poverty alleviation workers to visit and investigate. According to the research report, in 2022, it plans to further empower rural teachers and rural education with the help of science and technology, so that school teachers can teach computer courses more smoothly and improve the project efficiency.

### (II) Hope for Pearl

Shenzhen Facility and Kunshan Facility has actively participated in the "Hope for Pearl", and supported students from extremely poor families with excellent grades to complete their education for five consecutive years. In 2021, through the charity walking development activities with the theme of “Gathering Love and Escorting Pearl”, it combined sports with public welfare, got close to nature on foot, shared their initial intention of “Hope for Pearl” on the way of “Pearl Retrieval”, enabled employees to directly support and participate in the “Hope for Pearl”, donated RMB 100,000 to Yezhai Middle School in Qianshan, Anhui Province, and set up the fifth pearl class of USI-“2021 USI Shuijing Pearl Class” to help 40 poor students complete their education. In addition to material support, it continued to provide spiritual care. Under the escort of love, the 2018 USI Shuijing Pearl Class has taken the first step in pursuing their dreams. 100% of the 30 pearl students in Jianshan Middle School were admitted into universities, and 97% of students in USI Shuijing Pearl Class in Luoyang No.3 Middle School were admitted into universities, 45% of them to key universities.

### (III) Western Student Aid Plan

USI has carried out the Western Student Aid Plan through Cihui Foundation in western rural areas such as Yunnan and Sichuan Province, invested RMB 48,000 to support 12 college students, guaranteed students' educational opportunities in the form of subsidies, helped outstanding students in remote

villages to further their education, and escorted their growth to successfully complete their education and help more people with the knowledge learned.

**(IV) Rural Revitalization through “Spring Festival Gift Package” and “Hearty Wish” Activities by Kunshan Charity Federation**

Adhering to “doing small things with great love”, USI took the form of a “gift package” before the Spring Festival, donated RMB 9,000 of “Spring Festival Gift Package” to convey greetings to scattered orphans, scattered elderly people with five guarantees, families with low income and marginal income, and families with disabled persons in difficulty in Kunshan, and sends rice, grain and oil, dry goods and other materials to each family. This year’s gift package is different from that of the previous years. The rice and dry goods’ gift boxes come from Bijiang, Guizhou Province and Atushi, Xinjiang, Kunshan’s counterparts in pairing assistance. This time, it chose to buy poverty alleviation products from one poor area to support another, which not only helped counterparts in the sales of agricultural products, but also conveyed delicious food and love to the “tip of the tongue” of impoverished families in Kunshan. With the initial intention of “true feelings, true intentions and true goodness”, it is intended to do the best and offer the love.

On the occasion of Children's Day on June 1, USI continued to support the Charity Federation’s “Hearty Wishes” activities, collected and sorted out the wishes of 30 children in remote areas of Kunshan through in-depth visits to mountain villages and communities by the Charity Federation, and donated the “Children’s Day Wishes” with a total value of RMB 9,000 to accurately satisfy each child's tiny wishes and convey social care.

**(V) Student aid activities of Huanghe Jiaotong University**

In order to offer children in remote areas better educational resources, USI donated computers worth RMB 50,000 for students of Huanghe Jiaotong University, hoping that the technological teaching tools would allow students to have more possibilities in the future.

## Section VI Major Events

### I. Performance of commitments

(I) Commitments by the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other relevant commitment parties during or subsisted during the reporting period

√ Applicable    □ Not Applicable

Commitment background	Commitment type	Party making the commitment	Commitment content	Commitment time and term	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe the next step
Commitments related to major asset restructuring	Others	USI Enterprise Limited, directors, supervisors, members of the senior management, and actual controllers of USI	Note 1	2December 12, 2019	No	Yes		
	Others	USI, ASDI and FAFG	Note 2	December 12, 2019	No	Yes		
	Others	USI Enterprise Limited and actual controllers of USI	Note 3	December 12, 2019	No	Yes		
	Settlement of horizontal competition	USI Enterprise Limited and actual controllers of USI	Note 4	December 12, 2019	No	Yes		

	Settlement of related transactions	USI Enterprise Limited and actual controllers of USI	Note 5	December 12, 2019	No	Yes		
	Others	ASDI	Note 6	December 12, 2019	No	Yes		
	Restriction on sale of shares	ASDI	Note 7	December 8, 2020 to December 7, 2023	Yes	Yes		
Commitments related to IPO	Settlement of horizontal competition	USI Enterprise Limited and ASE Inc.	Note 8	Long term	No	Yes		
	Settlement of horizontal competition	Actual controller of USI	Note 9	Long term	No	Yes		
	Others	USI Enterprise Limited	Note 10	Long term	No	Yes		
	Others	ASE (Shanghai) Inc.	Note 11	Long term	No	Yes		
	Others	Actual controller of Universal Scientific Industrial (Shanghai) Co., Ltd.	Note 12	Long term	No	Yes		

**Note 1:****1. Commitment regarding provision of true, accurate and complete information:**

(1) The relevant information, materials, and certificates provided by and the statements, explanations, commitments, and guarantees made by the party making the commitment to the listed company and the intermediaries involved in this transaction for this transaction are true, accurate and complete, and contain no false

records, misleading representations or material omissions, their copies are consistent with the originals, and the signatures and seals on all documents are true.

(2) During the period of participating in this transaction of the listed company, the party making the commitment will, in accordance with relevant laws, administrative regulations and rules, and relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange, timely provide information on this transaction and ensure that such information is true, accurate and complete, and contains no false records, misleading representations or material omissions.

(3) If the party making the commitment is placed on file for investigation by the judicial authority or by the China Securities Regulatory Commission since the information provided or disclosed in this transaction is suspected of false records, misleading statements or material omissions, before the conclusion of the investigation is made, the party making the commitment shall not transfer the shares (if any) that it has equity in the listed company, and shall, within two trading days of receipt of the case filing and inspection notice, submit the written application for suspension of transfer and the stock account to the Board of Directors of the listed company, so that the Board of Directors applies to the stock exchange and the registration and clearing company for the lock on behalf of the party making the commitment; if the application for lock-up is not submitted within two trading days, the Board of Directors shall be authorized to directly submit the identity information and account information of the party making the commitment to the Shanghai Stock Exchange and the registration and clearing company and apply for lock-up after verification; if the Board of Directors fails to do so, the Shanghai Stock Exchange and the registration and clearing company shall be authorized to directly lock the relevant shares. If the investigation concludes that there are any violations of laws and regulations, the party making the commitment undertakes to lock up the shares voluntarily for relevant investor compensation arrangements.

**2. Commitment regarding no major violations of laws and regulations:**

(1) As of the date of issuance of this letter of commitment, the party making the commitment has no violation of Articles 147 and 148 of the Company Law.

(2) Before the listed company publicly discloses the relevant information of this transaction in accordance with the law, the party making the commitment shall fulfill the obligation to keep the corresponding information confidential according to the law, shall not make such information public or disclose such information, and shall not be engaged in illegal activities such as insider trading and manipulation of the securities market through the use of the information related to this transaction which is not made public or disclosed with the Company's consent or in line with the law.

(3) In the last three years, the party making the commitment was not filed for investigation by judicial organs for suspected crimes or by administrative authorities such as China Securities Regulatory Commission for suspected violations of laws and regulations; In the last twelve months, the party making the commitment was not publicly reprimanded by the Shanghai Stock Exchange and had no other material dishonesty; In the last three years, the party making the commitment did not receive any serious administrative punishments (including administrative punishments within the securities market, public reprimands from the exchange, and other penalties related to the securities market, except those obviously unrelated to the securities market) or criminal punishments, and was not involved in material civil lawsuits or arbitrations related to economic disputes; The party making the commitment had no dishonesty such as failure to repay large debts on time, failure to perform commitments, being subject to administrative supervision measures taken by the China Securities Regulatory Commission or disciplinary actions by the Shanghai Stock Exchange.

**3. Commitment regarding no circumstances stipulated in Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Reorganizations of Listed Companies:**

(1) The party making the commitment has not been placed on file for investigation or filed for inspection due to suspected insider trading related to this major asset reorganization.

(2) In the last 36 months, the party making the commitment was not subject to administrative punishments by the China Securities Regulatory Commission or investigated for criminal liability by judicial authorities for insider trading related to this major asset restructuring.

(3) The party making the commitment does not have the circumstance stipulated in Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Reorganizations of Listed Companies that it shall not participate in the major asset restructuring of listed

companies.

**4. Commitment regarding no reduction in holdings before the completion of the transaction:**

(1) During this transaction, the party making the commitment guarantees that it shall not reduce its holdings of the listed company's shares (if any) from the date of resumption of trading of the listed company's shares to the completion of this transaction.

(2) Upon the expiration of the aforementioned period for non-reduction of the listed company's shares, the party making the commitment shall strictly abide by the relevant laws and regulations such as the Company Law and the Securities Law, and the relevant provisions and requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange on the reduction of holdings. If the China Securities Regulatory Commission and the Shanghai Stock Exchange have new provisions on the reduction of holdings, the party making the commitment shall also strictly abide by the relevant provisions.

(3) From the date of resumption of trading of the Company's shares to the completion of this transaction, if the Company implements ex-rights such as capitalization of shares, gifting of bonus shares, or rationing of shares, the party making the commitment guarantees that the newly shares acquired therefrom shall also abide by the above compliance to no reduction of holdings.

(4) In case of violation of any of the above commitments, the proceeds obtained by the party making the commitment from the reduction of holdings shall be owned by the Company, and the party making the commitment shall be liable for all direct and indirect losses caused thereby to the listed company, and undertake corresponding legal liabilities.

**Note 2:**

**1. Commitment regarding provision of true, accurate and complete information:**

(1) The relevant information, materials, and certificates provided by and the statements, explanations, commitments, and guarantees made by the listed company to the intermediaries involved in this transaction for this transaction are true, accurate and complete, there are no false records, misleading representations or material omissions, the copies are consistent with the originals, and the signatures and seals on all documents are true. (2) During the period of participating in this transaction, the Company will, in accordance with relevant laws, administrative regulations and rules, and relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange, timely provide information on this transaction and ensure that such information is true, accurate and complete, and contains no false records, misleading representations or material omissions. In case of violation of any of the above commitments, the Company will bear independent and/or joint legal liabilities; if any loss is caused thereby to any other party, the Company will undertake the corresponding compensation liability to the party suffering from the loss according to law.

(2) ASDI and FAFG has provided the listed company with the information and materials in relation to this transaction that the listed company had requested in writing ASDI to do so, and commit that the above content, and the statements, explanations, commitments, and guarantees in relation to this transaction made by ASDI and FAFG are true, accurate and complete, and contain no false records, misleading representations or material omissions, their copies are consistent with the originals, and the signatures and seals on all documents are true. From the date of this commitment to the closing date of this transaction, ASDI and FAFG will, in accordance with relevant laws, administrative regulations and rules, and relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange, make reasonable commercial efforts to provide the Company and the intermediaries involved in this transaction with information about this transaction in a timely manner, and ensure that such information is true, accurate and complete, and contains no false records, misleading representations or material omissions. If ASDI is placed on file for investigation by the Chinese judicial authority or by the China Securities Regulatory Commission since the information provided by ASDI in this transaction is suspected of false records, misleading statements or material omissions, before the conclusion of the investigation is made, ASDI shall not transfer the shares (if any) that it has equity in the listed company, and shall, within two trading days of receipt of the case filing and inspection notice, submit the written application for suspension of transfer and the stock account to the Board of Directors of the listed company, so that the Board of Directors applies to the

stock exchange and the registration and clearing company for the lock on behalf of ASDI; if the application for lock-up is not submitted within two trading days, the Board of Directors shall be authorized to directly submit the identity information and account information of ASDI to the Shanghai Stock Exchange and the registration and clearing company and apply for lock-up after verification; if the Board of Directors fails to do so, ASDI shall authorize the Shanghai Stock Exchange and the registration and clearing company to directly lock the relevant shares. If the official investigation of the judicial authority or the China Securities Regulatory Commission concludes that there are any violations of laws and regulations, ASDI undertakes to lock up the shares voluntarily for relevant investor compensation arrangements. If the information provided in this letter of commitment is inaccurate or incomplete, which negatively affects the transaction or causes losses to the listed company, (i) all claims or requests made by the listed company or its affiliates with respect to the signatory of this letter of commitment, may only be made in accordance with the terms and conditions of the Share Purchase Agreement ("SPA") in relation with this transaction, and (ii) the signatory shall be liable to third parties in accordance with applicable laws and regulations; and in cases of (i) and (ii), the listed company and its affiliates are not entitled to any compensation other than under the SPA, namely, the SPA is the independent and sole source of recourse for the listed company and its affiliates against the signatory. If the Company or any of its affiliates fails to obtain control over FAFG (directly or indirectly) pursuant to the SPA, this letter of commitment and the statements and commitments contained therein shall automatically terminate and be deemed invalid. If the transaction is not realized through the issuance of new shares by the listed company, this letter of commitment shall automatically be deemed invalid. If the above information changes before the closing of the transaction, the Company shall be notified in writing.

**2. Commitment of the listed company and ASDI regarding no related relationship:**

(1) The listed company has no related relationship with ASDI, enterprises controlled by ASDI and other related parties. If the Company's violation of the above commitment causes any impact or loss to this transaction, it shall be liable for compensation according to law. (2) ASDI, enterprises controlled by ASDI (except for FAFG and enterprises controlled by FAFG), and directors of ASDI have no related relationship with the listed company. If the information provided in this letter of commitment is inaccurate or incomplete, which negatively affects the transaction or causes losses to the Company, (i) all claims or requests made by the listed company or its affiliates with respect to the signatory of this letter of commitment, may only be made in accordance with the terms and conditions of the Share Purchase Agreement ("SPA") in relation with this transaction, and (ii) the signatory shall be liable to third parties in accordance with applicable laws and regulations; and in cases of (i) and (ii), the listed company and its affiliates are not entitled to any compensation other than under the SPA, namely, the SPA is the independent and sole source of recourse for the listed company and its affiliates against the signatory. If the listed company or any of its affiliates fails to obtain control over FAFG (directly or indirectly) pursuant to the SPA, this letter of commitment and the statements and commitments contained therein shall automatically terminate and be deemed invalid. If the transaction is not realized through the issuance of new shares by the listed company, this letter of commitment shall automatically be deemed invalid. If the above information changes before the closing of the transaction, the listed Company shall be notified in writing.

**3. Commitment of the listed company regarding no major violations of laws and regulations:**

(1) The listed company is a company limited by shares legally established and validly existing within the territory of the People's Republic of China, and listed on the main board of the Shanghai Stock Exchange, and has the subject qualification for this transaction.

(2) As of the date of issuance of this letter of commitment: In the last three years, the listed company was not filed for investigation by judicial organs for suspected crimes or by administrative authorities such as China Securities Regulatory Commission for suspected violations of laws and regulations. In the last twelve months, the listed company was not publicly reprimanded by the Shanghai Stock Exchange and had no other material dishonesty. In the last three years, the listed company did not receive any serious administrative punishments (including administrative punishments within the securities market, public reprimands from the exchange, and other penalties related to the securities market, except those obviously unrelated to the securities market) or criminal punishments, and was not involved in material civil lawsuits or arbitrations related to economic disputes. The listed company had no dishonesty such as failure to repay large debts on time, failure to perform commitments, being subject to administrative supervision measures taken by the China Securities Regulatory Commission or disciplinary actions

by the Shanghai Stock Exchange.

**Note 3: Commitment to Guarantee the Independence of the Listed Company:**

(1) Guarantee that the listed company's personnel are independent

1) Guarantee that the general manager, vice president and other members of the senior management of the listed company hold full-time positions in the listed company and receive remuneration from the listed company, and no other administrative positions other than directors and supervisors in the party making the commitment and its related parties; and that the personnel of the listed company continue maintaining independent;

2) Guarantee that the listed company has an independent and complete labor, personnel and remuneration management system, and that such system is completely independent of the party making the commitment and its related parties;

3) Guarantee that the directors, supervisors and members of the senior managers of the listed company are elected and perform the corresponding procedures in strict accordance with the relevant provisions of the Company Law and the articles of association of the listed company, and no directors, supervisors and members of the senior managers exceed the power or authority of the Board of Directors or the general meeting of the listed company to make personnel appointment and removal decisions or interfere with personnel appointment and removal decisions.

(2) Guarantee that the listed company's assets are independent

1) Guarantee that the listed company has independent and complete assets, and all of its assets are under the control of the listed company, and are independently owned and operated by the listed company;

2) Guarantee that the party making the commitment and its related parties did not and will not illegally occupy the funds and assets of the listed company in any way before and after the completion of this transaction.

(3) Guarantee that the listed company's finance is independent

1) Guarantee that the listed company has an independent financial department and an independent financial accounting system, is equipped with specialized financial personnel, and establishes an independent and complete financial accounting system. Guarantee that the listed company has a standardized and independent financial accounting system and a financial management system for branches and subsidiaries;

2) Guarantee that the listed company opens a bank account independently, and does not share a bank account with the party making the commitment and its related parties;

3) Guarantee that the listed company can make financial decisions independently and there is no interference in the use of funds of the listed company;

4) Guarantee that the financial personnel of the listed company are independent and do not take part-time jobs at or receive remuneration from the party making the commitment and its related parties;

5) Guarantee that the listed company pays taxes independently in accordance with the law.

(4) Guarantee that the listed company's organization is independent

1) Guarantee that the listed company has a sound corporate governance structure as a joint-stock company and has an independent and complete organizational structure;

2) Guarantee that the general meeting of shareholders, the Board of Directors, independent directors, the Board of Supervisors, and the general manager of the listed company exercise their functions and powers independently in accordance with laws, regulations and the articles of association of the listed company.

(5) Guarantee that the listed company's business is independent

1) Guarantee that the listed company has the assets, personnel, qualifications and capabilities to carry out business activities independently, and has the ability to operate independently and continuously in the market;

2) Guarantee not to interfere in the business activities of the listed company except through the exercise of shareholder rights;

3) Guarantee that the party making the commitment and its related parties do not engage in the same or similar business as or with that of the listed company, and take effective measures to avoid horizontal competition.

(6) This letter of commitment shall have legal effect upon signature by the party making the commitment. The party making the commitment shall strictly fulfill all the commitments in this letter of commitment, and if its violation of any of such commitments causes any losses to the listed company, the party making the commitment shall bear the corresponding legal liabilities.

**Note 4: Commitment to avoid horizontal competition**

(1) The party making the commitment guarantees that after the completion of this transaction, it shall not directly or indirectly engage in the same or similar business or projects as or with that in the business scope of the Company, so as to avoid direct or indirect competition with the Company's production and operation.

(2) The controlling shareholder of the Company guarantees that it shall not use its share-controlling relationship with the Company to conduct business activities that damage or may damage the interests of the Company and its other shareholders; and that it shall not use the information it understands or knows about the Company to assist third parties to engage in, participate in or invest in a business or project that competes with the Company.

(3) The actual controller guarantees that it shall make efforts to cause the family members in close relation with it not to directly or indirectly engage in, participate in or invest in any business activities that compete with the production and operation of the Company. The actual controller guarantees that it shall not use its relationship with the Company to conduct business activities that damage or may damage the interests of the Company and its other shareholders; and that it shall not use the information it understands or knows about the Company to assist third parties to engage in, participate in or invest in a business or project that competes with the Company.

(4) In case of any losses caused to the Company due to the violation of the above commitments by the party making the commitment, the party making the commitment shall be liable for compensation and bear corresponding legal liabilities. The above commitments shall take effect from the date of this letter of commitment, and shall continue to be effective throughout the period in which the party making the commitment is the controlling shareholder and the actual controller of the Company, and cannot be changed or revoked.

**Note 5: Commitment to reduce and regulate related transactions:**

(1) The party making the commitment and the enterprises controlled or influenced by the party making the commitment shall try their best to avoid and reduce related transactions with the listed company and its subsidiaries.

As far as the commitment of the listed company to reduce and regulate related transactions, the transactions between the listed company and its subsidiaries and independent third parties through the market shall be conducted by the listed company and its subsidiaries and independent third parties. Other companies controlled or influenced by the committing party will strictly refrain from lending to the listed company and its subsidiaries, occupying the funds of the listed company and its subsidiaries, or encroaching on the listed company and its subsidiaries by making advances and repaying debts. Listed company funds;

(2) All transactions required between the party making the commitment and the enterprises controlled or influenced by the party making the commitment and the listed company and its subsidiaries shall be conducted in strict with the market principal and in a fair and reasonable manner based on the general principles of equality, mutual benefit and valuable consideration. If there is a government price for the transaction, the government price shall prevail; if not, the market fair price shall prevail; if there is neither a government price nor a market reference price, the cost price shall be determined according to the cost plus a comparable and reasonable profit level;

(3) Related transactions between the party making the commitment and the listed company and its subsidiaries shall be subject to necessary legal procedures

and information disclosure obligations in strict accordance with the listed company's articles of association and related transaction management system. The party making the commitment shall take the initiative to perform the obligation of avoidance according to the law when the listed company's authority deliberates related transactions; related transactions subject to deliberation by the authority can only be executed after the deliberation and approval by the authority;

(4) The party making the commitment guarantees that it shall not obtain any illegitimate benefits through related transactions or make the listed company and its subsidiaries undertake any undue obligations. If the listed company or its subsidiaries or other shareholders suffer losses due to the violation of the above commitments by the party making the commitment, or the listed company or its subsidiaries or other shareholders' interests are misappropriated due to the use of related relationship by the party making the commitment, the party making the commitment shall be liable for compensation to the losses caused therefrom of the listed company, its subsidiaries and other shareholders;

(5) The above commitments shall continue to be valid during the period when the party making the commitment and the enterprises controlled or influenced by the party making the commitment constitute the related parties of the listed company, and cannot be changed or revoked.

#### **Note 6:**

##### **1. Commitment regarding clear ownership of the target assets:**

(1) Matters concerning the ownership of the target equity (referring to the 8,317,462 shares of FAFG held by ASDI, accounting for about 10.4% of the total share capital of FAFG): Subject to the stipulations in the Company's articles of association and the shareholders' agreement, a. The Company has legal and complete ownership and disposal rights over the equity of the target company, with no defect or objection in the qualification of shareholders, the Company's holding of the target shares does not involve any form of entrusted shareholding, trust holding or similar arrangements, and the target equity is not involved in any property rights disputes or potential disputes; b. The Company has fully paid the registered capital corresponding to the equity held in the target company; c. The equity of the target company is not subject to pledge, seizure, freezing, ownership dispute and other right restrictions. As far as the Company is aware, there is no situation related to the target equity held by the Company that may affect the legal existence of the target company. The Company commits to maintain the aforesaid situation until the completion of this transaction.

(2) If the information provided in this letter of commitment is inaccurate or incomplete, which negatively affects the transaction or causes losses to the listed company, (i) all claims or requests made by the listed company or its affiliates with respect to the signatory of this letter of commitment, may only be made in accordance with the terms and conditions of the Share Purchase Agreement ("SPA") in relation with this transaction, and (ii) the signatory shall be liable to third parties in accordance with applicable laws and regulations; and in cases of (i) and (ii), the listed company and its affiliates are not entitled to any compensation other than under the SPA, namely, the SPA is the independent and sole source of recourse for the listed company and its affiliates against the signatory.

(3) If the listed company or any of its affiliates fails to obtain control over FAFG (directly or indirectly) pursuant to the SPA, this letter of commitment and the statements and commitments contained therein shall automatically terminate and be deemed invalid. If the transaction is not realized through the issuance of new shares by the listed company, this letter of commitment shall automatically be deemed invalid.

(4) If the above information changes before the closing of the transaction, the listed company shall be notified in writing.

##### **2. Commitment regarding no circumstances stipulated in Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Reorganizations of Listed Companies:**

(1) Regarding the non-existence of matters that the person making the commitment is not allowed to participate in the major asset restructuring of listed companies: As of the date of this letter of commitment, to the best of the person making the commitment's knowledge, the person making the commitment and its directors, supervisors, members of the senior management, controlling shareholders, and actual controllers, and institutions controlled by the person making the commitment (excluding FAFG and enterprises controlled by FAFG) have not been placed on file for investigation or filed for inspection due to suspected insider

trading related to this transaction; In the last 36 months, they were not subject to administrative punishments by the China Securities Regulatory Commission or investigated for criminal liability by judicial authorities for insider trading related to this major asset restructuring. None of the aforementioned relevant entities is prohibited from participating in the major asset restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Reorganizations of Listed Companies.

(2) If the information provided in this letter of commitment is inaccurate or incomplete, which negatively affects the transaction or causes losses to the listed company, (i) all claims or requests made by the listed company or its affiliates with respect to the signatory of this letter of commitment, may only be made in accordance with the terms and conditions of the Share Purchase Agreement ("SPA") in relation with this transaction, and (ii) the signatory shall be liable to third parties in accordance with applicable laws and regulations; and in cases of (i) and (ii), the listed company and its affiliates are not entitled to any compensation other than under the SPA, namely, the SPA is the independent and sole source of recourse for the listed company and its affiliates against the signatory.

(3) If the listed company or any of its affiliates fails to obtain control over FAFG (directly or indirectly) pursuant to the SPA, this letter of commitment and the statements and commitments contained therein shall automatically terminate and be deemed invalid. If the transaction is not realized through the issuance of new shares by the listed company, this letter of commitment shall automatically be deemed invalid.

(4) If the above information changes before the closing of the transaction, the listed company shall be notified in writing.

**Note 7:**

The lock-up period for the shares of the Company acquired by ASDI in the share exchange transaction is thirty-six months from the delivery of the new shares.

**Note 8:**

(1) The commitment person (including other enterprises controlled by the party making the commitment, the same below) currently does not engage in the same or similar business as or to that of Universal Scientific Industrial (Shanghai) Co., Ltd. ("USI"), which constitute horizontal competition with USI, or other business that may adversely affect USI. (2) The person making the commitment shall not directly or indirectly engage in or participate in any business or activity that competes with USI in any way (including but not limited to independent operation, joint venture operation, or owning equity and other interests in another company or enterprise) inside or outside China, or engage in any business activities that are the same as, similar to or may replace USI's business in any way. (3) If the business opportunity obtained by the person making the commitment from any third party does or may constitute competition with the business operated by USI, the person making the commitment shall notify USI immediately and cause the business opportunity to be transferred to USI. (4) Where USI further expands its business scope on the basis of its existing business, if the Company has already carried out production and operation of such expanded business, the person making the commitment agrees that USI has the right of first refusal to purchase the relevant business under the same commercial conditions; If the Company has not yet produced or operated such expanded business, it shall not engage in new business that competes with USI. (5) The person making the commitment shall, in future business operations, avoid operating business that constitutes horizontal competition with USI. If the new business that the person making the commitment intends to carry out may constitute horizontal competition with USI, the person making the commitment shall be obliged to notify USI of the new business. If USI objects to this, the person making the commitment shall unconditionally give up the development of the new business. If USI believes that the new business is beneficial to its development, the person making the commitment shall not only unconditionally give up the development of the new business, but also promote the new business to be carried out by USI. If USI determines that a certain business the person making the commitment has already conducted is in competition with USI, the person making the commitment shall transfer the business to a third party or terminate the business on its own in a timely manner after USI raises an objection. If USI makes a transfer request, the person making the commitment shall unconditionally transfer the above-mentioned business and assets to USI in priority at a fair price assessed by an intermediary with qualifications for securities business.

**Note 9:**

(1) Other enterprises excluding USI (including enterprises controlled by USI, the same below) controlled by the person making the commitment currently do not engage in the same or similar business as or to that of Universal Scientific Industrial (Shanghai) Co., Ltd. ("USI"), which constitute horizontal competition with USI, or other business that may adversely affect USI. (2) The person making the commitment shall not, during the period of being confirmed as the actual controller of USI according to Chinese laws and regulations, directly or indirectly engage in or participate in any business or activity that competes with USI in any way (including but not limited to independent operation, joint venture operation, or owning equity and other interests in another company or enterprise) inside or outside China, or engage in any business activities that are the same as, similar to or may replace USI's business in any way. (3) If the business opportunity obtained by the person making the commitment from any third party does or may constitute competition with the business operated by USI, the person making the commitment shall notify USI immediately and cause the business opportunity to be transferred to USI. (4) Where USI further expands its business scope on the basis of its existing business, if the person making the commitment has already carried out production and operation of such expanded business, the person making the commitment agrees that USI has the right of first refusal to purchase the relevant business under the same commercial conditions; if other enterprises controlled by the person making the commitment have not yet carried out production or operation of such expanded business, the person making the commitment shall guarantee that such other enterprises shall not engage in new businesses that compete with USI. (5) Other enterprises controlled by the person making the commitment shall, in future business operations, avoid operating business that constitutes horizontal competition with USI. If the new business that other enterprises controlled by the person making the commitment intend to carry out may constitute horizontal competition with USI, such other enterprises shall be obliged to notify USI of the new business. If USI objects to this, such other enterprises shall unconditionally give up the development of the new business. If USI believes that the new business is beneficial to its development, such other enterprises shall not only unconditionally give up the development of the new business, but also promote the new business to be carried out by USI. If USI determines that a certain business such other enterprises has already conducted is in competition with USI, such other enterprises controlled by the person making the commitment shall transfer the business to a third party or terminate the business on its own in a timely manner after USI raises an objection. If USI makes a transfer request, such other enterprises shall unconditionally transfer the above-mentioned business and assets to USI in priority at a fair price assessed by an intermediary with qualifications for securities business. Other enterprises controlled by the person making the commitment shall not engage in business or activities that do or may adversely affect the operation and development of USI in any way. Such way includes but is not limited to: utilizing the social resources and customer resources of the person making the commitment to hinder or limit the independent development of USI; spreading news or information that is unfavorable to USI in the society and among customers; using the control position of the person making the commitment to exert influence, resulting in abnormal changes or fluctuations of USI's management personnel and R&D technicians, which are not conducive to the development of USI.

**Note 10:**

(1) For the situation that USI currently has or is about to have some patent rights and patent application rights in common with Universal Scientific Industrial Co., Ltd., in order to protect the interests of USI and its minority shareholders, the person making the commitment hereby commits that: if Universal Scientific Industrial Co., Ltd. (including other enterprises controlled by Universal Scientific Industrial Co., Ltd. except USI and enterprises controlled by USI) causes any right infringement and economic losses to USI and enterprises controlled by USI when exercising its patent application co-ownership and patent co-ownership, the person making the commitment shall be legally liable for the losses suffered by USI and enterprises controlled by USI and shall also pay full compensation. (2) Before the IPO of USI, if USI must be jointly and severally liable for damages to the dispatched personnel due to the fact that the labor dispatch unit is in arrears with the dispatched personnel's wages, the person making the commitment agrees to compensate USI for the entire economic loss. (3) If USI and its subsidiaries need to pay social insurance premiums or housing provident fund for employees as required or decided by the competent department, or USI and its subsidiaries are fined or

suffer losses for failure to pay social insurance premiums or housing provident funds for employees in accordance with the law, the person making the commitment shall be willing to assume such liability without the consideration of USI and its subsidiaries.

**Note 11:**

USI is currently leasing part of the property of ASE (Shanghai) Inc. (hereinafter referred to as the "person making the commitment") for staff dormitory purposes. The person making the commitment hereby makes the following commitments: If USI cannot continue using the leased property or suffers a claim from a third party due to the defect of the property right of the person making the commitment to the leased property, the person making the commitment shall bear the corresponding legal liabilities, and shall also fully compensate USI for any losses, fines and relocation expenses incurred thereby.

**Note 12:**

The person making the commitment and enterprises controlled by the person making the commitment (except ASE Technology Holding Co., Ltd. and enterprises controlled by ASE Technology Holding Co., Ltd.) do not own any patents, patent application rights or non-profit patented technology. (2) For the situation that USI currently has or is about to have some patent rights and patent application rights in common with Universal Scientific Industrial Co., Ltd., in order to protect the interests of USI and its minority shareholders, the person making the commitment hereby commits that: if Universal Scientific Industrial Co., Ltd. (including other enterprises controlled by Universal Scientific Industrial Co., Ltd. except USI and enterprises controlled by USI) causes any right infringement and economic losses to USI and enterprises controlled by USI when exercising its patent application co-ownership and patent co-ownership, the person making the commitment shall be legally liable for the losses suffered by USI and enterprises controlled by USI and shall also pay full compensation. (3) Before the IPO of USI, if USI must be jointly and severally liable for damages to the dispatched personnel due to the fact that the labor dispatch unit is in arrears with the dispatched personnel's wages, the person making the commitment agrees to compensate USI for the entire economic loss. (4) If USI and its subsidiaries need to pay social insurance premiums or housing provident fund for employees as required or decided by the competent department, or USI and its subsidiaries are fined or suffer losses for failure to pay social insurance premiums or housing provident funds for employees in accordance with the law, the person making the commitment shall be willing to assume such liability without the consideration of USI and its subsidiaries.

**(II) Where the Company has profit forecasts on assets or projects, and the reporting period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor**

Fulfilled Unfulfilled Not Applicable

**(III) Execution of the performance commitments and its impact on the goodwill impairment testing**

Applicable Not Applicable

**II. Non-operating misappropriation of funds by controlling shareholders and other related parties during the reporting period**

Applicable Not Applicable

**III. Illegal guarantees**

Applicable Not Applicable

**IV. Explanation by the Board of Directors of the Company on the "audit report with non-standard opinions" issued by the accounting firm**

Applicable Not Applicable

**V. Analysis by the Company on reasons for and impacts of changes in accounting policies and accounting estimates or corrections of significant accounting errors**

**(I) Analysis by the Company on reasons for and impacts of changes in accounting policies and accounting estimates**

Applicable Not Applicable

**(II) Analysis by the Company on reasons for and impacts of corrections of significant accounting errors**

Applicable Not Applicable

**(III) Communication with the previous accounting firm**

Applicable Not Applicable

**(IV) Other particulars**

Applicable Not Applicable

**VI. Appointment and dismissal of the accounting firm**

Unit: 10,000 Currency: RMB

	Current accounting firm
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic accounting firm	388
Term of office of domestic accounting firm	11

	Name	Remuneration
Internal control audit accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	56
Financial consultant	Zhong De Securities Company Limited	0
Sponsor	Haitong Securities Co., Ltd.	1,520.52

Particulars on appointment and dismissal of the accounting firm

Applicable Not Applicable

The Company's 2020 annual general meeting of shareholders was held on April 23, 2021, and this meeting deliberated and approved the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's 2021 financial audit agency and internal control audit agency.

Particulars on the change of accounting firm during the auditing period

Applicable Not Applicable

## **VII. Risk of suspension of listing**

### **(I) Reasons for the suspension of listing risk warning**

Applicable Not Applicable

### **(II) Measures to be taken by the Company**

Applicable Not Applicable

### **(III) Situation and reasons for termination of listing**

Applicable Not Applicable

## **VIII. Matters related to bankruptcy and reorganisation**

Applicable Not Applicable

## **IX. Material litigation and arbitration**

The Company had material litigation and arbitration during the year The Company did not have material litigation and arbitration during the year

## **X. Suspected violations of laws and regulations of, and punishments and rectifications to the listed Company, its directors, supervisors, members of the senior management, controlling shareholders, and actual controllers**

Applicable Not Applicable

## **XI. Particulars on credibility status of the Company, its controlling shareholders and actual controllers during the reporting period**

Applicable Not Applicable

During the reporting period, the Company's controlling shareholders and actual controllers did not failed to perform the obligations determined by the effective legal documents of the court, and had no bad faith situation such as a large amount of debts due and unpaid.

## **XII. Major related transactions**

### **(I) Related transactions in relation to daily operation**

#### **1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation**

Applicable Not Applicable

Overview	Index
Announcement on Regular related transactions	For details, see the announcement (No.: 2021-023) on the website of the Shanghai Stock Exchange (www.sse.com.cn)

#### **2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation**

Applicable Not Applicable

#### **3. Events not disclosed in temporary announcements**

Applicable Not Applicable

### **(II) Related transactions as a result of acquisition and disposal of assets or equity**

#### **1. Events disclosed in temporary announcements and without further progress or change in**

**subsequent implementation**

Applicable Not Applicable

**2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation**

Applicable Not Applicable

**3. Events not disclosed in temporary announcements**

Applicable Not Applicable

**4. Disclosable performance achievements during the Reporting Period when involved with agreed-upon performance**

Applicable Not Applicable

**(III) Major related transactions in joint external investment**

**1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation**

Applicable Not Applicable

**2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation**

Applicable Not Applicable

**3. Events not disclosed in temporary announcements**

Applicable Not Applicable

**(IV) Creditor's rights and debts with affiliates**

**1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation**

Applicable Not Applicable

**2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation**

Applicable Not Applicable

**3. Events not disclosed in temporary announcements**

Applicable Not Applicable

**(V) Financial business between the Company and the financial company with a related relationship with the Company, the Company's holding financial company, and the related party**

Applicable Not Applicable

**(VI) Others**

Applicable Not Applicable

**XIII. Material contracts and their performance**

**(I) Trusteeship, contracting and leasing matters**

**1. Trusteeship**

Applicable Not Applicable

**2. Contracting**

Applicable Not Applicable

**3. Leasing**

Applicable Not Applicable

**(II) Guarantees**

√Applicable   □Not Applicable

Unit: Yuan   Currency: RMB

The Company's external guarantees (excluding guarantees to subsidiaries)															
Guarantying party	Relationship between the guarantying party and the listed company	Guaranteed party	Guarantee amount	Guarantee date (date of signing the agreement)	Guarantee start date	Guarantee expiry date	Guarantee type	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Guarantee overdue amount	Counter-guarantee situation	Whether it is a guarantee for related parties	Related relationship	
/		/	/	/	/	/					/	/			
Total amount of guarantees during the reporting period (excluding guarantees to subsidiaries)															0
Total balance of guarantees at the end of the reporting period (A) (excluding guarantees to subsidiaries)															0
Guarantee of the Company and its subsidiaries to subsidiaries															
Total amount of guarantees to subsidiaries during the reporting period															10,768.54
Total balance of guarantees to subsidiaries at the end of the reporting period (B)															7,555.77
Total amount of the Company's guarantees (including guarantees to subsidiaries)															
Total amount of guarantees (A+B)															7,555.77
Proportion of the total amount of guarantees in the Company's net assets (%)															0.82
Including:															
Amount of guarantee provided to shareholders, actual controllers and related parties (C)															0
Amount of debt guarantee provided directly or indirectly for the guaranteed object whose asset-liability ratio exceeds 70% (D)															4,367.92
Amount of the total guarantee exceeding 50% of the net assets (E)															0
Total amount of the above three guarantees (C+D+E)															4,367.92
Particulars on the situation that unexpired guarantees may bear joint liability for repayment							None								
Particulars on guarantees							The above are all guarantees between controlled subsidiaries for the purpose of satisfying the daily operation needs of the subsidiaries. The objects of the guarantee are the wholly-ownedx								

	subsidiaries within the scope of its consolidated statement. The Company have decision-making power on their operation and have access to their latest financial and credit status information, therefore can effectively control and prevent risks.
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**(III) Entrusting others to manage cash assets****1. Entrusted wealth management****(1) Overall condition of entrusted wealth management**

Applicable   Not Applicable

Unit: Yuan   Currency: RMB

Type	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Bank wealth management products	Self-owned funds	3,616,000,000.00	0	0
Bank wealth management products	Raised funds	3,027,000,000.00	0	0
Fund wealth management products	Self-owned funds	4,452,170.32	0	0

**Others**

Applicable   Not Applicable

**(2) Individual entrusted wealth management**

√Applicable   □Not Applicable

Unit: 10,000   Currency: RMB

Trustee	Type of Entrusted Investment	Amount	Start Date	End date	Source	Direction	Type of Returns	Annual Return	Expected return (If any)	Actual gain or loss	Principal repayment	Legal procedures conducted	Future entrusted investment plan	Impairment provision (if any)
Hwabao Fund Management Co., Ltd.	WP Fund wealth management products	40.00	2020/5/14	2021/9/13	Self-owned funds	Standardised debt-based assets and money market funds	Fixed income collective asset management			2.09	All repaid	Yes	No	
Hwabao Fund Management Co., Ltd.	WP Fund wealth management products	405.22	2020/5/14	2021/9/13	Self-owned funds	Standardised debt-based assets and money market funds	Fixed income collective asset management			18.89	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000.00	2021/4/2	2021/6/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	0.61% from 7 days to less than 14 days, 1.16% from 14 to less than 21 days, 1.76% from 21 days to less than 30 days, 2.41% from 30 days to less than	163.17	163.17	All repaid	Yes	No	

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								60 days, 2.61% from 60 days to less than 89 days, 3.3 % at 89 days							
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	30,000.00	2021/4/2	2021/6/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.300%	241.40	241.40	All repaid	Yes	No		
Bank of Beijing Shanghai Branch	Bank wealth management products	20,000.00	2021/4/6	2021/6/29	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.300%	151.89	151.89	All repaid	Yes	No		
China Construction Bank Shanghai Baosteel Branch	Bank wealth management products	12,000.00	2021/4/2	2021/5/7	Raised funds	Money market: cash&deposit	Principal protected, floating rate	2.950%	33.95	29.18	All repaid	Yes	No		
China Construction Bank Shanghai Baosteel Branch	Bank wealth management products	60,000.00	2021/4/2	2021/6/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	462.90	506.30	All repaid	Yes	No		
Bank of Communications Shanghai Branch	Bank wealth management products	30,000.00	2021/4/6	2021/6/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.170%	221.47	221.47	All repaid	Yes	No		
Agricultural Bank of China Shanghai Branch	Bank wealth management products	6,000.00	2021/4/6	2021/5/6	Raised funds	Money market: cash&deposit	Principal protected, floating rate	2.950%	14.55	14.55	All repaid	Yes	No		
Agricultural Bank of China Shanghai Branch	Bank wealth management products	6,000.00	2021/4/6	2021/6/1	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.100%	28.54	28.54	All repaid	Yes	No		
Agricultural Bank of China Shanghai	Bank wealth management products	20,000.00	2021/4/6	2021/6/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	147.29	147.29	All repaid	Yes	No		

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Branch														
Agricultural Bank of China Shanghai Branch	Bank wealth management products	20,000.00	2021/4/6	2021/6/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	147.29	147.29	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000.00	2021/7/2	2021/9/28	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.5% or 3.6%	173.06	173.06	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	21,500.00	2021/7/2	2021/9/28	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.5% or 3.6%	186.03	186.03	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	20,000.00	2021/7/2	2021/9/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.20% ~ 3.46%	165.81	165.81	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	20,000.00	2021/7/2	2021/9/2	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.20% ~ 3.46%	115.51	115.51	All repaid	Yes	No	
Bank of Beijing Shanghai Branch	Bank wealth management products	20,000.00	2021/9/7	2021/10/28	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.35% ~ 3.2%	89.42	89.42	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	21,500.00	2021/10/11	2021/12/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.65% or 3.75%	174.39	174.39	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	25,700.00	2021/10/11	2021/12/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.61% or 3.71%	206.17	206.17	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	20,000.00	2021/10/12	2021/12/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	1.20% ~ 3.46%	147.88	147.88	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	5,300.00	2021/1/7	2021/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	0.38% or 0.51% from 7 days to	40.69	40.69	All repaid	Yes	No	

								less than 14 days, 0.80% or 1.06 % from 14 days to less than 21 days, 1.35% or 1.64% from 21 days to less than 30 days, 1.40% or 2.31% from 30 days to less than 60 days, 1.50% or 2.51% from 60 days to less than 83 days, and 3.33% at 83 days						
Xiament International Bank Shanghai Branch	Bank wealth management products	5,300.00	2021/4/2	2021/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	0.61% from 7 days to less than 14 days, 1.16% from 14 to less than 21	43.24	43.24	All repaid	Yes	No	

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								days, 1.76% from 21 days to less than 30 days, 2.41% from 30 days to less than 60 days, 2.61% from 60 days to less than 89 days, 3.3 % at 89 days						
Xiament International Bank Shanghai Branch	Bank wealth management products	5,400.00	2021/7/2	2021/9/28	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.5% or 3.6%	46.73	46.73	All repaid	Yes	No	
Xiament International Bank Shanghai Branch	Bank wealth management products	500.00	2021/10/11	2021/11/23	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	1.4% 或 3.65% 或 3.75%	2.18	2.18	All repaid	Yes	No	
Xiament International Bank Shanghai Branch	Bank wealth management products	5,000.00	2021/10/11	2021/12/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	1.5%, 3.65% or 3.75%	40.56	40.56	All repaid	Yes	No	
Bank of East Asia Suzhou Branch	Bank wealth management products	3,000.00	2021/1/4	2021/3/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.450%	24.10	24.44	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2021/1/5	2021/3/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	36.82	37.78	All repaid	Yes	No	
Shanghai Rural	Bank wealth	3,000.00	2021/1/8	2021/2/9	Self-	Money	Principal	3.050%	8.02	7.83	All repaid	Yes	No	

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Commercial Bank Kunshan Branch	management products				owned funds	market: cash&deposit	protected, floating rate							
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	7,000.00	2021/1/6	2021/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.250%	51.73	51.73	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	3,000.00	2021/1/26	2021/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	17.61	18.13	All repaid	Yes	No	
Shanghai Rural Commercial Bank Kunshan Branch	Bank wealth management products	3,000.00	2021/2/22	2021/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.080%	9.37	9.03	All repaid	Yes	No	
Industrial and Commercial Bank of China Development Zone Branch	Bank wealth management products	3,500.00	2021/4/1	2021/6/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.500%	20.47	20.55	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000.00	2021/4/2	2021/6/3	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.700%	62.85	62.85	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2021/4/2	2021/5/2	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	14.17	14.17	All repaid	Yes	No	
China Citic Bank Kunshan Branch	Bank wealth management products	3,500.00	2021/4/5	2021/5/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	18.26	18.26	All repaid	Yes	No	
Bank of Ningbo Kunshan Branch	Bank wealth management products	2,000.00	2021/4/19	2021/5/19	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.390%	5.57	5.57	All repaid	Yes	No	
Bank of Suzhou	Bank wealth	3,000.00	2021/4/23	2021/5/23	Self-	Money	Principal	3.400%	8.50	8.50	All repaid	Yes	No	

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Kunshan Qiangeng Branch	management products				owned funds	market: cash&deposit	protected, floating rate							
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	6,000.00	2021/7/2	2021/8/2	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.700%	18.85	18.85	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangeng Branch	Bank wealth management products	3,000.00	2021/7/13	2021/8/13	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.700%	9.25	9.25	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	3,000.00	2021/8/24	2021/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.700%	10.95	10.95	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangeng Branch	Bank wealth management products	3,000.00	2021/10/12	2021/11/12	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.600%	9.00	9.00	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangeng Branch	Bank wealth management products	3,000.00	2021/11/5	2021/12/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.600%	16.27	16.27	All repaid	Yes	No	
Fubon Bank	Bank wealth management products	10,000.00	2021/1/6	2021/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	73.64	73.64	All repaid	Yes	No	
Xiamen International Bank North Bund Branch	Bank wealth management products	10,000.00	2021/1/6	2021/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.260%	76.07	76.07	All repaid	Yes	No	
Standard Chartered	Bank wealth management products	5,000.00	2021/2/3	2021/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	24.55	24.55	All repaid	Yes	No	
Fubon Bank	Bank wealth management	10,000.00	2021/4/2	2021/6/2	Self-owned	Money market:	Principal protected,	3.300%	55.15	55.15	All repaid	Yes	No	

	products				funds	cash&deposit	floating rate							
Xiamen International Bank Shanghai Branch	Bank wealth management products	10,100.00	2021/4/2	2021/5/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	0.61% from 7 days to less than 14 days, 1.16% from 14 to less than 21 days, 1.76% from 21 days to less than 30 days, 2.41% from 30 days to less than 60 days, 2.61% from 60 days to less than 89 days, 3.3 % at 90 days	54.62	54.62	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	20,000.00	2021/1/6	2021/3/25	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.470%	148.31	148.31	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2021/1/7	2021/3/25	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.470%	73.20	73.20	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	20,000.00	2020/1/4	2021/3/25	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.300%	144.66	144.66	All repaid	Yes	No	
Bank of	Bank wealth	5,000.00	2021/1/8	2021/3/25	Self-	Money	Principal	4.690%	48.83	48.83	All repaid	Yes	No	

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Communications Shenzhen Huaqiang Branch	management products				owned funds	market: cash&deposit	protected, floating rate							
Bank of Communications Shenzhen Huaqiang Branch	Bank wealth management products	5,000.00	2021/1/8	2021/3/25	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	1.650%	17.18	17.18	All repaid	Yes	No	
Industrial Bank Shenzhen Bank	Bank wealth management products	5,000.00	2021/2/3	2021/3/22	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.050%	19.64	19.64	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	7,000.00	2021/4/8	2021/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.420%	54.44	54.44	All repaid	Yes	No	
Industrial Bank Shenzhen Bank	Bank wealth management products	5,000.00	2021/4/2	2021/6/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.230%	38.94	38.94	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	6,000.00	2021/4/21	2021/6/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	38.56	38.56	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	5,000.00	2021/6/30	2021/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	22.82	22.82	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	3,000.00	2021/5/27	2021/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	9.50	7.13	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2021/7/7	2021/9/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.420%	79.64	79.64	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	5,000.00	2021/7/1	2021/8/12	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	19.56	19.56	All repaid	Yes	No	
Bank of Shanghai Shenzhen Branch	Bank wealth management products	5,000.00	2021/7/6	2021/9/6	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.200%	27.18	27.18	All repaid	Yes	No	

E.SUN Bank Shenzhen Bank	Bank wealth management products	5,000.00	2021/8/12	2021/9/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.400%	22.82	22.82	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000.00	2021/10/27	2021/12/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.300%	57.86	57.86	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2021/10/27	2021/12/30	Self- owned funds	Money market: cash&deposit	Principal protected, floating rate	3.350%	58.74	58.74	All repaid	Yes	No	

**Others**

Applicable Not Applicable

**(3) Provision for the impairment of entrusted wealth management**

Applicable Not Applicable

**2. Entrusted loans**

**(1) Overall condition of entrusted loans**

Applicable Not Applicable

**Others**

Applicable Not Applicable

**(2) Individual entrusted loans**

Applicable Not Applicable

**Others**

Applicable Not Applicable

**(3) Provision for the impairment of entrusted loans**

Applicable Not Applicable

**3. Others**

Applicable Not Applicable

**(IV) Other material contracts**

Applicable Not Applicable

**XIV. Particulars on other major events that have great influence on investors' value judgments and investment decisions**

Applicable Not Applicable

## Section VII Changes in Share Capital and Information of Shareholders

### I. Changes in share capital

#### (I) Table of changes in shares

##### 1. Table of changes in shares

Unit: Share

	Before the change		Change					After the change	
	Number	Percentage (%)	New Issue	Bonus Issue	Stock converted from housing accumulation fund	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	25,939,972	1.17	0	0	0	0	0	25,939,972	1.17
1. Shares held by the foreign capital	25,939,972	1.17	0	0	0	0	0	25,939,972	1.17
Including: Shares held by the foreign legal person	25,939,972	1.17	0	0	0	0	0	25,939,972	1.17
II. Tradable shares held subject to selling restrictions	2,183,403,400	98.83	829,410	0	0	0	829,410	2,184,232,810	98.83
1. RMB ordinary shares	2,183,403,400	98.83	829,410	0	0	0	829,410	2,184,232,810	98.83
III. Total number of shares	2,209,343,372	100	829,410	0	0	0	829,410	2,210,172,782	100

##### 2. Particulars on changes in ordinary shares

Applicable  Not Applicable

During the reporting period, the Company's total share capital increased from 2,209,343,372 shares to 2,210,172,782 shares, representing an increase of 829,410 shares, due to the exercise of equity incentives and the conversion of convertible bonds.

##### 3. Impact of changes in shares on the earnings per share, net asset value per share and other financial indicators in the last year and period (if any)

Applicable  Not Applicable

##### 4. Other contents that must be disclosed in the opinion of the Company or according to requirements of the securities regulatory institution

Applicable  Not Applicable

##### (II) Changes in shares with trading restrictions

Applicable  Not Applicable

**II. Issuance and listing of securities****(I) Issuance of securities as at the reporting period**√Applicable Not Applicable

Unit: Share Currency: RMB

Type of stocks and derivative securities	Issue date	Issue price (or interest rate)	Issue number	Listing date	Number of approved for listing and trading	Termination date of transactions
Convertible corporate bonds, split-trade convertible bonds						
Convertible corporate bonds	March 4, 2021	100	34,500,000	April 2, 2021	34,500,000	March 3, 2027

Particulars on issuance of securities as at the reporting period (please provide separate particulars on the bonds with different interest rates during their duration):

√Applicable Not Applicable

The term of the convertible bonds issued during the reporting period is 6 years from the date of issuance, that is, from March 4, 2021 to March 3, 2027. The coupon rate is 0.10% in the first year, 0.20% in the second year, 0.60% in the third year, 1.30% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year.

**(II) Changes in the total number of shares and shareholder structure of the Company and changes in the structure of assets and liabilities of the Company**√Applicable Not Applicable

## 1. Changes in the total number of shares

During the reporting period, the Company's total share capital increased from 2,209,343,372 to 2,210,172,782 shares.

## 2. Changes in shareholder structure

No controlling shareholder and no actual controller of the Company changed. The controlling shareholder of the Company was still USI Enterprise Limited, and its shareholding ratio was passively diluted from 76.21% to 76.18% due to the above change in shares. Except for the controlling shareholder, the Company had no other major shareholders holding more than 5% of the shares. The actual controllers of the Company were still Jason C.S. Chang and Richard H.P. Chang brothers.

## 3. Changes in the structure of assets and liabilities of the Company

At the beginning of the reporting period, the Company had total assets of RMB 31.070 billion and total liabilities of RMB 19.020 billion, with the asset-liability ratio of 61.22%; at the end of the reporting period, the Company had total assets of RMB 35.856 billion and total liabilities of RMB 22.774 billion, with the asset-liability ratio of 63.51%. The Company's asset-liability ratio increased by 2.29% over the same period of the previous year.

**(III) Existing internal employee shares**Applicable Not Applicable**III. Shareholders and actual controllers****(I) Total number of shareholders**

Total number of shareholders of ordinary shares as at the end of the reporting period	XX
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	XX

**(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of shares in circulation (or shareholders not subject to selling restrictions) as at the end of the reporting period**

Unit: share

Shareholdings of the top ten shareholders
-------------------------------------------

Name of shareholder (full name)	Change during the reporting period	Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Pledge, marking or freezing		Nature of shareholder
					Status	Number	
USI Enterprise Limited	0	1,683,749,126	76.18	0	None	0	Foreign legal person
Hong Kong Securities Clearing Company Ltd.	23,081,699	63,121,824	2.86	0	Unknown		Foreign legal person
China Securities Finance Co., Ltd.	0	36,750,069	1.66	0	Unknown		Domestic state-owned legal person
ASDI ASSISTANCE DIRECTION	0	25,939,972	1.17	25,939,972	Pledge	25,939,972	Foreign legal person
ASE (Shanghai) Inc.	0	18,098,476	0.82	0	None	0	Domestic non-state-owned legal person
Zoomlion Runshi (Beijing) Investment Company Limited	5,000	5,998,765	0.27	0	Unknown		Domestic non-state-owned legal person
Bank of Korea - Self-owned funds	338,400	5,777,005	0.26	0	Unknown		Foreign legal person
Bank of China Co., Ltd. - China AMC 5G Communication Themed ETF	-7,154,459	3,799,069	0.17	0	Unknown		Others
Li Yalian	3,573,900	3,573,900	0.16	0	Unknown		Domestic natural person
Zhang Fangzheng	3,280,500	3,280,500	0.15	0	Unknown		Domestic natural person
Shareholdings of the top ten shareholders of shares not subject to selling restrictions							
Name of shareholder	Number of tradable shares not subject to selling restrictions held			Type and number of shares			
				Type	Number		
USI Enterprise Limited	1,683,749,126			RMB ordinary shares	1,683,749,126		
Hong Kong Securities Clearing Company Ltd.	63,121,824			RMB ordinary shares	63,121,824		
China Securities Finance Co., Ltd.	36,750,069			RMB ordinary shares	36,750,069		
ASE (Shanghai) Inc.	18,098,476			RMB ordinary shares	18,098,476		
Zoomlion Runshi (Beijing) Investment Company Limited	5,998,765			RMB ordinary shares	5,998,765		
Bank of Korea - Self-owned funds	5,777,005			RMB ordinary shares	5,777,005		
Bank of China Co., Ltd. - China AMC 5G Communication Themed ETF	3,799,069			RMB ordinary shares	3,799,069		

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Li Yalian	3,573,900	RMB ordinary shares	3,573,900
Zhang Fangzheng	3,280,500	RMB ordinary shares	3,280,500
Lu Jinghua	2,424,512	RMB ordinary shares	2,424,512
Particulars on the special buy-back securities account of the top ten shareholders	At the end of the reporting period, there were 25,313,205 tradable shares not subject to selling restrictions in the Company's special buy-back securities account. Changes during the reporting period were as follows: 1. On December 31, 2020, there were 11,332,177 tradable shares not subject to selling restrictions in the Company's special buy-back securities account; 2. On September 22, 2021, 281,200 shares were transferred from the Company's special buy-back securities account to the Company's 2021 employee stock ownership plan account in the form of non-trade transfer; 3. On December 21, 2021, 1,780,050 shares were transferred from the Company's special buy-back securities account to the Company's second-phase core employee stock ownership plan account in the form of non-trade transfer; 4. As of December 31, 2021, 16,042,278 shares were increased in the Company's special buy-back securities account due to the Company's share repurchase in the secondary market.		
Particulars on the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from voting rights	None		
Related or acting-in-concert parties among the shareholders above	The actual controllers of the Company are Mr. Jason C.S. Chang and Mr. Richard H.P. Chang, who are brothers and ultimately control the Company through indirect shareholding by controlling USI Enterprise Limited and ASE (Shanghai) Inc., two of the Company's shareholders. The Company does not know whether there are related relationships and concerted actions among other shareholders.		
Particulars on the preference shareholders with voting rights restored and their shareholdings	None		

Number of shares held by the top ten shareholders subject to trading restrictions and trading restrictions  
 Applicable  Not Applicable

Unit: Share

Serial Number	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of shares subject to selling restrictions		Selling restrictions
			Listing and trading time	Number of new shares that can be listed and traded	
1	ASDI ASSISTANCE DIRECTION	25,939,972	December 11, 2023	0	36 months from the delivery date of the new shares
Particulars on the related relationship or parties acting in concert among the above shareholders		None			

**(III) Strategic investors or general legal persons becoming the top ten shareholders because of placing of new shares**

Applicable Not Applicable

**IV. Controlling shareholder and beneficial controllers****(I) Controlling shareholder**

1 Legal person

Applicable Not Applicable

Name	USI Enterprise Limited
Person in charge of the Company or legal representative	Chen-Yen Wei
Establishment date	November 13, 2007
Main operation businesses	Investment consulting services and warehouse management services
Equity of other domestic and overseas listed companies controlled or invested during the reporting period	None
Particulars on other information	None

**2 Natural person**

Applicable Not Applicable

**3 Special particulars on the Company not having controlling shareholders**

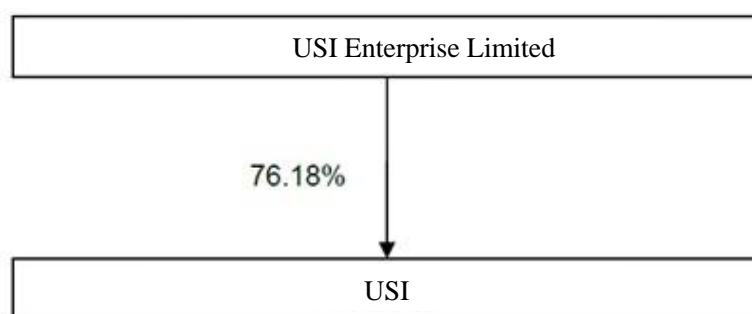
Applicable Not Applicable

**4 Changes in controlling shareholders during the reporting period**

Applicable Not Applicable

**5 Diagram of the ownership and controlling relationship between the Company and its controlling shareholders**

Applicable Not Applicable

**(II) Actual controller****1 Legal person**

Applicable Not Applicable

**2 Natural person**

Applicable Not Applicable

Name	Jason C.S. Chang
Nationality	Singapore
Acquire right of residence in other countries or regions or not	No

Main job and title	Since 2018, Mr. Chang has served as the chairman and group CEO of ASE Technology Holding Co., Ltd.; since 1984, he has served as the chairman of Advanced Semiconductor Engineering, Inc.
Shareholdings in other domestic or overseas listed companies over the past 10 years	Mr. Chang currently controls 21.55% equity in ASE Investment Holding Co., Ltd. (a company listed in Taiwan, with the stock code of 3711), holds 32.23% equity in Hung Ching Development & Construction Co. (a company listed in Taiwan, with the stock code of 2527) including 26.22% through ASE Investment Holding Co., Ltd., and controls 48.69% equity in SINO HORIZON (a company listed in Taiwan, with the stock code of 2923). He once controlled Advanced Semiconductor Engineering, Inc., a company listed on the Taiwan Stock Exchange, with the stock code of 2311, which was terminated from listing on April 30, 2018, and held Universal Scientific Industrial Co., Ltd., a company listed on the Taiwan Stock Exchange, with the stock code of 2311, which was terminated from listing on April 30, 2018.
Name	Richard H.P. Chang
Nationality	Hong Kong, China
Acquire right of residence in other countries or regions or not	No
Main job and title	Since 2018, has been serving as vice chairman, general manager and director (representative) of ASE Technology Holding Co., Ltd.
Shareholdings in other domestic or overseas listed companies over the past 10 years	As a brother of Jason C.S. Chang, holds 2.85% equity in ASE Investment Holding Co., Ltd. (a company listed in Taiwan, with the stock code of 3711) and 12.90% equity in Hung Ching Development & Construction Co. (a company listed in Taiwan, with the stock code of 2527), and controls 48.69% equity in SINO HORIZON (a company listed in Taiwan, with the stock code of 2923). Once held the equity of ASE Co., Ltd., a company listed on the Taiwan Stock Exchange, with a stock code of 2311, which was terminated from listing on April 30, 2018.

**3 Special particulars on the Company not having actual controllers**

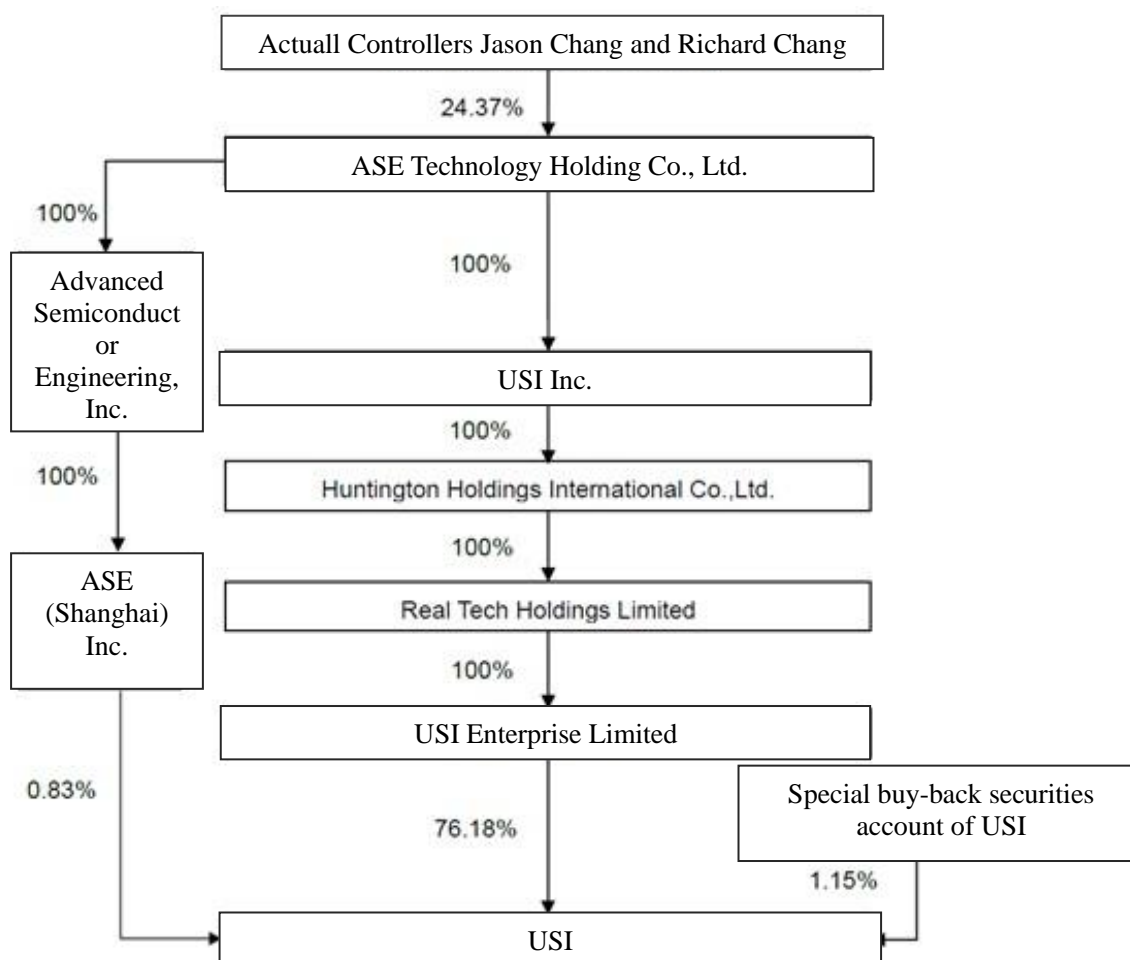
Applicable Not Applicable

**4 Particulars on changes in the Company's control during the reporting period**

Applicable Not Applicable

**5 Diagram of the ownership and controlling relationship between the Company and its actual controllers**

Applicable Not Applicable



Note: The data in the diagram is as of December 31, 2021.

**6 Control of the Company by actual controllers by way of trust or other means of asset management**

Applicable Not Applicable

**(III) Other particulars regarding the controlling shareholders and the actual controllers**

Applicable Not Applicable

**V. Shares accumulatively pledged by the Company's controlling shareholder or largest shareholder and its persons acting in concert account for more than 80% of the Company's shares held by them**

Applicable Not Applicable

**VI. Other legal person shareholders with more than 10% shareholdings**

Applicable Not Applicable

**VII. Particulars on restrictions on reduction of shareholding**

Applicable Not Applicable

**VIII. Specific implementation of share repurchase during the reporting period**

Applicable Not Applicable

Unit: Yuan Currency: RMB

Name of the share repurchase plan	2021 Plan for Repurchasing Shares through Centralized Bidding
-----------------------------------	---------------------------------------------------------------

Disclosure time of share repurchase plan	August 26, 2021
Proportion (%) of proposed repurchase shares in total share capital	1.01
Proposed repurchase amount	RMB 200 million - RMB 400 million
Proposed repurchase period	August 24, 2021 – February 23, 2022
Repurchase purpose	Employee stock ownership plan, equity incentive plan, conversion of convertible corporate bonds issued by the listed company
Number of repurchased shares (share)	16,042,278
Proportion of repurchased shares in the target shares involved in the equity incentive plan (if any)	N/A
Progress of reducing shares repurchased by the Company through centralized bidding	N/A

Note: The proposed repurchase amount is calculated based on the upper limit of the total repurchase funds of RMB 400 million and the upper limit of the price of RMB 18 per share.

As of February 23, 2022, this share repurchase plan was completed, and the Company repurchased a total of 17,223,278 shares of the Company, accounting for about 0.78% of the Company's current total share capital

**Section VIII Related Information of Preferred Stocks**

Applicable Not Applicable

## Section IX Related Information of Bonds

### I. Corporate bonds, corporate bonds and non-financial corporate debt financing instruments

Applicable Not Applicable

### II. Convertible corporate bonds

Applicable Not Applicable

#### (I) Issuance of convertible bonds

Applicable Not Applicable

After being approved by the China Securities Regulatory Commission with a document (Z.J.X.K. [2021] No. 167), the Company publicly issued 34.5 million convertible corporate bonds on March 4, 2021, each with a face value of RMB 100, amounting to RMB 3,450 million in total. After being approved by the Shanghai Stock Exchange with the Self-Regulatory Supervision Decision Letter ([2021] No. 133), the convertible corporate bonds were listed and traded on the Shanghai Stock Exchange on April 2, 2021. The bonds are abbreviated as "USI Convertible Bonds", with the bond code of 113045.

#### (II) Convertible bond holders and guarantors during the reporting period

Applicable Not Applicable

<b>Name of convertible corporate bonds</b>	Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021	
<b>Number of convertible bond holders at the end of the period</b>	12,914	
Guarantor of the Company's convertible bonds	None	
Top ten convertible bond holders:		
Name of holders of convertible corporate bonds	Amount (RMB) of bonds held as at the end of the period	Holding ratio (%)
USI Enterprise Limited	2,641,802,000	76.57
Industrial and Commercial Bank of China Limited - China Universal Convertible Bond Securities Investment Fund	39,986,000	1.16
Wisdomshire Asset Management Co., Ltd. - Wisdomshire Zhiyuan No. 1 Private Equity Investment Fund	39,240,000	1.14
Zhongtai Securities Co., Ltd.	38,548,000	1.12
UBS AG	33,103,000	0.96
ASE (Shanghai) Inc.	28,397,000	0.82
The Hongkong and Shanghai Banking Corporation Limited	21,897,000	0.63
Guoyuan International Holding Co., Ltd. - Customer funds (Exchange)	21,634,000	0.63
Fullgoal Fuyi Progressive Fixed-income Pension Products - Industrial and Commercial Bank of China Limited	21,045,000	0.61
Agricultural Bank of China Co., Ltd. - Penghua Convertible Bond Securities Investment Fund	18,427,000	0.53

#### (III) Changes in convertible bonds during the reporting period

Applicable Not Applicable

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Before the change	Change			After the change
		Transferred into shares	Redeemed	Put	
Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021	3,450,000,000	26,000	0	0	3,449,974,000

Cumulative conversion of convertible bonds during the reporting period

Applicable Not Applicable

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Name of convertible corporate bonds	Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021
Conversion amount (RMB) during the reporting period (share)	26,000
Conversion number during the reporting period (share)	1,310
Cumulative conversion number (share)	1,310
Proportion (%) of cumulative conversion number to the total number of issued shares of the Company before the conversion	0.0001
Unconverted amount (RMB)	3,449,974,000
Proportion (%) of unconverted convertible bonds to the total convertible bonds issued	99.9992

**(IV) Historical adjustments of conversion price**

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Name of convertible corporate bonds		Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021		
Conversion price adjustment date	Adjusted conversion price	Disclosure time	Disclosure media	Particulars on conversion price adjustment
June 3, 2021	19.75	June 1, 2021	Shanghai Securities News, China Securities Journal, Securities Times, and Securities Daily	The implementation of the profit distribution plan for 2020
The latest conversion price as of the end of the reporting period		19.75		

**(V) The Company's liabilities, changes in credit and cash arrangements for debt repayment in future years**

Applicable  Not Applicable

At the beginning of the reporting period, the Company had total assets of RMB 31.07 billion and total liabilities of RMB 19.02 billion, with the debt/asset ratio of 61.22%; at the end of the reporting period, the Company had total assets of RMB 35.86 billion and total liabilities of RMB 22.77 billion, with the debt/asset ratio of 63.51%. The Company's debt/asset ratio increased by 2.29% over the same period of the previous year. On May 27, 2021, China Chengxin International Credit Rating Co., Ltd. issued the Tracking Rating Report on Universal Scientific Industrial (Shanghai) Co., Ltd.'s Public Issuance of Convertible Corporate Bonds (2021): The Company's main credit rating was AA+, the credit rating for USI Convertible Bonds remained at AA+, and the rating outlook was stable. The Company adopts the method of paying interest once a year, and repays the principal and pays the interest of the last interest-bearing year at maturity.

**(VI) Particulars on other information of convertible bonds**

Applicable  Not Applicable

## **Section X Financial Statements**

### **I. Auditor's report**

The Company's annual financial report has been audited and given a standard unqualified opinion by Chinese Certified Public Accountant Yuan Shouqing and Hu Ke of Deloitte Touche Tohmatsu Certified Public Accountants LLP.

### **II. Financial statements and notes**

Please refer to the attached financial statements and notes for more details.

Financial Statements and Auditor's Report  
For the year ended 31 December 2021

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## AUDITOR'S REPORT

De Shi Bao (Shen) Zi (22) No. P01010  
(Page 1 of 5)

To the Shareholders of Universal Scientific Industrial (Shanghai) Co., Ltd.

### **1. Opinion**

We have audited the financial statements of Universal Scientific Industrial (Shanghai) Co., Ltd. (the "Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2021, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Universal Scientific Industrial (Shanghai) Co., Ltd. are prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2021, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

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

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

### **3. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

## AUDITOR'S REPORT - CONTINUED

De Shi Bao (Shen) Zi (22) No. P01010  
(Page 2 of 5)

### 3. Key Audit Matters

#### Cut-off of Revenue Recognition

##### Matter Description

As set out in Notes(V)-45 to the financial statements, the Company's revenue in 2021 in the consolidated financial statements is RMB 55,299,654,770.21, which is significant. The Company's sales mainly include sales of goods, and the revenue is recognized at the time point when the customer obtains the control over the commodity. Under the terms of different sales contracts and trade terms, the time point of the transfer of commodity control is different. As revenue is one of the key performance indicators of the Company, and the control over various transaction models that revenue involves in may be transferred at different time points, there is a risk that revenue is not recognized in the appropriate accounting period. Therefore, we consider whether revenue is recorded in the appropriate accounting period as a key audit matter.

##### Audit Response

Our procedures in relation to above key audit matter mainly included:

1. Understand the Company's key internal control related to the cut-off of revenue recognition, evaluate the design and implementation of relevant internal control, and test the effectiveness of its operation;
2. Check the Company's material sales contracts, identify the contract terms and trade terms related to the time point of product control transfer, and evaluate whether the time point of revenue recognition of the Company according to the contract terms meets the provisions of the accounting standards for business enterprises;
3. Select samples for the sales transactions recorded before and after the balance sheet date, and check the accounting records, delivery orders, cargo right transfer documents and other supporting documents related to revenue recognition, so as to evaluate whether the revenue is recorded in the appropriate accounting period.

## AUDITOR'S REPORT - CONTINUED

De Shi Bao (Shen) Zi (22) No. P01010

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### **4. Other Information**

The management of the Company is responsible for other information. The other information comprises the information included in the Company's annual report of 2021, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

## AUDITOR'S REPORT - CONTINUED

De Shi Bao (Shen) Zi (22) No. P01010

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

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

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

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S REPORT - CONTINUED

De Shi Bao (Shen) Zi (22) No. P01010

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP  
Shanghai, China

Chinese Certified Public Accountant:  
(Engagement partner)

Yuan, Shou Qing

Chinese Certified Public Accountant:  
Hu, Ke

25 March 2022

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

At 31 December 2021

**Consolidated Balance Sheet**

Unit: RMB

ITEM	Notes	31/12/2021	31/12/2020 (Restated)
<b>Current Assets:</b>			
Cash and bank balances	(V)1	6,034,204,042.25	6,332,982,117.63
Held-for-trading financial assets	(V)2	96,480,087.56	182,315,272.70
Notes receivable	(V)3	78,960,907.84	70,395,770.23
Accounts receivable	(V)4	12,459,388,852.15	10,468,619,520.16
Prepayments	(V)5	51,467,608.39	41,561,467.16
Other receivables	(V)6	129,254,194.21	125,282,807.18
Inventories	(V)7	9,037,562,662.64	6,765,336,245.29
Non-current assets due within one year	(V)8	991,195.08	813,785.46
Other current assets	(V)9	606,392,327.15	596,958,856.20
<b>Total Current Assets</b>		<b>28,494,701,877.27</b>	<b>24,584,265,842.01</b>
<b>Non-current Assets:</b>			
Long-term receivables	(V)10	11,164,116.06	10,380,472.81
Long-term equity investments	(V)11	542,549,818.63	531,527,769.52
Other equity instrument investments	(V)12	75,957,194.28	41,351,831.65
Other non-current financial assets	(V)13	236,978,820.68	152,935,434.70
Fixed assets	(V)14	3,442,205,758.01	2,928,598,187.59
Construction in progress	(V)15	798,015,703.22	431,942,421.24
Right-of-use assets	(V)16	562,990,794.23	629,762,039.36
Intangible assets	(V)17	453,460,831.12	504,241,510.99
Goodwill	(V)18	559,021,157.88	618,094,641.27
Long-term prepaid expenses	(V)19	227,576,284.98	250,549,262.26
Deferred tax assets	(V)20	315,295,836.27	297,009,500.16
Other non-current assets	(V)21	136,815,311.18	89,743,706.46
<b>Total Non-current Assets</b>		<b>7,362,031,626.54</b>	<b>6,486,136,778.01</b>
<b>TOTAL ASSETS</b>		<b>35,856,733,503.81</b>	<b>31,070,402,620.02</b>

At 31 December 2021

Consolidated Balance Sheet – continued

Unit: RMB

ITEM	Notes	31/12/2021	31/12/2020 (Restated)
<b>Current Liabilities:</b>			
Short-term borrowings	(V)22	2,480,500,031.68	375,341,430.81
Derivative financial liabilities	(V)23	976,413.16	18,402,480.68
Accounts payable	(V)24	12,558,598,243.17	11,835,239,734.29
Contract liabilities	(V)25	311,988,551.56	300,864,893.86
Employee benefits payable	(V)26	831,186,986.48	869,508,823.23
Taxes payable	(V)27	238,676,479.75	179,000,709.13
Other payables	(V)28	423,509,465.51	399,836,932.07
Non-current liabilities due within one year	(V)29	720,507,781.49	934,981,355.04
<b>Total Current Liabilities</b>		<b>17,565,943,952.80</b>	<b>14,913,176,359.11</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	(V)30	1,101,220,467.55	3,011,668,944.64
Bonds payable	(V)31	3,115,505,143.28	-
Lease liabilities	(V)32	475,125,597.24	534,968,764.47
Long-term payables	(V)33	45,581,055.62	43,287,736.00
Long-term employee benefits payable	(V)34	297,331,160.14	335,569,680.50
Provisions	(V)35	10,046,914.77	11,353,780.46
Deferred income	(V)36	59,791,942.70	32,724,563.92
Deferred tax liabilities	(V)20	98,179,611.96	132,486,298.52
Other non-current liabilities	(V)37	5,642,575.13	4,960,300.38
<b>Total Non-current Liabilities</b>		<b>5,208,424,468.39</b>	<b>4,107,020,068.89</b>
<b>TOTAL LIABILITIES</b>		<b>22,774,368,421.19</b>	<b>19,020,196,428.00</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	(V)38	2,210,172,782.00	2,209,343,372.00
Other equity instruments	(V)39	409,902,116.17	-
Capital reserve	(V)40	2,242,456,606.22	2,180,964,177.00
Less: Treasury shares	(V)41	341,236,339.88	134,707,206.58
Other comprehensive income	(V)42	(83,600,398.95)	(91,215,977.01)
Surplus reserve	(V)43	738,004,669.96	542,610,242.85
Retained profits	(V)44	7,906,260,771.90	7,342,825,571.69
Total owners' equity attributable to equity holders of the Company		13,081,960,207.42	12,049,820,179.95
Minority interests		404,875.20	386,012.07
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>13,082,365,082.62</b>	<b>12,050,206,192.02</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>35,856,733,503.81</b>	<b>31,070,402,620.02</b>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 6 to 144 were signed by the following:

Jeffrey Chen  
Legal Representative

Tan-Yang Liu  
Chief Financial Officer

Chern Yuh-Huah  
Head of Accounting Department

At 31 December 2021

**Balance Sheet of the Company**

Unit: RMB

ITEM	Notes	31/12/2021	31/12/2020 (Restated)
<b>Current Assets:</b>			
Cash and bank balances		2,490,051,993.72	1,347,901,732.05
Held-for-trading financial assets		8,624,935.00	1,344,484.55
Notes receivable	(XV)1	66,256,985.55	58,278,567.16
Accounts receivable	(XV)2	3,902,440,554.02	3,473,614,442.75
Prepayments		4,622,731.01	112,463.31
Other receivables	(XV)3	635,383,876.68	12,674,360.46
Inventories		1,922,768,039.29	1,652,295,785.91
Other current assets		133,024,889.75	210,124,342.62
<b>Total Current Assets</b>		<b>9,163,174,005.02</b>	<b>6,756,346,178.81</b>
<b>Non-current Assets:</b>			
Long-term equity investments	(XV)4	5,227,065,594.74	4,439,380,452.93
Other non-current financial assets		21,000,000.00	-
Fixed assets		1,277,668,269.11	1,064,804,401.63
Construction in progress		289,944,861.14	138,283,974.66
Right-of-use assets		63,430,169.07	75,813,653.53
Intangible assets		10,937,758.57	11,119,026.98
Long-term prepaid expenses		67,180,541.49	48,389,460.39
Deferred tax assets		48,694,006.86	25,362,680.78
Other non-current assets		20,979,926.13	17,127,475.53
<b>Total Non-current Assets</b>		<b>7,026,901,127.11</b>	<b>5,820,281,126.43</b>
<b>TOTAL ASSETS</b>		<b>16,190,075,132.13</b>	<b>12,576,627,305.24</b>

At 31 December 2021

**Balance Sheet of the Company - continued**

Unit: RMB

ITEM	Notes	31/12/2021	31/12/2020 (Restated)
<b>Current Liabilities:</b>			
Derivative financial liabilities		43,425.46	-
Accounts payable		4,298,264,852.06	4,055,255,014.35
Contract liabilities		51,371,004.77	55,907,249.31
Employee benefits payable		108,433,802.08	104,198,915.69
Taxes payable		65,202,444.73	37,538,094.59
Other payables		42,476,124.59	934,374,184.23
Non-current liabilities due within one year		14,159,853.97	13,517,397.67
<b>Total Current Liabilities</b>		<b>4,579,951,507.66</b>	<b>5,200,790,855.84</b>
<b>Non-current Liabilities:</b>			
Bonds payable		3,115,505,143.28	-
Lease liabilities		56,699,264.24	69,076,116.12
Deferred income		26,066,087.94	14,294,776.44
Other non-current liabilities		1,035,426.50	2,148,500.00
<b>Total Non-current Liabilities</b>		<b>3,199,305,921.96</b>	<b>85,519,392.56</b>
<b>TOTAL LIABILITIES</b>		<b>7,779,257,429.62</b>	<b>5,286,310,248.40</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		2,210,172,782.00	2,209,343,372.00
Other equity instruments		409,902,116.17	-
Capital reserve		2,302,358,003.50	2,240,865,574.28
Less: Treasury shares		341,236,339.88	134,707,206.58
Surplus reserve		738,004,669.96	542,610,242.85
Retained profits		3,091,616,470.76	2,432,205,074.29
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,410,817,702.51</b>	<b>7,290,317,056.84</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>16,190,075,132.13</b>	<b>12,576,627,305.24</b>

For the year ended 31 December 2021

**Consolidated Income Statement**

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year (Restated)
<b>I. Revenue</b>	(V)45	<b>55,299,654,770.21</b>	<b>47,696,228,222.53</b>
Less: Costs	(V)45	49,981,479,197.84	42,809,550,114.14
Taxes and levies	(V)46	49,817,665.75	61,708,512.55
Selling expenses	(V)47	311,480,902.10	219,892,291.75
Administrative expenses	(V)48	1,169,173,384.77	1,123,158,982.65
Research and development expenses	(V)49	1,641,398,512.61	1,576,363,064.48
Financial expenses	(V)50	203,398,590.62	95,750,510.66
Including: Interest expenses		201,328,552.68	90,186,351.24
Interest income		67,779,611.82	60,445,860.19
Add: Other income	(V)51	50,678,106.85	76,779,477.12
Investment income	(V)52	111,678,979.96	83,440,494.33
Including: Income from investments in associates and joint ventures		22,116,497.85	19,752,692.15
Gains (losses) from changes in fair values	(V)53	44,588,222.60	(6,272,200.14)
Impairment gains (losses) of credit	(V)54	(1,706,888.48)	7,894,930.75
Impairment gains (losses) of assets	(V)55	(18,746,153.38)	(11,792,788.58)
Gains (losses) from disposal of assets	(V)56	2,414,697.02	1,796,090.81
<b>II. Operating profit</b>		<b>2,131,813,481.09</b>	<b>1,961,650,750.59</b>
Add: Non-operating income	(V)57	19,628,576.06	14,978,610.83
Less: Non-operating expenses	(V)58	12,583,134.08	3,066,306.86
<b>III. Total profit</b>		<b>2,138,858,923.07</b>	<b>1,973,563,054.56</b>
Less: Income tax expenses	(V)59	282,165,880.75	239,997,822.59
<b>IV. Net profit</b>		<b>1,856,693,042.32</b>	<b>1,733,565,231.97</b>
(I) Net profit classified by operating continuity:			
1. Net profit from continuing operations		1,856,693,042.32	1,733,565,231.97
2. Net profit from discontinued operations		-	-
(II) Net profit classified by ownership ascription:			
1. Net profit attributable to owners of the Company		1,857,968,074.82	1,739,435,448.10
2. Profit or loss (net losses) attributable to minority interests		(1,275,032.50)	(5,870,216.13)
<b>V. Other comprehensive income, net of tax</b>	(V)42	<b>8,909,473.69</b>	<b>(97,879,854.60)</b>
Other comprehensive income attributable to owners of the Company, net of tax		7,615,578.06	(98,160,522.46)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		36,407,012.60	(9,966,805.24)
1. Changes from re-measurement of defined benefit plans		1,971,353.84	(10,568,410.72)
2. Changes in fair values of investments in other equity instruments		34,435,658.76	601,605.48
(II) Other comprehensive income that will be reclassified to profit or loss		(28,791,434.54)	(88,193,717.22)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		7,230,128.54	18,090,277.18
2. Translation differences of financial statements denominated in foreign currencies		(206,339,508.32)	25,410,896.65
3. Hedging reserves of net investment in foreign operations		170,317,945.24	(131,694,891.05)
Other comprehensive income attributable to minority interests, net of tax		1,293,895.63	280,667.86
<b>VI. Total comprehensive income</b>		<b>1,865,602,516.01</b>	<b>1,635,685,377.37</b>
Total comprehensive income attributable to owners of the Company		1,865,583,652.88	1,641,274,925.64
Total comprehensive income attributable to minority interests		18,863.13	(5,589,548.27)
<b>VII. Earnings per share</b>			
(I) Basic earnings per share	(XVI)2	0.85	0.80
(II) Diluted earnings per share	(XVI)2	0.83	0.80

For the year ended 31 December 2021

**Income Statement of the Company**

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year (Restated)
<b>I. Revenue</b>	(XV)5	<b>18,335,131,740.71</b>	<b>17,598,964,107.12</b>
Less: Costs	(XV)5	16,637,188,631.60	15,916,701,463.45
Taxes and levies		11,586,536.18	11,855,339.99
Selling expenses		36,138,632.62	58,397,221.62
Administrative expenses		173,389,504.17	160,325,958.90
Research and development expenses		641,883,187.54	584,315,079.87
Financial expenses		89,326,653.62	(19,049,606.59)
Including: Interest expenses		116,199,066.57	18,390,966.24
Interest income		41,448,876.53	19,159,866.33
Add: Other income		22,684,102.57	14,487,455.41
Investment income	(XV)6	1,216,843,686.33	707,491,553.58
Gains (losses) from changes in fair values		14,537,089.99	944,484.55
Impairment gains (losses) of credit		149,203.74	(179,723.41)
Impairment gains (losses) of assets		(3,920,601.29)	(5,885,658.10)
Gains (losses) from disposal of assets		277,783.36	(925,848.81)
<b>II. Operating profit</b>		<b>1,996,189,859.68</b>	<b>1,602,350,913.10</b>
Add: Non-operating income		2,715,835.51	1,743,218.99
Less: Non-operating expenses		93,892.75	52,041.99
<b>III. Total profit</b>		<b>1,998,811,802.44</b>	<b>1,604,042,090.10</b>
Less: Income tax expenses		44,867,531.36	86,483,029.82
<b>IV. Net profit</b>		<b>1,953,944,271.08</b>	<b>1,517,559,060.28</b>
(I) Net profit from continuing operations		1,953,944,271.08	1,517,559,060.28
(II) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
<b>VI. Total comprehensive income</b>		<b>1,953,944,271.08</b>	<b>1,517,559,060.28</b>

For the year ended 31 December 2021

**Consolidated Cash Flow Statement**

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		53,578,337,998.60	45,468,811,547.15
Receipts of tax refunds		558,689,618.99	340,578,159.52
Other cash receipts relating to operating activities	(V)60(1)	172,788,684.87	187,105,390.24
<b>Sub-total of cash inflows from operating activities</b>		<b>54,309,816,302.46</b>	<b>45,996,495,096.91</b>
Cash payments for goods purchased and services received		50,505,722,379.91	40,923,196,400.49
Cash payments to and on behalf of employees		3,856,150,432.44	2,717,199,681.64
Payments of various types of taxes		419,132,561.12	409,820,523.85
Other cash payments relating to operating activities	(V)60(2)	631,257,907.89	509,754,816.83
<b>Sub-total of cash outflows from operating activities</b>		<b>55,412,263,281.36</b>	<b>44,559,971,422.81</b>
<b>Net Cash Flow from Operating Activities</b>	(V)61(1)	<b>(1,102,446,978.90)</b>	<b>1,436,523,674.10</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		6,647,452,170.32	9,172,427,960.13
Cash receipts from investment income		98,129,245.61	64,140,453.41
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		50,849,009.78	19,108,054.99
Other cash receipts relating to investing activities	(V)60(3)	-	13,522,846.50
<b>Sub-total of cash inflows from investing activities</b>		<b>6,796,430,425.71</b>	<b>9,269,199,315.03</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,514,592,361.01	1,056,333,146.16
Cash payments to acquire investments		6,723,070,803.21	9,243,640,394.90
Net cash payments for acquisitions of subsidiaries and other business units	(V)61(2)	45,321,801.82	1,980,146,094.91
<b>Sub-total of cash outflows from investing activities</b>		<b>8,282,984,966.04</b>	<b>12,280,119,635.97</b>
<b>Net Cash Flow from Investing Activities</b>		<b>(1,486,554,540.33)</b>	<b>(3,010,920,320.94)</b>
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		11,406,983.00	67,060,849.80
Including: cash receipts from capital contributions from minority shareholders of subsidiaries		-	-
Cash receipts from borrowings		13,985,813,402.73	13,803,036,236.54
Cash receipts from issuing bonds		3,427,301,047.72	-
Other cash receipts relating to financing activities		39,236,933.03	23,486,155.84
<b>Sub-total of cash inflows from financing activities</b>		<b>17,463,758,366.48</b>	<b>13,893,583,242.18</b>
Cash repayments of borrowings		13,530,805,981.18	11,474,728,199.05
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,172,715,392.19	444,227,133.59
Other cash payments relating to financing activities	(V)60(4)	368,852,689.67	150,150,075.22
<b>Sub-total of cash outflows from financing activities</b>		<b>15,072,374,063.04</b>	<b>12,069,105,407.86</b>
<b>Net Cash Flow from Financing Activities</b>		<b>2,391,384,303.44</b>	<b>1,824,477,834.32</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(87,413,972.12)</b>	<b>(29,496,833.12)</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(285,031,187.91)</b>	<b>220,584,354.36</b>
Add: Opening Balance of Cash and Cash Equivalents	(V)61(3)	6,303,224,304.50	6,082,639,950.14
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(V)61(3)	<b>6,018,193,116.59</b>	<b>6,303,224,304.50</b>

For the year ended 31 December 2021

**Cash Flow Statement of the Company**

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		17,991,191,683.40	16,354,018,830.88
Receipts of tax refunds		295,444,045.61	144,654,241.67
Other cash receipts relating to operating activities		84,581,382.97	31,995,115.48
<b>Sub-total of cash inflows from operating activities</b>		<b>18,371,217,111.98</b>	<b>16,530,668,188.03</b>
Cash payments for goods purchased and services received		16,905,058,714.58	14,784,024,458.76
Cash payments to and on behalf of employees		576,858,051.86	475,732,315.68
Payments of various types of taxes		106,103,694.13	113,552,029.55
Other cash payments relating to operating activities		189,144,854.22	121,869,207.26
<b>Sub-total of cash outflows from operating activities</b>		<b>17,777,165,314.79</b>	<b>15,495,178,011.25</b>
<b>Net Cash Flow from Operating Activities</b>	(XV)7	<b>594,051,797.19</b>	<b>1,035,490,176.78</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		3,927,400,000.00	15,000,000.00
Cash receipts from investment income		1,216,889,084.23	707,491,553.58
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		169,779,958.45	42,338,215.51
Other cash receipts relating to investing activities		-	100,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>5,314,069,042.68</b>	<b>864,829,769.09</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		635,551,425.24	788,916,610.61
Cash payments to acquire investments		4,694,086,300.00	765,242,490.67
Net cash payments for acquisitions of subsidiaries and other business units		631,413,000.00	-
<b>Sub-total of cash outflows from investing activities</b>		<b>5,961,050,725.24</b>	<b>1,554,159,101.28</b>
<b>Net Cash Flow from Investing Activities</b>		<b>(646,981,682.56)</b>	<b>(689,329,332.19)</b>
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		11,406,983.00	67,060,849.80
Cash receipts from borrowings		1,989,243,101.73	3,407,214,816.84
Cash receipts from issuance of bonds		3,427,301,047.72	-
Other cash receipts relating to financing activities		22,515,886.36	16,859,099.00
<b>Sub-total of cash inflows from financing activities</b>		<b>5,450,467,018.81</b>	<b>3,491,134,765.64</b>
Cash repayments of borrowings		2,869,866,674.48	3,040,310,216.03
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,111,561,940.64	391,543,142.44
Other cash payments relating to financing activities		247,108,961.01	19,931,490.47
<b>Sub-total of cash outflows from financing activities</b>		<b>4,228,537,576.13</b>	<b>3,451,784,848.94</b>
<b>Net Cash Flow from Financing Activities</b>		<b>1,221,929,442.68</b>	<b>39,349,916.70</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(26,849,295.64)</b>	<b>(13,418,485.16)</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>1,142,150,261.67</b>	<b>372,092,276.13</b>
Add: Opening Balance of Cash and Cash Equivalents		1,347,901,732.05	975,809,455.92
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		<b>2,490,051,993.72</b>	<b>1,347,901,732.05</b>

For the year ended 31 December 2021

**Consolidated Statement of Changes in Shareholders' Equity**

Unit: RMB

ITEM	2021								
	Attributable to owners of the Company							Minority interests	Total shareholders' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits		
<b>I. Closing balance of the preceding year</b>	<b>2,209,343,372.00</b>		<b>2,180,964,177.00</b>	<b>(134,707,206.58)</b>	<b>(91,215,977.01)</b>	<b>542,610,242.85</b>	<b>7,342,825,571.69</b>	<b>(978,434.26)</b>	<b>12,048,841,745.69</b>
Add: Business combinations not involving enterprises under common control (Note V, 18)	-	-	-	-	-	-	-	1,364,446.33	1,364,446.33
<b>II. Opening balance of the current year (Restated)</b>	<b>2,209,343,372.00</b>	-	<b>2,180,964,177.00</b>	<b>(134,707,206.58)</b>	<b>(91,215,977.01)</b>	<b>542,610,242.85</b>	<b>7,342,825,571.69</b>	<b>386,012.07</b>	<b>12,050,206,192.02</b>
<b>III. Changes for the year</b>									
(I) Total other comprehensive income	-	-	-	-	7,615,578.06	-	1,857,968,074.82	18,863.13	1,865,602,516.01
(II) Owners' contributions and reduction in capital									
1. Ordinary shares contributed by shareholders (Note V, 38)	828,100.00	-	10,578,883.00	-	-	-	-	-	11,406,983.00
2. Capital contribution by owners of other equity instruments (Note V, 38)	1,310.00	409,902,116.17	25,033.02	-	-	-	-	-	409,928,459.19
3. Share-based payment recognized in shareholders' equity (Note V, 40)	-	-	52,875,000.00	-	-	-	-	-	52,875,000.00
4. Transfer from treasury shares (Note V, 41)	-	-	(1,986,486.80)	24,502,373.16	-	-	-	-	22,515,886.36
5. Others (Note V, 41)	-	-	-	(231,031,506.46)	-	-	-	-	(231,031,506.46)
(III) Profit distribution									
1. Transfer to surplus reserve	-	-	-	-	-	195,394,427.11	(195,394,427.11)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,099,138,447.50)	-	(1,099,138,447.50)
<b>IV. Closing balance of the current year</b>	<b>2,210,172,782.00</b>	<b>409,902,116.17</b>	<b>2,242,456,606.22</b>	<b>(341,236,339.88)</b>	<b>(83,600,398.95)</b>	<b>738,004,669.96</b>	<b>7,906,260,771.90</b>	<b>404,875.20</b>	<b>13,082,365,082.62</b>

For the year ended 31 December 2021

**Consolidated Statement of Changes in Shareholders' Equity - continued**

Unit: RMB

ITEM	2020 (Restated)							
	Attributable to owners of the Company						Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits		
<b>I. Opening balance</b>	<b>2,179,088,030.00</b>	<b>1,719,118,051.70</b>	<b>(154,978,351.25)</b>	<b>6,944,545.45</b>	<b>390,854,336.82</b>	<b>6,134,589,055.19</b>	<b>31,244,571.54</b>	<b>10,306,860,239.45</b>
<b>II. Changes for the year</b>								
(I) Total other comprehensive income	-	-	-	(98,160,522.46)	-	1,739,435,448.10	(5,589,548.27)	1,635,685,377.37
(II) Owners' contributions and reduction in capital								
1. Ordinary shares contributed by shareholders	30,255,342.00	424,877,744.65	-	-	-	-	-	455,133,086.65
2. Share-based payment recognized in shareholders' equity	-	44,786,016.39	-	-	-	-	-	44,786,016.39
3. Transfer from treasury shares	-	(3,412,045.67)	20,271,144.67	-	-	-	-	16,859,099.00
4. Purchase of minority interests	-	(4,405,590.07)	-	-	-	-	(25,355,724.00)	(29,761,314.07)
5. Business combination (Restated)	-	-	-	-	-	-	86,712.80	86,712.80
(III) Profit distribution								
1. Transfer to surplus reserve	-	-	-	-	151,755,906.03	(151,755,906.03)	-	-
2. Distributions to shareholders	-	-	-	-	-	(379,443,025.57)	-	(379,443,025.57)
<b>III. Closing balance of the current year (Restated)</b>	<b>2,209,343,372.00</b>	<b>2,180,964,177.00</b>	<b>(134,707,206.58)</b>	<b>(91,215,977.01)</b>	<b>542,610,242.85</b>	<b>7,342,825,571.69</b>	<b>386,012.07</b>	<b>12,050,206,192.02</b>

For the year ended 31 December 2021

**Statement of Changes in Shareholders' Equity of the Company**

Unit: RMB

ITEM	2021						
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Surplus reserve	Retained profits	Total shareholders' equity
<b>I. Opening balance of the current year</b>	<b>2,209,343,372.00</b>	-	<b>2,240,865,574.28</b>	<b>(134,707,206.58)</b>	<b>542,610,242.85</b>	<b>2,432,205,074.29</b>	<b>7,290,317,056.84</b>
<b>II. Changes for the year</b>							
(I) Total other comprehensive income	-	-	-	-	-	1,953,944,271.08	1,953,944,271.08
(II) Owners' contributions and reduction in capital							
1. Ordinary shares contributed by shareholders	828,100.00	-	10,578,883.00	-	-	-	11,406,983.00
2. Capital contribution by owners of other equity instruments	1,310.00	409,902,116.17	25,033.02	-	-	-	409,928,459.19
3. Share-based payment recognized in shareholders' equity	-	-	52,875,000.00	-	-	-	52,875,000.00
4. Transfer from treasury shares	-	-	(1,986,486.80)	24,502,373.16	-	-	22,515,886.36
5. Others	-	-	-	(231,031,506.46)	-	-	(231,031,506.46)
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	-	195,394,427.11	(195,394,427.11)	-
2. Distributions to shareholders	-	-	-	-	-	(1,099,138,447.50)	(1,099,138,447.50)
<b>III. Closing balance of the current year</b>	<b>2,210,172,782.00</b>	<b>409,902,116.17</b>	<b>2,302,358,003.50</b>	<b>(341,236,339.88)</b>	<b>738,004,669.96</b>	<b>3,091,616,470.76</b>	<b>8,410,817,702.51</b>

For the year ended 31 December 2021

Statement of Changes in Owners' Equity of the Company - continued

Unit: RMB

ITEM	2020					
	Share capital	Capital reserve	Less: Treasury shares	Surplus reserve	Retained profits	Total shareholders' equity
<b>I. Opening balance of the current year</b>	<b>2,179,088,030.00</b>	<b>1,774,632,757.86</b>	<b>(154,978,351.25)</b>	<b>390,854,336.82</b>	<b>1,445,844,945.61</b>	<b>5,635,441,719.04</b>
<b>II. Changes for the year</b>						
(I) Total other comprehensive income	-	-	-	-	1,517,559,060.28	1,517,559,060.28
(II) Owners' contributions and reduction in capital						
1. Ordinary shares contributed by shareholders	30,255,342.00	424,877,744.65	-	-	-	455,133,086.65
2. Share-based payment recognized in shareholders' equity	-	44,767,117.44	-	-	-	44,767,117.44
3. Transfer from treasury shares	-	(3,412,045.67)	20,271,144.67			16,859,099.00
(III) Profit distribution						
1. Transfer to surplus reserve	-	-	-	151,755,906.03	(151,755,906.03)	-
2. Distributions to shareholders	-	-	-	-	(379,443,025.57)	(379,443,025.57)
<b>III. Closing balance of the current year</b>	<b>2,209,343,372.00</b>	<b>2,240,865,574.28</b>	<b>(134,707,206.58)</b>	<b>542,610,242.85</b>	<b>2,432,205,074.29</b>	<b>7,290,317,056.84</b>

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

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**(I) BASIC INFORMATION ABOUT THE COMPANY**

Universal Scientific Industrial (Shanghai) Co., Ltd. (环旭电子股份有限公司) ("Company" or "the Company") is a joint-stock limited company changed from Universal Scientific Industrial (Shanghai) Co., Ltd. (环旭电子(上海)有限公司) (the "Limited Company") on an overall basis.

The Limited Company is a foreign-funded enterprise invested and established in Zhangjiang Integrated Circuit Port, Pudong New District, Shanghai on 2 January 2003.

On 17 June 2008, the Limited Company was approved to be changed into a foreign-invested joint-stock company and renamed as Universal Scientific Industrial (Shanghai) Co., Ltd. (环旭电子股份有限公司) in accordance with the Official Reply (Shang Zi Pi No. [2008] 654) of the Ministry of Commerce of the People's Republic of China. As of 31 December 2021, the registered capital of the Company was RMB 2,209,609,072.00.

The Company was listed on the Shanghai Stock Exchange in February 2012 and publicly issued Class A Ordinary shares in RMB in China.

The Company is headquartered in Shanghai, the People's Republic of China, which is mainly engaged in providing design and manufacturing services (DMS) for electronic products, designing, producing and processing new electronic components, high-performance motherboard for computers, wireless network communication components, mobile communication products and modules, spare parts, repairing the above products, selling self-produced products, and providing relevant technical consulting services; wholesale, import and export of electronic products, communication products and related spare parts, and providing relevant supporting services. See Notes (VII), 1 for the business nature of the Company's subsidiaries.

The Company's and consolidated financial statements were approved by the board of directors of the Company and authorized for issue on 25 March 2022.

The details of scope of the consolidated financial statements for the year are set out in Note (VII) "Interests in Other Entities". The change of the consolidated financial statements mainly lay in more subsidiaries of the Company in the current year, please refer to Note (VI) "Changes in Scope of Consolidation" for more details.

**(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Basis of preparation

The Company and its subsidiaries (collectively referred to as the "Group") have adopted the Accounting Standards for Business Enterprises ("ASBE") and relative regulations issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014).

Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2021 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group 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.

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

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**(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued**

Basis of accounting and principle of measurement – continued

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 measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

The capacity of market participants to realize the maximum profit of non-financial assets, or the capacity of other participants who acquired non-financial assets to realize the maximum profit will be considered when measuring fair values of such non-financial assets.

For a financial asset taking the transaction price as its fair value on initial recognition and using valuation techniques involving unobservable inputs in subsequent measurement of fair value, such valuation technique is corrected in the valuation process, as to ensure that the initial recognition result determined by valuation techniques is equal to the transaction price.

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, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

**1. Statement of compliance with the ASBE**

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

**2. Accounting period**

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

**3. Operating cycle**

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group's operating cycle is less than 12 months, and the Group takes 12 months as the criteria for determining liquidity of assets and liabilities.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**4. Functional currency**

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company chooses RMB as its functional currency, while its domestic subsidiaries adopts RMB as their functional currency except those adopt USD as their functional currency as their sales of goods, purchase of raw materials and other expenses are settled in USD and their financing is made in USD. The Company's foreign subsidiary chooses USD, JYP, TWD, PLN, EUR or TND as its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

**5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control**

**5.1 Business combinations not involving enterprises under common control and goodwill**

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquire. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

When the business combination contract provides that, upon the occurrence of multiple future contingencies, the acquirer shall pay an additional or request for recovery of part of the previously paid consideration for the combination, such contingent consideration as set out in the contract shall be recognized as a liability or asset by the Group as a part of the aggregate consideration transferred in the business combination, and be included in the cost of combination at the fair value at the acquisition date. Within twelve months after the acquisition, if the contingent consideration needs to be adjusted as new or further evidences are obtained in respect of circumstances existed as of the acquisition date, the amount preciously included in the goodwill shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be measured in accordance with the *Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement* and the *Accounting Standards for Business Enterprises No. 13 – Contingencies*. Any change or adjustment is included in profit or loss for the current period].

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognizes and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognized and measured on the acquisition date.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**6. Preparation of consolidated financial statements**

6.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

The combination of subsidiaries begins with the Group's control over the subsidiary, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control[or the combined party under combination by merge, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "Profit or loss attributable to minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained profits.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**7. Classification of joint arrangements and accounting treatments of joint operations**

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 13.3.2 "Long-term equity investments accounted for using the equity method" for details.

**8. Recognition criteria of cash and cash equivalents**

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

**9. Translation of transactions and financial statements denominated in foreign currencies**

**9.1 Transactions denominated in foreign currencies**

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction. The exchange rate that approximates the actual spot exchange rate on the date of transaction is calculated and determined according to the middle price of the market exchange rate at the beginning of the month in which the transaction occurs.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than the amortized cost) of monetary items at fair value through other comprehensive income are recognized as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies " in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**9 Translation of transactions and financial statements denominated in foreign currencies – continued**

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at an exchange rates that approximate the actual spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The closing balances and the actual amounts of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain equity investments or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under owners' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group's losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

**10. Financial instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

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

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognized. For accounts receivable recognized that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered by the Group, which are within the scope of *Accounting Standards for Business Enterprises No.14 - Revenue* (hereinafter referred to as "revenue standards"), transaction prices defined in the standards shall be adopted on initial recognition.

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**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

The effective interest method is a method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss 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 asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the 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 credit loss allowance (only applicable to financial assets).

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortized cost, which include cash and bank balances, notes receivable, accounts receivable, other receivables, non-current assets due within one year and long-term receivables and etc.

Financial assets are subsequently measured at fair value through other comprehensive income ("FVOCI") when (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and (2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets due over one year since acquisition are presented as other debt investments. Other debt investments due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year. Accounts receivable and notes receivable at FVOCI since acquisition are presented as factoring with receivables, other items due within one year (inclusive) are presented as other current assets.

On initial recognition, the Group may irrevocably designate non-trading equity instruments, other than contingent consideration recognized through business combination not involving enterprises under common control, as financial assets at FVOCI on an individual basis. Such financial assets at FVOCI are presented as other equity instrument.

A financial asset is classified as held-for-trading if one of the following conditions is satisfied:

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- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not a financial guarantee contract or designated and effective as a hedging instrument.

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

**10. Financial instruments - continued**

10.1 Classification, recognition and measurement of financial assets - continued

Financial assets measured at fair value through profit or loss ("FVTPL") include those classified as financial assets at FVTPL and those designated as financial assets at FVTPL.

- Any financial assets that does not qualify for amortized cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL.
- Upon initial recognition, in order to eliminate or significantly reduce accounting mismatch and qualified hybrid financial instrument combines financial asset with embedded derivatives, the Group will irrevocably designated it as financial liabilities at FVTPL.

Financial assets at FVTPL assets other than derivative financial assets are presented as "held-for-trading financial assets". Such financial assets at FVTPL which may fall due more than one year (or without fixed term) since the balance sheet date and will be held more than one year are presented as other non-current financial assets.

10.1.1 Financial assets measured at amortized cost

The 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.

The Group recognizes interest income from financial assets classified as financial assets at amortized cost using the effective interest method. The Group calculates and recognizes interest income through account balance of financial assets multiplying effective interest, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- For purchased or originated financial assets without credit impairment incurred while with credit impairment incurred in subsequent periods, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is reduced during subsequent periods and credit impairment does not exist, and the improvement can be related to an event occurring after application of aforesaid provisions, the Group shall calculate and recognize interest income through account balance of financial assets multiplying effective interest.

10.1.2 Financial assets at FVTOCI

Impairment losses or gains related to financial assets at FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period, except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. Amounts charged to profit or loss for every period equal to the amount charged to profit or loss as it is measured at amortized costs. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

Changes in fair value of non-trading equity instrument investments designated as financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative gains or losses previously recognized in other comprehensive income allocated to the part derecognized are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, revenue from dividends is recognized in profit or loss for the current period when (1) the Group has established the right of collecting

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dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.1 Classification, recognition and measurement of financial assets - continued

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Gain or loss arising from changes in fair values and dividends and interests related to the financial assets are recognized in profit or loss.

10.2 Impairment of financial instruments

The Group makes accounting treatment on impairment and recognizes loss allowance for expected credit losses ("ECL") on financial assets measured at amortized cost, financial assets classified as at FVTOCI and lease receivables.

The Group makes a loss allowance against amount of lifetime ECL of notes receivable and accounts receivable arising from transactions adopting the Revenue Standard as well as lease receivables arising from transactions adopting *ASBE No. 21- Leases*.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. For the financial assets classified as at FVTOCI, the Group recognizes credit loss allowance in other comprehensive income and recognizes the loss/gain on impairment in profit or loss, while the Group does not decrease the carrying amount of such financial assets in the balance sheet.

In the previous accounting period, the Group has measured the loss allowance according to the amount of ECL for the entire period of the financial instrument, but on the current balance sheet date, the financial instrument is no longer a significant increase in credit risk since the initial recognition. The Group measures the loss allowance for the financial instrument on the balance sheet date based on the amount of ECL in the next 12 months. The reversal amount of the loss allowance formed is recognized in profit and loss for the period as an impairment gain.

10.2.1 Significant increase of credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

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

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.2 Impairment of financial instruments - continued

10.2.1 Significant increase of credit risk - continued

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- (2) 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.
- (3) Significant changes in actual or expected external credit rating for the financial instruments;
- (4) An actual or expected internal credit rating downgrade for the borrower
- (5) Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- (6) An actual or expected significant change in the operating results of the debtor;
- (7) Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- (8) Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- (9) Significant changes in the expected performance and behavior of the debtor;
- (10) Changes in the entity's credit management approach in relation to the financial instrument;

No matter whether credit risk has increased significantly or not subsequent to aforementioned assessment, the Group considers credit risk of financial instruments has increased significantly when contractual payments of financial instruments past due over 30 days (inclusive).

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

10.2.2 Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes but not limited to the following observable events:

- (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 creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

Whatever the aforementioned assessment results are, the Group presumes that the financial instruments has defaulted when contractual payments of financial instruments past due over 90 days (inclusive).

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.2 Impairment of financial instruments - continued

10.2.3 Determination of expected credit loss

Lease receivables are assessed for ECL individually by the Group. In addition, the Group uses provision matrix to calculate ECL for notes receivable and accounts receivable based on aging. According to the Group's assessment of the credit risk of accounts receivable, the aging information can reflect the customer's ability of repayment at the maturity of accounts receivable.

For other receivables, the credit loss of relevant financial instruments shall be determined on a portfolio basis in addition to those individually significant. The Group classifies financial instruments into different groups based on common risk characteristics. Common credit risk characteristics include the date of initial recognition, remaining contractual maturity, etc.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a lease receivable, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial asset with credit-impaired at the balance sheet date, but not purchased or originated credit-impaired, a credit losses is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

10.2.4 Write-down of financial assets

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

10.3 Transfer of financial assets

The Group will derecognize a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; (ii) 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 (iii) although the financial asset has been transferred, the Group 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.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.3 Transfer of financial assets - continued

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If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability. The Group will measure relevant liabilities as follows:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred at the derecognition date; and (2) the sum of the consideration received from the transfer of financial assets and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the financial assets transferred by the Group are designated as equity instrument investments at fair value through other comprehensive income that are not held for trading, the cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the financial assets transferred by the Group are designated as equity instrument investments at fair value through other comprehensive income that are not held for trading, the cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continue to recognize the transferred financial asset in its entirety and recognize the consideration received as financial liabilities.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.4 Classification of financial liabilities and equity instruments

The Group classifies the financial instrument or its components into financial liabilities or equity instruments at initial recognition on the basis of the terms of the contract of the financial instruments, the economic substance as well as legal form reflected, and the definition of financial liabilities or equity instruments.

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at FVTPL. Except that the derivative financial liability is presented separately, financial liabilities at FVTPL are presented as financial liabilities held-for-trading.

A financial liability is classified as held-for-trading if one of the following conditions is satisfied:

- It has been assumed principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated as a financial guarantee contract and effective as a hedging instrument.

On initial recognition, financial liabilities that meet one of the following conditions are designated as financial liabilities at fair value through profit or loss: (1) Such designation eliminates or significantly reduces accounting mismatch; (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) The qualified hybrid financial instrument combines financial liability with embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

1 10.4 Classification of financial liabilities and equity instruments - continued

10.4.1 Classification, recognition and measurement of financial liabilities - continued

10.4.1.1 Financial liabilities at FVTPL - continued

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Other gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

10.4.1.2 Other financial liabilities

Other financial liabilities except for the financial liabilities arising from the transferred financial assets that do not qualify for derecognition or financial liabilities arising from continuing involvement in the transferred financial asset are classified as financial liabilities measured at amortized cost, and are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss.

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

10.4.2 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing 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 Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.4.3 Equity instruments

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

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

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**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.5 Derivatives and embedded derivatives

Derivative financial instruments include forward exchange contracts, resale option and redemption option for convertible bonds, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

If the host contract included in the hybrid contract is not a financial asset and meet all of the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a stand-alone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not highly related to the economic characteristics and risks of the host contract;
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the applicable standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host contract. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent balance sheet date after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

10.6 Offsetting financial assets and financial liabilities

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

10.7 Compound instruments

Convertible bonds issued by the Group that contain both the liability, the conversion option, the resale option and redemption option are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the liability, resale option derivatives and redemption option derivatives are initially measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability, resale option derivatives and redemption option derivatives, representing the conversion option for the holder to convert the bonds into equity instrument, is included in other equity instruments.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.7 Compound instruments - continued

In subsequent periods, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The resale option derivatives and redemption option derivatives are measured at fair value with changes in fair value recognized in profit or loss. The conversion option classified as equity instruments remains in equity instruments. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of the convertible bonds are allocated to the liability, equity instruments, resale option derivative components and redemption option derivative components in proportion to their respective fair values. Transaction costs relating to the resale option derivative components and redemption option are charged to profit or loss. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible loan notes using the effective interest method. Transaction costs relating to the equity instruments component are charged directly to equity instruments.

**11. Inventories**

11.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, reusable materials, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

11.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**11. Inventories - continued**

11.5 Amortization method for other reusable materials

Other reusable materials are amortized using the multiple-stage amortization method.

**12. Assets classified as held-for-sale**

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period. Losses of assets that are classified as held for sale are not reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

**13. Long-term equity investments**

13.1 Determination criteria of joint control and significant influence

Control is achieved when the Group has the power over the investee, is exposed or, has the rights to, variable returns from its involvement with the investee; and has the ability to use its power to affect its return. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**13. Long-term equity investments - continued**

13.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition at the date of combination.

The expenses incurred by the acquirer or in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to [additional investment], the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standards for Business Enterprises No.22 - Financial Instruments; Recognition and Measurement* (CAS 22) and the additional investment cost.

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 Long-term equity investment accounted for using the cost method

The Company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

13.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**13. Long-term equity investments - continued**

13.3 Subsequent measurement and recognition of profit or loss - continued

13.3.2 Long-term equity investment accounted for using the equity method - continued

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognized. However, unrealized losses are not eliminated if they result from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

13.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

**14. Fixed assets**

14.1 Recognition criteria for 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 Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

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

14.2 Depreciation method

In addition of lands operated overseas for which no depreciation is provided, 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.

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

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**14. Fixed assets - continued**

14.2 Depreciation method - continued

The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	12-35 years	-	2.86-8.33
Machinery and equipment	3-8 years	-	12.50-33.33
Transportation vehicles	2-6 years	-	16.67-50.00
Electronic equipment, fixtures and furniture	3-10 years	-	10.00-33.33
Decoration costs	3-10 years	-	10.00-33.33

Estimated net residual value of a fixed asset is the estimated amount that the Group 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.

14.3 Other descriptions

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

**15. Construction in progress**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

**16. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Intangible asset

*17.1 Valuation method, useful life and impairment test of intangible assets*

Intangible assets include software, patents, trademarks, land use rights and customer relations, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original is amortized over its estimated useful life using the straight-line method.

The amortization methods, useful lives, and estimated net residual value rates of each class of fixed assets are as follows:

*17.1 Valuation method, useful life and impairment test of intangible assets - continued*

Category	Amortization method	Useful life (Years)	Residual value rate (%)
Land Use Rights	Straight-line method	50 years	-
Software	Straight-line method	3-10 years	-
Patents	Straight-line method	3-20 years	-
Trademarks	Straight-line method	10 years	-
Customer relation	Straight-line method	16 years	-

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

For the impairment test of intangible assets, see Notes (III), 18 for details.

*17.2 Accounting policies on research and development expenditure*

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The cost of intangible assets formed in internal development activities only includes the total amount of expenditures from the time point when the capitalization conditions are met to the time when the intangible assets reach the predetermined uses. For the same intangible asset, the expenditures that have been expensed into profit and loss before the capitalization conditions are met in the development process will not be adjusted.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**18. Impairment of long-term assets**

The Group reviews the long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life, and assets relating to contract cost at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

In determining impairment loss of assets associated with contract costs, impairment loss shall be determined in accordance with other assets associated with contracts and recognized in according to other relevant accounting standards for business enterprises; then, the Group shall make impairment allowance and recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset associated with contract costs recognized exceeds: (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (ii) the costs expected to be incurred to transfer the relative goods or services.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group on the pro-rata basis of the carrying amount of each asset (other than goodwill) in the group.

Except for impairment loss of assets related to contract costs, once an impairment loss of assets above is recognized, it will not be reversed in any subsequent period. The Group shall recognize in profit or loss a reversal of an impairment loss previously recognized when the impairment conditions have changed. The reversed carrying amount of the asset at the reversal date shall not exceed the amount that would have been determined if no impairment loss had been recognized previously.

**19. Long-term prepaid expenses**

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

**20. Contract liabilities**

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**21. Employee benefits**

21.1 Accounting treatment of short-term 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 Group. Staff welfare expenses incurred by the Group 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 Group 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.

21.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

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

For defined benefit plans, the Group calculates defined benefit plan obligations using projected unit credit method and the service cost resulting from employee service in the current period is recorded in profit or loss or the cost of relevant assets. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on settlements);
- net interest of net liabilities or assets of defined benefit plan (including interest income of planned assets, interest expenses of defined benefit plan obligations and effect of asset ceiling); and
- Changes arising from re-measurement of net liabilities or net assets of defined benefit plans

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Re-measurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

Deficit or surplus from present value of obligation of defined benefit plans less fair value of planned asset of defined benefit plans are recognized as net liabilities or net assets of a defined benefit plan.

21.3 Accounting treatment of termination benefits

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

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**22. Provisions**

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

**23. Share-based payments**

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

23.1 Equity-settled share-based payments

Equity-settled share-based payments granted to employees

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments expected to vest, with a corresponding increase in capital reserve.

23.2 Accounting treatment related to implementation, modification and termination of share-based payment arrangement

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all of the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**24. Revenue**

The revenue of the Group mainly comes from the sales of electronic products. The products sold by the Group mainly include communication products, consumer electronic products, computer and storage products, industrial products, automotive electronic products, medical products and other products. Other operating income is mainly waste sales income.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. A performance obligation is the Group's promise to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer. The transaction price is the amount of consideration to which the Group 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 Group expects to refund to the customer.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates the estimated transaction price.

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to charge due to the transfer of goods to the customer, and recognizes liabilities in accordance with expected refund amounts due to sales returns. Meanwhile, the carrying amount at the time of transfer of goods expected to be returned, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset and carried forward to cost at the carrying amount at which goods are transferred, net of the cost of asset.

For sales with warranties, if the warranties are separate services to the customer other than serving as an assurance that the products sold comply with agreed-upon specifications, the warranties constitute single performance obligations. Otherwise, the Group accounts for warranties in accordance with the *Accounting Standards for Business Enterprises No. 13 – Contingencies* (ASBE No.13).

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**24. Revenue - continued**

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the "control" of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount.

Where payment is received in advance, the advance payment received shall be recorded as a liability and recognized as revenue when the relevant performance obligation is satisfied.

**25. Contract costs**

Costs of obtaining a contract

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Company recognizes it as an asset and the asset shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period. If the amortization period of the asset does not exceed one year, it is recognized in profit or loss for the period in which it occurs. Other expenses incurred by the Company for obtaining the contract are recognized in profit or loss for the period in which it occurs, except as expressly borne by the customer.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of any standards other than Revenue Standards, the Group recognizes an inventory from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset mentioned above shall be amortized on a basis that is consistent with the revenue recognition of the goods or services to which the asset relates and recognized in profit or loss for the period.

**26. Government grants**

Government grants are monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**26. Government grants - continued**

26.1 Determination basis and accounting treatment of government grants related to assets

See Notes (V), 36 for details of the Group's government grants related to assets.

A government grant related to an asset is recognized as deferred income and included in profit or loss over the useful life of the related asset with the straight-line method.

26.2 Determination basis and accounting treatment of government grants related to income

See Notes (V), 51 for details of the Group's government grants related to income. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income over the periods in which the related costs or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

**27. Deferred tax assets/ deferred tax liabilities**

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

27.1 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.

27.2 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 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.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**27. Deferred tax assets/ deferred tax liabilities - continued**

27.2 Deferred tax assets and deferred tax liabilities - continued

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

27.3 Income tax offsetting

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**28. Leases**

Lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

For contracts that are signed or modified after the date of initial application, at inception/modification of the contracts, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contract are changed, the Group does not reassess whether a contract is, or contains, a lease.

28.1 The Group as Lessee

28.1.1 Right-of-use assets

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group recognizes a right-of-use assets. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Group. The Group measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by the Group in accordance with the ASBE No.4 Fixed Assets. If the Group is reasonably certain, that the lease will transfer ownership of the underlying asset to the Group by the end of the lease term, the right-of-use assets is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use assets is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

The Group applies *ASBE No. 8 Impairment of Assets*, to determine whether the right-of-use assets are impaired and perform accounting treatment to identified impairment loss.

28.1.2 Lease liabilities

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. If the interest rate implicit in the lease cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments comprise the following payments by the Group for the right to use the underlying asset during the lease term:

- (1) Fixed payments (including in-substance fixed payments), less any lease incentives;
- (2) The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- (3) Payments for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease;
- (4) Amounts expected to be payable by the Group under residual value guarantees.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**28. Leases - continued**

28.1 The Group as Lessee - continued

28.1.2 Lease liabilities - continued

After the lease commencement date, interest expenses on lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest, and recognized in profit or loss or related costs of assets.

After the lease commencement date, the Group re-measures lease liabilities and makes a corresponding adjustment to the related right-of-use assets in case of the following conditions. Where the carrying amount of the right-of-use assets has been reduced to zero and the lease liabilities still need to be reduced, the deficit is recognized in profit or loss:

- there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group re-measures the lease liabilities, on the basis of the revised lease term and the revised discount rate;
- there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group re-measures the lease liabilities, on the basis of the revised lease payments and the unchanged discount rate.

28.1.3 Short-term leases and leases of low-value assets

For short-term leases of machinery and equipment and leases of low-value assets to which the recognition exemption is applied by the Group, right-of-use assets and lease liabilities are not recognized. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

28.1.4 Lease modifications

A lease modification should be accounted for as a separate lease if both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price according to the circumstances of the particular contract

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group should allocate the consideration in the modified contract, determine the lease term of the modified lease and remeasure the lease liability by discounting the revised payments using a revised discount rate.

For lease modifications that decrease the scope of the lease or narrow the term of the lease, the Group should decrease the carrying amount of the right-of-use asset with any gain or loss relating to the partial or full termination of the lease should be recognized in profit or loss. For remeasurement of lease liabilities from all other lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

28.2 The Group as Lessor

28.2.1 Classification of leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

28.2 The Group as Lessor – continued

28.2.1.1 The Group as lessor under operating leases

The Group recognizes lease payments from operating leases as income on a straight-line basis. The Group capitalizes initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

28.2.2 Subleases

As a lessor of the sublease, the Group accounts for the original lease contract and the sublease contract as two separate contracts. The Group classifies the subleases based on the right-of-use assets generating from the original lease rather than the underlying assets of the original lease.

**29. Hedge accounting**

29.1. Basis for using hedge accounting and accounting treatment method

Certain financial instruments are used as hedging instruments by the Group for the purpose of managing the risk exposure arising from specific risk, such as exchange rate risk, etc. The Group applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Group include hedges of net investment in foreign operations.

At the inception of hedging, the Group officially designated hedging instruments and hedged items, and prepared written documents recording the nature of hedging instruments, hedged items, hedged risks, and hedge effectiveness evaluation methods (including the analysis of the causes of invalid hedges and methods to determine the hedge ratio).

The Group will discontinue hedge accounting when one of the following conditions occurs:

- Due to changes in risk management objectives, the hedging relationship no longer meets the risk management objectives.
- The hedging instrument expires, or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instruments, or in the changes of the value arising from the economic relationship between the hedged item and the hedging instrument, the impact of credit risk begins to dominate.
- The hedging relationship no longer meets other conditions for using the hedge accounting methods.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

When disposing of all or part of foreign operations, the profits or losses of the above hedging instruments included in other comprehensive income shall be reclassified in the current profits and losses.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**29 Hedge accounting – continued**

29.2 Methods of assessing effectiveness of hedges

The Group continuously evaluates whether the hedging relationship meets the requirements of hedging effectiveness on and after the inception date of hedging. If the hedging meets the following conditions at the same time, the Group will determine that the hedging relationship meets the requirements for hedging effectiveness:

- There is an economic relationship between hedged items and hedging instruments.
- Among the value changes caused by the economic relationship between hedged items and hedging instruments, the impact of credit risk does not dominate.
- The hedging ratio of the hedging relationship will be equal to the ratio of the actual number of the Group's hedging items to the actual number of hedging instruments.

If the hedging relationship no longer meets the requirement of hedging effectiveness due to the hedging ratio, but the risk management objectives of the hedging relationship have not changed, the Group will rebalance the hedging relationship. The number of hedged items or hedging instruments in the hedging relationship is adjusted so that the hedging ratio meets the requirements of hedging effectiveness again.

**30. Critical Judgments in Applying Accounting Policies and Key Assumptions and Uncertainties in Accounting Estimate**

In the application of the Group's accounting policies, which are described in Note (III), the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

-Key assumptions and uncertainties in accounting estimates

At balance sheet date, the following are the key assumptions and uncertainties in accounting estimates, it is probable that carrying amounts of assets and liabilities in future periods may be significantly adjusted:

Impairment of accounts receivable

The Group's accounts receivable arise from transactions under the Revenue Standards and contain no significant financing component. When evaluating the provision for ECL of the accounts receivable, the management needs to collect the existing information and use significant accounting estimates, as well as collect information including historical bad debt records, default or delayed payment, as well as aging of accounts receivable and other factors to estimate and review the amount of lifetime ECL of the accounts receivable. As of 31 December 2021, the balance of the Group's provision for credit losses of accounts receivable was RMB 9,974,696.34 (31 December 2020: RMB 5,521,456.88).

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**30. Critical Judgments in Applying Accounting Policies and Key Assumptions and Uncertainties in Accounting Estimate - continued**

Inventories

The Group makes provision for the decline in the value of inventory according to the difference between the inventory costs beyond its net realizable value. The recognition of the net realizable value of inventories requires the estimation of the expected sales in the future and the estimation of the costs, expenses and taxes to be incurred. The differences (if any) between the re-estimated value and the current estimate will impact the carrying amount of the inventories over the period in which the estimate is changed. As of 31 December 2021, the balance of the Group's provision for the decline in the value of inventories was RMB 107,428,347.47 (31 December 2020: RMB 98,947,405.40).

Deferred tax assets

The benefit of the deferred tax assets may depend on the future taxable profits and the expected tax rate when associated deductible temporary differences is realized. If future taxable profits or actual tax rate is less than expected, the carrying amounts of deferred tax assets will be reduced and the reduction will be reversed to profits or losses in the corresponding period. As of 31 December 2021, the Group had recognized the deferred tax assets of RMB 324,056,763.90 (31 December 2020: RMB 312,238,903.06).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows. When considering future cash flows and discount rates, changes in key assumptions such as discount rates and long-term growth rates used by the Group may have a significant impact on the present value of future cash flows used in the impairment testing.

Useful life and estimated net residual value of fixed assets

As disclosed in Note (III) 14, the Group reviews the useful life and estimated net residual value of a fixed asset at least once at each financial year-end. Technological innovations and intense competition in the industry have a significant impact on the estimation of useful life. The Group's management did not find anything that might shorten or extend the useful life of fixed assets of the Group or require changing the estimated net residual value.

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**31. Changes in important accounting policies and accounting estimates**

31.1 Changes in important accounting policies

**Interpretation of accounting standards for Business Enterprises No. 14**

The implementation of the accounting standards for business enterprises (hereinafter referred to as "the interpretation of the accounting standards for business enterprises reform No. 14" issued by the Ministry of Finance on 26 January 2021) resulted in the change of the basis of interest rate.

Accounting treatment for changes in the basis for determining the cash flow of relevant contracts caused by the reform of benchmark interest rate

In the case that the benchmark interest rate reform leads to the change of the basis for determining the cash flow of relevant contracts, when only the benchmark interest rate reform directly leads to the change of the basis for determining the cash flow of financial assets or financial liabilities that use the effective interest rate method to determine the interest income or expenses, and the determination basis before and after the change is economically equivalent, the group refers to the treatment method of the change of floating interest rate. The effective interest rate is recalculated according to the future cash flow changed only due to the benchmark interest rate reform, and subsequent measurement is carried out on this basis.

In addition to the above changes, if there are other changes in the financial assets or financial liabilities that use the effective interest rate method to determine the interest income or expenses at the same time, the group will conduct accounting treatment for the changes caused by the reform of the benchmark interest rate according to the above provisions, and then evaluate whether other changes lead to the termination of the recognition of the financial assets or financial liabilities according to the accounting standards for Business Enterprises No. 22 - recognition and measurement of financial instruments.

Since January 1, 2021, the group has handled the business related to the benchmark interest rate reform in accordance with the provisions of Interpretation No. 14. After evaluation, the Group believes that the adoption of this provision has no significant impact on the financial statements of the group.

**Interpretation of accounting standards for Business Enterprises No. 15**

The Ministry of Finance issued and implemented the interpretation of accounting standards for Business Enterprises No. 15 (hereinafter referred to as "Interpretation No. 15") on December 30, 2021, which standardized the presentation of centralized and unified management of the funds of the parent company and member units through internal settlement centers and financial companies. According to Interpretation No. 15, the group adjusted the presentation of the parent company's financial statements and adjusted the data of comparable periods accordingly. The specific adjustments are as follows:

Item	Note	31 December 2020	Adjustment	1 January 2021
Short-term borrowings	Note(XV), 8	880,570,700.00	(880,570,700.00)	-
Other payables	Note(XV), 8	53,803,484.23	880,570,700.00	934,374,184.23

**(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**31. Changes in important accounting policies and accounting estimates- continued**

**Presentation of freight expense**

According to the question and answer on the implementation of the fifth batch of accounting standards for business enterprises in 2021 issued by the accounting department of the Ministry of Finance on 1 November 2021, the relevant transportation costs incurred by the group for the transportation services that do not constitute a single performance obligation in order to perform the customer's contract before the transfer of commodity control to the customer are regarded as the contract performance costs, amortized on the same basis as the recognition of commodity income and included in the current profit and loss, Listed in "operating costs" in the income statement.

The group adjusted the data of comparable periods as follows:

Consolidated income statement:

Unit:  
RMB

Item	2020 not adjusted	Adjustment	2020 adjusted
Operating costs	42,710,970,315.86	98,579,798.28	42,809,550,114.14
Selling expense	318,472,090.03	(98,579,798.28)	219,892,291.75

Income statement of the Company:

Unit: RMB

Item	2020 not adjusted	Adjustment	2020 adjusted
Operating costs	15,910,266,317.21	6,435,146.24	15,916,701,463.45
Selling expense	64,832,367.86	(6,435,146.24)	58,397,221.62

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

(IV) TAXES

**Major Categories of Taxes and Tax Rates**

Category of tax	Basis of tax computation	Tax rate
Value-added tax-Chinese (Note 1)	VAT payable is the balance of output tax less deductible input tax of taxable income such as product sales income, service income, interest income and lease income. The Company and its domestic subsidiaries are general VAT taxpayers	13%, 9%, 6%, 5% and 3%
	Non-resident enterprises obtain commission income within China	6%
Value-added tax-French	VAT payable is the balance of output tax less deductible input tax of taxable income such as product sales income, service income	20%
Value-added tax-German	VAT payable is the balance of output tax less deductible input tax of taxable income such as product sales income, service income	19%
Value-added-Tunisian	VAT payable is the balance of output tax less deductible input tax of taxable income such as product sales income, service income	19%
Enterprise income tax	Taxable income	Note 2
	Non-resident enterprises obtain investment income and property transfer income from within China	10%
Property tax-Chinese	Residual value after deducting 30% from the original value of the property at one time	1.2%
City maintenance and construction tax-Chinese	Turnover tax actually paid	7% and 5%
Education surcharge-Chinese	Turnover tax actually paid	3%
Local education surcharge-Chinese	Turnover tax actually paid	2%

Note 1: The Company and its subsidiaries in China shall apply the measures for the administration of VAT exemption, credit and tax refund for the export of self-produced goods. The export tax refund rate is different according to the scope of export goods.

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

(VI) TAXES - continued

1. Major Categories of Taxes and Tax Rates - continued

Note 2: Description of enterprise income tax rate of main companies of the Group:

Name of taxpayer	Income tax rate
Universal Scientific Industrial (Shanghai) Co., Ltd.	15% (Note 1)
USI Electronics (Shenzhen) Co., Ltd.	15% (Note 2)
Universal Global Technology (Kunshan) Co., Ltd.	15% (Note 3)
Universal Global Technology (Shanghai) Co., Ltd.	15% (Note 4)
Universal Global Electronics (Shanghai) Co., Ltd.	25%
Universal Global Technology(Huizhou) Co., Ltd.	25%
Universal Global Technology Co., Limited	16.5% (Note 5)
Universal Global Industrial Co., Ltd.	16.5% (Note 5)
Universal Global Electronics Co., Ltd.	16.5% (Note 5)
Universal Global Scientific Industrial Co., Ltd.	Note 6
Universal Scientific Industrial Co., Ltd.	Note 6
USI Japan Co., Ltd.	30% (Note 7)
USI America.Inc.	21% (Note 8)
Universal Scientific Industrial De México S.A. De C.V.	30% (Note 9)
Universal Scientific Industrial Poland Sp. z o.o.	19% (Note 10)
Universal Scientific Industrial (France)	31% (Note 11)
Universal Scientific Industrial Vietnam Company Limited	20% (Note 12)
FINANCIÈRE AFG S.A.S. ("FAFG")	26.5% (Note 13)
USI (Shenzhen) Electronic Technology Innovation Co., Ltd.	20% (Note 14)

The enterprise income tax rate applicable to the Company and its subsidiaries in China is 25%.

Note 1 The Company was approved as a high-tech enterprise by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Office of the State Administration of Taxation and Shanghai Municipal Bureau of Local Taxation in 2020, and obtained the High-tech Enterprise Certificate (Certificate No. is GR202031004105), which was valid for 3 years. The Company applies the enterprise income tax rate of 15% from 2020 to 2022.

Note 2 USI Electronics (Shenzhen) Co., Ltd. was approved as a high-tech enterprise by Science and Technology Innovation Commission of Shenzhen Municipality, Shenzhen Municipal Finance Bureau, Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Municipal Bureau of Local Taxation in 2020, and obtained the High-tech Enterprise Certificate (Certificate No. is GR202044206366 respectively), which was valid for 3 years. USI Electronics (Shenzhen) Co., Ltd. applies the enterprise income tax rate of 15% from 2020 to 2022.

**(VI) TAXES - continued**

**1. Major Categories of Taxes and Tax Rates - continued**

- Note 3 Universal Global Technology (Kunshan) Co., Ltd. was approved as a high-tech enterprise by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, Jiangsu Provincial Office of State Administration of Taxation and Jiangsu Provincial Bureau Local Taxation in 2019, and obtained the High-tech Enterprise Certificate (Certificate No.: GR201932005665), which was valid for 3 years. Universal Global Technology (Kunshan) Co., Ltd. applies the enterprise income tax rate of 15% from 2019 to 2021.
- Note 4 Universal Global Technology (Shanghai) Co., Ltd. was approved as a high-tech enterprise by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Office of the State Administration of Taxation and Shanghai Municipal Bureau of Local Taxation in 2019, and obtained the High-tech Enterprise Certificate (Certificate No.: GR201931000765), which was valid for 3 years. Universal Global Technology (Shanghai) Co., Ltd. applies the enterprise income tax rate of 15% from 2019 to 2021.
- Note 5 Universal Global Technology Co., Limited, Universal Global Industrial Co., Ltd. and Universal Global Electronics Co., Ltd. ("UGE") are companies in Hong Kong, China. The applicable enterprise income tax rate is 8.25% for the part with operating profits not exceeding HKD2 million; and 16.5% for the part with operating profits exceeding HKD2 million.
- Note 6 Universal Global Scientific Industrial Co., Ltd. ("UGTW") and the Universal Scientific Industrial Co., Ltd. ("USITW") are registered and established in Taiwan, China. According to the income tax regulations in China's Taiwan region, (1) the enterprises with profit taxable income less than TWD 120,000 is exempt from profit tax; (2) the enterprises with the annual taxable income more than TWD 120,000 shall be levied at 20% of its total taxable income. But its taxable amount shall not exceed half of the taxable income of a profit-making enterprise exceeding TWD 120,000. At the same time, the income tax law in Taiwan stipulates that an additional 10% income tax shall be levied on the undistributed surplus of the current year, which shall be listed as the income tax expense of the year decided by the board of directors.
- Note 7 USI Japan Co., Ltd. is established and registered in Japan and is subject to the national tax law of Japan. According to the provisions of Japan's national tax law, the applicable tax rate is 30% to enterprises taking the taxable income as the tax base. If the taxable income of an enterprise is negative and is reported with a cyan E-Tax return (i.e. self-accounting, self-reporting and self-taxation), the accumulated deductible loss can be deducted within 9 years after the year in which the loss occurs.
- Note 8 USI America. Inc. is incorporated and registered in the United States, and the applicable enterprise income tax rate is 21%. According to the tax law of California where the enterprise is registered, even if there is no profit in establishing or engaging in commercial activities in the state, it is required to pay California Regional Income Tax of USD800 per year according to the Alternative Minimum Tax.
- Note 9 Universal Scientific Industrial De México S.A. De C.V. is registered and established in Mexico, and the applicable enterprise income tax rate is 30%.
- Note 10 Universal Scientific Industrial Poland Sp. z o.o. (formerly known as "Chung Hong Electronics Poland sp. z o.o.", hereinafter referred to as "USI Poland") is established and registered in Poland. The applicable enterprise income tax rate is 19%. As it is located in a special economic region, it enjoys the tax preference of temporarily exempting enterprise income tax within 40% of the initial investment in 2026 and previous years.

**(VI) TAXES - continued**

**1. Major Categories of Taxes and Tax Rates - continued**

Note 11 Universal Scientific Industrial (France) ("USI France") is established and registered in France, and the applicable enterprise income tax rate is 26.5%.

Note 12 Universal Scientific Industrial Vietnam Company Limited is established and registered in Vietnam, and the applicable enterprise income tax rate is 20%.

Note 13 FAFG is established and registered in France, and the applicable enterprise income tax rate is 26.5% (2020: 28%). The corporate income tax rate applicable to German subsidiary is 30%. The enterprise income tax rate applicable to the Tunisian subsidiary is 10%. The corporate income tax rate applicable to its U.S. subsidiaries is 21%.

Note 14 USI (Shenzhen) Electronic Technology Innovation Co., Ltd. is a small low profit enterprise with an annual taxable income of no more than 1 million yuan, and the applicable enterprise income tax rate is 20%. On the basis of the preferential policies stipulated in Article 2 of the notice of the Ministry of Finance and the State Administration of Taxation on the implementation of the preferential tax reduction and exemption policy for small and micro enterprises (Cai Shui [2019] No. 13), the enterprise income tax shall be reduced by half.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	31/12/2021			31/12/2020		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash:						
RMB			33,087.14			57,879.64
USD	1,780.99	6.3757	11,355.06	3,079.62	6.5249	20,094.21
EUR	6,615.80	7.2211	47,773.35	7,381.41	8.0132	59,148.93
HKD	3,449.00	0.8176	2,819.90	3,449.00	0.8416	2,902.68
GBP	88.69	8.6064	763.30	245.77	8.8733	2,180.79
MXN	58,724.73	0.3097	18,187.05	95,028.58	0.3279	31,155.21
TWD	-	0.2303	-	7,000.00	0.2291	1,603.73
PLN	872.35	1.5717	1,371.07	3,996.09	1.7520	7,000.99
TND	3,575.10	2.2027	7,874.87	4,065.80	2.4220	9,847.42
CZK	11,354.00	0.2905	3,298.34	307.11	0.3052	93.74
Bank balances:						
RMB			3,223,904,450.96			2,424,611,902.07
USD	354,462,759.18	6.3757	2,259,948,213.70	489,746,536.78	6.5249	3,195,519,234.87
EUR	31,246,531.53	7.2211	225,634,328.83	55,369,519.99	8.0132	443,688,681.50
HKD	1,620,167.96	0.8176	1,324,649.32	678,266.20	0.8416	570,828.83
JPY	156,717,025.00	0.0554	8,682,123.19	154,186,212.00	0.0632	9,750,736.05
GBP	2,048,505.76	8.6064	17,630,259.97	1,444,985.22	8.8733	12,821,787.35
MXN	24,473,638.08	0.3097	7,579,485.71	41,664,873.91	0.3279	13,659,870.58
TWD	789,726,120.00	0.2303	181,873,925.44	524,752,787.00	0.2291	120,223,277.36
SGD	10,662.56	4.7179	50,304.89	-	-	-
TND	2,197,327.05	2.2027	4,840,052.29	2,562,784.67	2.4220	6,207,095.22
CZK	-	0.2905	-	337,377.20	0.3052	102,982.03
PLN	28,624,457.86	1.5717	44,989,060.42	40,036,621.39	1.7520	70,142,559.21
VDN	138,699,105,966.00	0.0003	41,609,731.79	20,259,512,680.00	0.0003	5,733,442.09
Other currency funds:						
RMB			6,000,000.00			3,052,500.00
TWD	28,000,000.00	0.2303	6,449,408.00	28,000,000.00	0.2291	6,414,928.80
JPY	1,000,000.00	0.0554	55,420.00	1,000,000.00	0.0632	63,240.00
USD	549,915.72	6.3757	3,506,097.66	3,099,993.00	6.5249	20,227,144.33
<b>Total</b>			<b>6,034,204,042.25</b>			<b>6,332,982,117.63</b>
Including: Total amounts kept in a foreign country			1,534,415,183.17			1,331,906,175.91

As at 31 December 2021, the Group's restricted cash and bank balances included in other cash and bank balances amounted to RMB 16,010,925.66 (31 December 2020: RMB 29,757,813.13), of which RMB 12,504,828.00 (31 December 2020: RMB 9,530,668.80) was the customs deposit and RMB 3,506,097.66 (31 December 2020: RMB 20,227,144.33) was the interest deposit for long-term borrowings. The restricted other cash and bank balances aforementioned are not included in cash and cash equivalents in the preparation of the cash flow statements.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Held-for-trading financial assets

Unit: RMB

Item	31/12/2021	31/12/2020
Financial assets at fair value through profit or loss	96,480,087.56	182,315,272.70
Including: Accounts receivable factoring (Note 1)	87,238,983.18	174,458,243.25
Convertible bonds option (Note 2)	8,624,935.00	-
Derivative financial assets (Note 3)	616,169.38	2,582,926.51
Financial products	-	5,274,102.94

Note 1: The accounts receivable are classified as financial assets at fair value through profit or loss since the Group manages accounts receivable from certain specific customers only for the purpose of selling such financial assets through factoring.

Note 2: See Note V, 31 for details of convertible bonds.

Note 3: The derivative financial assets held by the Group are foreign exchange forward contract.

3. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Category	31/12/2021	31/12/2020
Bank acceptances	78,960,907.84	70,395,770.23

(2) As of 31 December 2021, the Group had no notes receivable that have been pledged as security.

(3) As of 31 December 2021, the Group had no notes receivable that have been endorsed or discounted and were not yet matured at the balance sheet date.

(4) As of 31 December 2021, the Group had no notes that were converted to accounts receivable due to the default of the issuer.

(5) As of 31 December 2021, the Group made no provision for credit loss since the Group considered that the accepting banks of the bank acceptances held by it were of high ratings and no significant credit risk was expected to exist.

(6) In 2021, the Group had no notes receivable that have been written off.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable

(1) Categories of accounts receivable

Unit: RMB

Category	31/12/2021	31/12/2020
Accounts receivable arising from contracts with customers	12,469,363,548.49	10,474,140,977.04
Less: Bad debt provision	9,974,696.34	5,521,456.88
<b>Total</b>	<b>12,459,388,852.15</b>	<b>10,468,619,520.16</b>

(2) Disclosure of provision made for bad debts

As part of the Group's credit risk management, the expected credit losses on accounts receivable are assessed using the aging analysis approach. According to the Group's assessment on credit risk, the aging reflects the solvency of customers when the receivables are due.

At 31 December 2021, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2021			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	0.01	12,037,509,644.74	1,771,899.34	12,035,737,745.40
1-30 days overdue	0.25	365,030,750.34	915,092.02	364,115,658.32
31-60 days overdue	2.67	48,524,104.67	1,297,712.21	47,226,392.46
61-90 days overdue	18.18	6,754,233.22	1,227,837.25	5,526,395.97
91-180 days overdue	26.63	9,244,001.65	2,461,341.65	6,782,660.00
More than 180 days overdue	100.00	2,300,813.87	2,300,813.87	-
<b>Total</b>	<b>0.08</b>	<b>12,469,363,548.49</b>	<b>9,974,696.34</b>	<b>12,459,388,852.15</b>

At 31 December 2020, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2020			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	0.01	9,958,975,472.79	1,452,775.43	9,957,522,697.36
1-30 days overdue	0.30	448,110,129.83	1,340,723.77	446,769,406.06
31-60 days overdue	2.75	51,312,360.95	1,411,540.48	49,900,820.47
61-90 days overdue	1.88	8,497,077.27	159,908.63	8,337,168.64
91-180 days overdue	2.51	6,245,971.95	156,544.32	6,089,427.63
More than 180 days overdue	100.00	999,964.25	999,964.25	-
<b>Total</b>	<b>0.05</b>	<b>10,474,140,977.04</b>	<b>5,521,456.88</b>	<b>10,468,619,520.16</b>

The expected average loss rate mentioned above is based on the historical actual credit loss rates and the current conditions as well as the forecast of future economic conditions. In 2021, the Group's valuation method remains unchanged.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable - continued

(3) Changes in bad debt provisions

Unit: RMB

Category	31/12/2020	Changes for the year			31/12/2021
		Provision (Reversal)	Write-off or elimination	Exchange differences arising on translation of financial statements denominated in foreign currencies	
Provision for expected credit loss by aging matrix	5,521,456.88	4,542,957.48	-	(89,718.02)	9,974,696.34

Changes in bad debt provisions for accounts receivable:

Unit: RMB

Provision for credit loss	Lifetime ECL
Balance at 1 January 2021	<b>5,521,456.88</b>
ECL accrued (reversed)	4,542,957.48
Effect of changes in exchange rate	(89,718.02)
Balance at 31 December 2021	<b>9,974,696.34</b>

(4) There are no accounts receivable that have been actually written off in the year.

(5) Top five accounts receivable at 31 December 2021 categorized by debtor

Unit: RMB

Company name	Relationship with the Company	Book value	Bad debt provision at 31 December 2021	Percentage of the total accounts receivable at 31 December 2021 (%)
Company A	Third party	3,435,277,354.94	505,666.52	27.55
Company B	Third party	1,534,343,092.30	225,852.49	12.30
Company C	Third party	875,805,385.24	128,916.95	7.02
Company D	Third party	616,852,259.82	90,799.52	4.95
Company E	Third party	583,233,323.28	85,850.88	4.68
<b>Total</b>		<b>7,045,511,415.58</b>	<b>1,037,086.36</b>	<b>56.50</b>

(6) As of 31 December 2021, no accounts receivable were derecognized due to transfer of financial assets.

(7) As of 31 December 2021, no accounts receivable were reclassified into assets and liabilities arising from transfer of accounts receivable and continuing involvement.

5. Prepayments

(1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	31/12/2021		31/12/2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	51,467,608.39	100.00	41,561,467.16	100.00

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Prepayments - continued

(2) Top five balances of prepayments categorized by receivers

Unit: RMB

Company name	Relationship with the Company	Book value	Proportion of the total prepayments at 31 December 2021(%)
Company F	Third party	3,175,518.70	6.17
Company G	Third party	2,959,999.99	5.75
Company H	Third party	2,072,168.72	4.03
Company I	Third party	1,972,192.80	3.83
Company J	Third party	1,876,877.29	3.65
<b>Total</b>		<b>12,056,757.50</b>	<b>23.43</b>

6. Other receivables

25. (1) Disclosure of other receivables by aging

26. Unit: RMB

Aging	31/12/2021		
	Amount	Provision for credit loss	Proportion of provision (%)
Within 1 year	129,254,194.21	-	-

(2) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31 December 2021	Book value at 31 December 2020
Advances for third parties	78,923,587.52	81,317,146.05
Service and purchase rebates receivable	23,606,656.50	7,792,501.06
Advance payments for employees	5,160,900.36	3,180,842.98
Performance bonds	87,000.03	12,704,509.96
Receivables from equipment transfer	-	534,280.90
Others	21,476,049.80	22,753,526.23
<b>Total</b>	<b>129,254,194.21</b>	<b>128,282,807.18</b>

(3) Accrual of provision for losses

Unit: RMB

Category	31/12/2020	Changes for the year			31/12/2021
		Provision	Reversal	Write-off or elimination	
Provision for expected credit loss accrued on an individual basis	3,000,000.00	-	(2,836,069.00)	(163,931.00)	-

Changes in the credit provision for other receivables:

Unit: RMB

Credit provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance at 1 January 2021	-	-	3,000,000.00	3,000,000.00
Reversal	-	-	(2,836,069.00)	(2,836,069.00)
Written-off	-	-	(163,931.00)	(163,931.00)
Balance at 31 December 2021	-	-	-	-

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

(3) Accrual of provision for losses - continued

In the current period, significant reversal or recovery of bad debt provision are as follows:

Unit: RMB

Company name	Reversal or recovery	Mode
Company M	2,836,069.00	Received in Cash

(4) In the current year, other receivables actually written off are as follows:

Unit: RMB

Company name	Write-off
Other receivables actually written off	163,931.00

(5) Top five other receivables at 31 December 2021 categorized by debtor

Unit: RMB

Company name	Nature of the amount	Closing balance	Aging	Proportion of the total other receivables at 31 December 2021(%)	Bad debt provision at 31 December 2021
Company K	Advances	23,397,708.09	Within one year	18.10	-
Company D	Advances	17,302,290.36	Within one year	13.39	-
Company L	Advances	5,333,890.23	Within one year	4.13	-
Company N	Advances	4,325,986.35	Within one year	3.35	-
Company O	Advances	1,751,592.51	Within one year	1.36	-
<b>Total</b>		<b>52,111,467.54</b>		<b>40.33</b>	-

As of 31 December 2021, there were no other receivables related to government grants.

As of 31 December 2021, there were no other receivables derecognized due to the transfer of financial assets.

As of 31 December 2021, there was no amount of assets and liabilities arising from transfer of other receivables and continuing involvement.

7. Inventories

(1) Categories of inventories

Unit: RMB

Item	31/12/2021			31/12/2020 (Restated)		
	Book value	Provision for decline in value of inventories	Carrying amount	Book value	Provision for decline in value of inventories	Carrying amount
Raw materials	5,795,831,890.76	65,100,181.38	5,730,731,709.38	3,411,091,344.14	63,081,191.37	3,348,010,152.77
Work-in-progress	1,506,240,181.84	-	1,506,240,181.84	1,359,250,181.51	-	1,359,250,181.51
Finished goods	1,761,692,388.59	42,328,166.09	1,719,364,222.50	2,035,065,474.29	35,866,214.03	1,999,199,260.26
Reusable materials	81,226,548.92	-	81,226,548.92	58,876,650.75	-	58,876,650.75
<b>Total</b>	<b>9,144,991,010.11</b>	<b>107,428,347.47</b>	<b>9,037,562,662.64</b>	<b>6,864,283,650.69</b>	<b>98,947,405.40</b>	<b>6,765,336,245.29</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Inventories - continued

(2) Provision for decline in value of inventories

27. Unit:  
RMB

Item	31/12/2020	Provision	Decrease in the year		Exchange differences arising on translation of foreign currencies	31/12/2021
			Reversal	Write-off		
Raw materials	63,081,191.37	73,509,068.19	61,738,736.48	8,627,390.46	(1,123,951.24)	65,100,181.38
Finished goods	35,866,214.03	63,733,497.16	56,757,675.49	-	(513,869.61)	42,328,166.09
<b>Total</b>	<b>98,947,405.40</b>	<b>137,242,565.35</b>	<b>118,496,411.97</b>	<b>8,627,390.46</b>	<b>(1,637,820.85)</b>	<b>107,428,347.47</b>

Item	Specific determination basis of net realizable value	Reasons for reversal/ provision for decline in value of inventories
Raw materials	The higher of the value of estimated selling price of raw materials less estimated costs necessary to make the sale as well as related taxes and the value of estimated selling price of finished goods less estimated costs of completion and estimated costs necessary to make the sale as well as related taxes	Sold or net realizable value recovered
Work-in-progress	Value of estimated selling price less estimated costs of completion and estimated costs necessary to make the sale as well as related taxes	Sold or net realizable value recovered
Finished goods	Value of estimated selling price less estimated costs necessary to make the sale and related taxes	Sold or net realizable value recovered

8. Non-current assets due within one year

Unit: RMB

Item	31/12/2021	31/12/2020
Lease receivables	991,195.08	813,785.46

9. Other current assets

Unit: RMB

Item	31/12/2021	31/12/2020
Tax refunds receivable	153,785,608.36	129,990,309.17
FPC expenses to be amortized	150,053,586.17	75,122,983.26
Input taxes to be deducted	131,285,700.65	203,977,541.73
Prepaid income tax	94,493,879.13	66,270,120.55
Mold costs to be amortized	68,803,773.16	68,438,440.79
Others	7,969,779.68	53,159,460.70
<b>Total</b>	<b>606,392,327.15</b>	<b>596,958,856.20</b>

10. Long-term receivables

(1) Long-term receivables

Unit: RMB

Item	31/12/2021	31/12/2020
Lease receivables	920,486.03	884,745.44
Employee borrowings for house purchasing	10,243,630.03	9,116,442.42
Others	-	379,284.95
<b>Total</b>	<b>11,164,116.06</b>	<b>10,380,472.81</b>

(2) As of 31 December 2021, no provision for expected credit loss has been made as the Group's long-term receivables are less likely to be uncollectable.

(3) As of 31 December 2021, there were no long-term receivables derecognized due to transfer of financial assets.

(4) As of 31 December 2021, there was no amount of assets and liabilities arising from transfer of long-term receivables and continuing involvement.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term equity investments

Unit: RMB

Investee	1/1/2021	Changes for the year								31/12/2021	Impairment provision at 31/12/2021
		Additional investment	Reduction in investment	Investment profit or loss recognized under equity method	Other comprehensive income adjustments	Other equity changes	Cash dividends or profit declared	Impairment provision	Exchange differences arising on translation of financial statements denominated in foreign currencies		
<b>I. Joint ventures</b>											
SUMA-USI Electronics Co., Ltd. (Note 1)	108,007,637.50	-	-	6,222,797.18	-	-	-	-	-	114,230,434.68	-
<b>II. Associates</b>											
M-Universe Investments Pte. Ltd. (Note 2)	423,520,132.02	-	-	15,893,700.67	7,230,128.54	-	8,521,365.60	-	(9,803,211.68)	428,319,383.95	-
<b>Total</b>	<b>531,527,769.52</b>	-	-	<b>22,116,497.85</b>	<b>7,230,128.54</b>	-	<b>8,521,365.60</b>	-	<b>(9,803,211.68)</b>	<b>542,549,818.63</b>	-

Note 1: In April 2019, Universal Global Technology (Kunshan) Co., Ltd., the Company's wholly-owned subsidiary, established a joint venture, SUMA-USI Electronics Co., Ltd. ("SUMA-USI") with Cancon Information Industry Co., Ltd. ("Cancon"). According to the *Shareholder Agreement*, Universal Global Technology (Kunshan) Co., Ltd. intends to contribute RMB 107,800,000, with a capital contribution of 49%. As of 31 December 2021, Universal Global Technology (Kunshan) Co., Ltd. has actually contributed RMB 107,800,000.00 in total, accounting for 49% of the capital contribution. According to the articles of association of SUMA-USI, the board of directors is composed of 5 directors, 2 of whom are appointed by Universal Global Technology (Kunshan) Co., Ltd., and ordinary resolutions need to be approved by more than half of the directors attending the board meeting while special matters need to obtain the unanimous consent of all directors. Special matters include: deciding the Company's business plan and investment scheme, formulating the Company's annual financial budget plan and final accounting plan, formulating the Company's profit distribution plan and loss recovery plan, etc. In shareholders' meeting, approval for ordinary resolutions require assent by shareholders representing over 1/2 voting rights, while approval for special resolutions require assent by shareholders representing over 3/4 voting rights. Therefore, SUMA-USI is a joint venture of Universal Global Technology (Kunshan) Co., Ltd., and the Group accounts for it under the equity method.

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**11. Long-term equity investments - continued**

Note 2: In July 2019, Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary, made an additional contribution of SGD 79,862,500 to M-Universe Investments Pte. Ltd. ("M-Universe"), a sub-subsidiary of it established in Singapore, to publicly acquire the ordinary shares of Memtech International Ltd. ("Memtech"), a company listed in Singapore. Pursuant to the *Equity Acquisition Agreement*, M-Universe acquired 42.23% of Memtech's equity interest at the market price of SGD1.35 per share on 30 June 2019, meanwhile, M-Universe issued new shares at the same subscription price to Keytech Investment Pte. Ltd. ("Keytech"), the original shareholder of Memtech, i.e., M-Universe exchanged its 57.77% equity interest in Memtech for the same percentage of shares held by Keytech. As a result, Universal Global Technology Co., Limited's shareholding in M-Universe was reduced from 100 % to 42.23%. According to the *Shareholder Agreement* of M-Universe, the board of directors is composed of 3 directors, 2 of which are appointed by Keytech and 1 by Universal Global Technology Co., Limited, and the resolutions need to be approved by the majority of the directors attending the board meeting, so the Group accounts for it under the equity method.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Other equity instrument investments

(1) Other equity instrument investments

Unit: RMB

Item	31/12/2021	31/12/2020
Shiding Venture Capital Co., Ltd.	75,957,194.28	41,351,831.65

(2) Non-trading equity instrument investments

Unit: RMB

Item	Dividend income recognized in the year	Accumulated gains	Reasons for designation as at fair value through other comprehensive income
Shiding Venture Capital Co., Ltd. (Note)	14,910,026.14	10,694,774.12	Non-trading equity investments that the Group does not expect to dispose of in the foreseeable future

Note: The Group invested in Shiding Venture Capital Co., Ltd. in 2016, accounting for 5% of the equity interests in the investee.

13. Other non-current financial assets

Unit: RMB

Item	31/12/2021	31/12/2020(Restated)
PHI FUND, L.P. (Note IX, 4 and Note XII, 1(1))	93,130,696.47	64,091,002.18
Contingent consideration (Note)	90,969,658.89	88,844,432.52
GaN System Inc. Series (Note IX, 4)	31,878,465.32	-
Senscomm Semiconductor Co., Ltd. (Note IX, 4)	20,000,000.00	-
Suzhou Yaotu Equity Investment Partnership (Note IX, 4 and Note XII, 1(1))	1,000,000.00	-
<b>Total</b>	<b>236,978,820.68</b>	<b>152,935,434.70</b>

Note: USI France which was incorporated by the Company through its wholly subsidiary Universal Global Technology Co., Limited, entered into the Share Purchase Contracts with FAFG's shareholders including SPFH Holding Korlatolt Felelossegu Tarsasag, ASDI and Arkéa Capital Investissement S.A., etc. on 12 December 2019 to acquire the 100% equity of FAFG. The parties to the transaction agreed that an adjustment might be made accordingly based on the present transaction consideration according to the accumulative performance achieved for the two years from 1 January 2021 to 31 December 2022.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Land operated overseas	Buildings	Machinery equipment	Transportation	Electronic equipment, appliances and furniture	Decoration cost	Total
<b>I. Original carrying amount</b>							
1. 31/12/2020 (Restated)	206,534,814.31	884,731,867.01	5,247,844,751.47	28,942,852.21	329,750,572.98	114,789,338.64	6,812,594,196.62
2. Increase in the year	-	412,526,033.07	799,305,977.96	462,809.37	121,934,501.36	10,536,000.00	1,344,765,321.76
(1) Purchase	-	8,508,679.66	7,313,748.39	164,995.85	15,553,361.30	-	31,540,785.20
(2) Transfer from construction in progress	-	402,869,263.57	785,796,195.50	297,813.52	106,253,195.75	10,536,000.00	1,305,752,468.34
(3) Increase from business combination	-	1,148,089.84	6,196,034.07	-	127,944.31	-	7,472,068.22
3. Decrease in the year	-	16,419,875.06	132,533,035.09	11,629,426.49	4,686,725.77	2,887,261.57	168,156,323.98
(1) Disposal or retirement	-	16,419,875.06	132,533,035.09	11,629,426.49	4,686,725.77	2,887,261.57	168,156,323.98
4. Exchange differences arising on translation of foreign currencies	(5,051,417.53)	(15,601,320.66)	(16,961,932.48)	(1,021,539.34)	(5,106,859.20)	-	(43,743,069.21)
5. 31/12/2021	201,483,396.78	1,265,236,704.36	5,897,655,761.86	16,754,695.75	441,891,489.37	122,438,077.07	7,945,460,125.19
<b>II. Accumulated depreciation</b>							
1. 31/12/2020	-	396,999,360.24	3,136,699,071.87	10,187,424.58	229,776,229.70	110,333,922.64	3,883,996,009.03
2. Increase in the year	-	57,205,912.27	629,787,346.24	1,766,011.52	50,969,163.52	4,270,184.48	743,998,618.03
(1) Provision	-	57,205,912.27	629,787,346.24	1,766,011.52	50,969,163.52	4,270,184.48	743,998,618.03
3. Decrease in the year	-	11,169,198.75	90,035,316.10	22,759.50	3,542,507.74	2,887,261.57	107,657,043.66
(1) Disposal or retirement	-	11,169,198.75	90,035,316.10	22,759.50	3,542,507.74	2,887,261.57	107,657,043.66
4. Exchange differences arising on translation of foreign currencies	-	(3,291,216.92)	(11,569,797.48)	7,626.92	(2,229,828.74)	-	(17,083,216.22)
5. 31/12/2021	-	439,744,856.84	3,664,881,304.53	11,938,303.52	274,973,056.74	111,716,845.55	4,503,254,367.18
<b>III. Provision for impairment loss</b>							
31/12/2020 & 31/12/2021	-	-	-	-	-	-	-
<b>IV. Carrying amount</b>							
1. 31/12/2021	201,483,396.78	825,491,847.52	2,232,774,457.33	4,816,392.23	166,918,432.63	10,721,231.52	3,442,205,758.01
2. 31/12/2020 (Restated)	206,534,814.31	487,732,506.77	2,111,145,679.60	18,755,427.63	99,974,343.28	4,455,416.00	2,928,598,187.59

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Fixed assets - continued

(2) As of 31 December 2021, the Group had no significant temporarily idle fixed asset.

(3) As of 31 December 2021, the Group had no fixed assets of which certificates of title have not been obtained

(4) As of 31 December 2021, the Group had no fixed assets that have been pledged.

15. Construction in progress

(1) Construction in progress

Unit: RMB

Item	31/12/2021			31/12/2020		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Shengxia factory-Chip module production project	179,188,077.68	-	179,188,077.68	54,061,530.54	-	54,061,530.54
Vietnam factory-Wearable device production project	6,601,158.52	-	6,601,158.52	17,480,353.06	-	17,480,353.06
Huizohu factory-Electronic product production project	310,085,666.90	-	310,085,666.90	48,165,498.02	-	48,165,498.02
Other construction, decoration and equipment funds	302,140,800.12	-	302,140,800.12	312,235,039.62	-	312,235,039.62
Total	798,015,703.22	-	798,015,703.22	431,942,421.24	-	431,942,421.24

(2) Changes in construction in progress

Unit: RMB

Item name	Budget	31/12/2020	Increase in the year	Increase from business combination	Transfer to fixed assets	Transferred to long-term prepaid expenses in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021	Amount injected as a proportion of budget amount (%)	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
Shengxia factory-Chip module production project	910,000,000.00	54,061,530.54	438,697,671.47	-	(279,159,169.33)	(34,411,955.00)	-	179,188,077.68	60%	-	-	-	Self-owned funds / Raised funds
Vietnam factory-Wearable device production project	1,400,000,000.00	17,480,353.06	338,446,713.50	-	(349,050,294.25)	-	(275,613.79)	6,601,158.52	36%	-	-	-	Self-owned funds / Raised funds
Huizohu factory-Electronic product production project	1,350,000,000.00	48,165,498.02	279,401,914.74	-	(17,481,745.86)	-	-	310,085,666.90	26%	-	-	-	Self-owned funds / Raised funds
Other construction, decoration and equipment funds	N/A	312,235,039.62	681,724,184.76	1,104,633.49	(660,061,258.90)	(28,279,099.42)	(4,582,699.43)	302,140,800.12	N/A	-	-	-	Self-owned funds
Total		431,942,421.24	1,738,270,484.47	1,104,633.49	(1,305,752,468.34)	(62,691,054.42)	(4,858,313.22)	798,015,703.22					

(3) As of 31 December 2021, the Group had no construction in progress that requires provision for impairment losses.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

Item	Buildings	Machinery equipment	Transportation	Others	Total
I. Original carrying amount					
1. 31/12/2020	787,300,810.44	1,122,244.22	6,154,901.18	2,166,997.46	796,744,953.30
2. Increase in the year					
(1) Increase	20,463,295.65	66,390.18	2,854,843.51	332,101.11	23,716,630.45
(2) Increase from business combination	41,087,402.27	-	-	-	41,087,402.27
3. Decrease in the year					
(1) Disposal or retirement	47,756,612.87	87,134.92	2,843,665.19	148,788.41	50,836,201.39
4. Exchange differences arising on translation of foreign currencies	(6,565,560.49)	(53,114.44)	(408,461.50)	(1,477.74)	(7,028,614.17)
5. 31/12/2021	794,529,335.00	1,048,385.04	5,757,618.00	2,348,832.42	803,684,170.46
II. Accumulated depreciation					
1. 31/12/2020	164,371,539.58	55,240.88	2,065,263.31	490,870.17	166,982,913.94
2. Increase in the year					
(1) Provision	122,173,196.12	737,357.35	2,552,132.22	571,872.83	126,034,558.52
3. Decrease in the year					
(1) Disposal or retirement	47,127,624.74	87,134.92	2,358,287.03	148,788.41	49,721,835.10
4. Exchange differences arising on translation of foreign currencies	(2,441,672.06)	(39,302.06)	(116,910.98)	(4,376.03)	(2,602,261.13)
5. 31/12/2021	236,975,438.90	666,161.25	2,142,197.52	909,578.56	240,693,376.23
III. Provision for impairment loss					
31/12/2020 & 31/12/2021	-	-	-	-	-
IV. Carrying amount					
1. 31/12/2021	557,553,896.10	382,223.79	3,615,420.48	1,439,253.86	562,990,794.23
2. 31/12/2020	622,929,270.86	1,067,003.34	4,089,637.87	1,676,127.29	629,762,039.36

The Group has leased a number of assets, including office, plants, dormitories, machinery equipment and transportation equipment, with a lease term ranging from 2 to 10 years.

In 2021, the short-term lease expenses included in the profit or loss for the current period and treated under a simplified method is RMB 9,020,463.27 (2020: RMB 4,133,482.5), and the cash outflows related to leases are RMB 145,961,156.97 (2020: RMB 100,152,845.92).

The assets leased in shall not be used as collateral for borrowings.

As at 31 December 2021, the Group's short-term lease portfolio was similar to the short and medium-term lease portfolio in the lease expenses described above.

The Group's potential future cash flows not included in the measurement of lease liabilities are mainly derived from the rentals that will be adjusted to the market levels upon renewal of the lease contracts relating to buildings. As of 31 December 2021, the Group had no leases committed but not yet commenced.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Software	Patents	Trademark right	Land use rights	Customer relation	Total
I. Original carrying amount						
1. 31/12/2020 (Restated)	343,804,124.52	1,954,137.15	412,426.27	130,069,025.23	180,098,504.72	656,338,217.89
2. Increase in the year	77,582,417.08	-	-	-	-	77,582,417.08
(1) Purchase	77,498,662.16	-	-	-	-	77,498,662.16
(2) Increase from business combination	83,754.92	-	-	-	-	83,754.92
3. Decrease in the year						
(1) Disposal or retirement	83,196.15	-	-	-	-	83,196.15
4. Exchange differences arising on translation of foreign currencies	(7,530,490.59)	(42,985.85)	1,215.34	(3,530,135.12)	(17,802,829.74)	(28,905,225.96)
5. 31/12/2021	413,772,854.86	1,911,151.30	413,641.61	126,538,890.11	162,295,674.98	704,932,212.86
II. Accumulated amortization						
1. 31/12/2020	140,667,895.23	1,954,137.15	393,796.27	9,080,878.25	-	152,096,706.90
2. Increase in the year	87,987,951.35	-	18,630.00	3,358,936.03	11,441,925.13	102,807,442.51
(1) Provision	87,987,951.35	-	18,630.00	3,358,936.03	11,441,925.13	102,807,442.51
3. Decrease in the year	83,196.15	-	-	-	-	83,196.15
(1) Disposal or retirement	83,196.15	-	-	-	-	83,196.15
4. Exchange differences arising on translation of foreign currencies	(2,608,837.46)	(42,985.85)	1,215.34	(78,484.20)	(620,479.35)	(3,349,571.52)
5. 31/12/2021	225,963,812.97	1,911,151.30	413,641.61	12,361,330.08	10,821,445.78	251,471,381.74
III. Provision for impairment loss						
31/12/2020 & 31/12/2021	-	-	-	-	-	-
IV. Carrying amount						
1. 31/12/2021	187,809,041.89	-	-	114,177,560.03	151,474,229.20	453,460,831.12
2. 31/12/2020 (Restated)	203,136,229.29	-	18,630.00	120,988,146.98	180,098,504.72	504,241,510.99

28. (2) As at 31 December 2021, the Group had no land use right of which the certificate of title was still in progress.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of investee	31/12/2020 (Restated)	Changes for the year		31/12/2021
		Arising from business combination	Exchange differences arising on translation of financial statements denominated in foreign currencies	
USI Poland	26,656,694.79	-	(609,538.67)	26,047,156.12
FAFG	591,437,946.48	-	(58,463,944.72)	532,974,001.76
Total	<b>618,094,641.27</b>	-	<b>(59,073,483.39)</b>	<b>559,021,157.88</b>

(2) Impairment provision of goodwill

As of 31 December 2021, there is no impairment provision of goodwill.

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(3) Relative information of asset group or a set of asset groups where the goodwill is related

USI Poland is located in the southwest of Poland and mainly engages in the manufacture and sale of mainboards and adapter cards. This acquisition is part of the Group's global industrial layout and is of strategic importance to the Group, facilitating the acquisition of new production capacity in Eastern Europe rapidly.

FAFG is located in France and mainly engages in the manufacture and sale of mainboards and adapter cards. This acquisition is part of the Group's global industrial layout and is of strategic importance to the Group.

(4) Specify test procedure, key parameters and recognition method for impairment loss of goodwill

The Group divides reporting segments geographically. For the purpose of impairment testing, the Group allocates goodwill to three asset groups. As at 31 December 2021, the carrying amount of the goodwill allocated to the three asset groups and their impairment provision were as below:

Unit: RMB

Asset group of goodwill	Cost	Impairment provision	Net book value
European region—USI Poland	26,047,156.12	-	26,047,156.12
European region—FAFG Europe	178,597,316.70	-	178,597,316.70
China mainland—FAFG China	354,376,685.06	-	354,376,685.06
Total	<b>559,021,157.88</b>	-	<b>559,021,157.88</b>

As at 31 December 2021, the Group assessed the recoverability of goodwill related to the USI Poland asset group, and the recoverable amount of USI Poland asset group was determined based on the present value of estimated future cash flows. Future cash flows are determined based on the management's projections. The projections for next five years are based on the financial budgets approved by the management using a discount rate of 8.70%, while the cash flows in excess of five years are calculated on the basis of a 3% annual incremental growth rate. Such increasing growth rate is determined on the basis of the estimated growth of related industries and will not exceed the long-term average growth rate of such industry. The Group's management believes that any reasonable change in the above assumptions would not cause the carrying amount of USI Poland asset group to exceed its recoverable amount and therefore has determined that the goodwill is not impaired.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**18. Goodwill - continued**

(4) Specify test procedure, key parameters and recognition method for impairment loss of goodwill - continued

As at 31 December 2021, the Group assessed the recoverability of goodwill related to FAFG Europe asset group, and the recoverable amount of FAFG Europe asset group was determined based on the present value of estimated future cash flows. Future cash flows are determined based on the management's projections. The projections for next five years are based on the financial budgets approved by the management using a discount rate of 12.24%, while the cash flows in excess of five years are calculated on the basis of a 2.5% annual incremental growth rate. Such increasing growth rate is determined on the basis of the estimated growth of related industries and will not exceed the long-term average growth rate. The Group's management believes that any reasonable change in the above assumptions would not cause the carrying amount of FAFG Europe asset group to exceed its recoverable amount and therefore has determined that the goodwill is not impaired.

As at 31 December 2021, the Group assessed the recoverability of goodwill related to FAFG China asset group, and the recoverable amount of FAFG China asset group was determined based on the present value of estimated future cash flows. Future cash flows are determined based on the management's projections. The projections for next five years are based on the financial budgets approved by the management using a discount rate of 12.43%, while the cash flows in excess of five years are calculated on the basis of a 2.5% annual incremental growth rate. Such increasing growth rate is determined on the basis of the estimated growth of related industries and will not exceed the long-term average growth rate. The Group's management believes that any reasonable change in the above assumptions would not cause the carrying amount of FAFG China asset group to exceed its recoverable amount and therefore has determined that the goodwill is not impaired.

(5) Adjustment on the recognized temporary value within 12 months subsequent to acquisition date

The Group acquired FAFG in December 2020. The Group employed an appraisal agency Duff & Phelps Consulting (Shenzhen) Limited to assess the fair value of identifiable net assets of FAFG, but the Group has not received the appraisal report as at the issuance of 2020 Financial Report. Where the fair value of each identifiable asset, liability and contingent liability acquired in a merger or the cost of a business combination can only be determined provisionally, the Group recognizes and measures the merger of FAFG on the basis of the temporary value so determined. The Group recognized inventories, fixed assets and intangible assets as per their temporary value at RMB 1,080,142,123.19, RMB 380,277,087.35 and RMB 138,226,853.29, respectively, in the 2020 Consolidated Financial Statements. On the acquisition date, the Group recognized goodwill of RMB 1,048,855,739.68.

In June 2021, the Group obtained the appraisal report of identifiable net assets and recognized RMB 1,096,828,257.66 of inventories, increasing by RMB 16,686,134.47 compared with the original temporary value; recognized RMB 661,970,691.35 of fixed assets, increasing by RMB 281,693,604.00 compared with the original temporary value; recognized RMB 348,799,624.31 of intangible assets, increasing by RMB 210,572,771.02 compared with the original temporary value; recognized RMB 87,471,785.94 of other non-current financial assets; recognized RMB 128,525,419.47 of deferred tax liabilities; and recognized an increase of RMB 1,343,365.74 of minority interests, the total of which were RMB 466,555,510.22 higher than their temporary value. Therefore, the Group should reduce RMB 466,555,510.22 of goodwill on the acquisition date. The comparative financial statements have been restated.

**19. Long-term prepaid expenses**

Unit: RMB

Item	31/12/2020	Increase in the year	Transfer from construction in progress	Amortization for the year	Translation of financial statements denominated in foreign currencies	31/12/2021
Leased-in plant decoration works	250,549,262.26	9,142,213.08	62,691,054.42	(94,475,344.98)	(330,899.80)	227,576,284.98

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	31/12/2021		31/12/2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	193,821,682.25	42,612,195.77	193,865,832.65	44,046,762.07
Provision for credit loss	13,223,761.97	3,596,532.84	15,912,392.17	4,051,200.76
Deferred income	57,000,065.25	8,550,009.79	28,622,780.00	4,293,417.00
Employee benefits payable	199,308,548.75	30,589,364.52	205,940,048.57	31,790,009.74
Defined benefit plans	223,818,884.41	52,394,385.80	289,264,664.53	71,648,237.56
Depreciation differences	10,242,956.06	1,536,443.41	11,328,867.72	1,699,330.16
Provisions	1,293,497.27	194,024.59	1,265,203.27	189,780.49
Unrealized profit	63,019,597.45	11,638,477.17	65,509,806.30	12,272,798.46
Deductible losses	270,300,755.99	73,237,594.45	232,110,435.75	67,704,334.28
Sales discount	394,837,081.32	67,996,678.40	221,495,157.72	41,958,778.64
Others	143,546,039.53	31,711,057.16	163,766,794.31	32,584,253.90
<b>Total</b>	<b>1,570,412,870.25</b>	<b>324,056,763.90</b>	<b>1,429,081,982.99</b>	<b>312,238,903.06</b>

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	31/12/2021		31/12/2020 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation differences in research and development equipment tax credits	-	-	548,175.46	82,226.32
Depreciation differences	15,127,571.63	4,538,271.49	41,169,648.33	12,350,894.50
Fair value adjustment for business combination involving enterprise not under common control	372,779,957.00	98,179,611.96	431,335,768.39	132,486,298.52
Others	14,075,520.47	4,222,656.14	9,320,940.27	2,796,282.08
<b>Total</b>	<b>401,983,049.10</b>	<b>106,940,539.59</b>	<b>482,374,532.45</b>	<b>147,715,701.42</b>

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	31/12/2021		31/12/2020 (Restated)	
	Offset amount between deferred tax assets and liabilities at the end of the year	Deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Deferred tax assets or liabilities after offset
Deferred tax assets	(8,760,927.63)	315,295,836.27	(15,229,402.90)	297,009,500.16
Deferred tax liabilities	8,760,927.63	98,179,611.96	15,229,402.90	132,486,298.52

Deferred tax assets are recognized for deductible temporary differences and deductible losses as the Group believes that it is probable that sufficient taxable profits will be available in the future.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Deferred tax assets/deferred tax liabilities - continued

(4) Deferred tax assets not recognized

Unit: RMB

Item	31/12/2021	31/12/2020
Deductible temporary differences	8,989,736.44	2,918,452.30
Deductible losses	178,137,952.50	125,253,995.60
<b>Total</b>	<b>187,127,688.94</b>	<b>128,172,447.90</b>

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

Unit: RMB

Year	31/12/2021	31/12/2020
2026	30,775,200.93	-
No time limit	147,362,751.57	125,253,995.60
<b>Total</b>	<b>178,137,952.50</b>	<b>125,253,995.60</b>

No deferred tax assets are recognized for deductible temporary differences and deductible losses due to the uncertainty in certain subsidiaries whether sufficient taxable profits will be available in the future.

21. Other non-current assets

Unit: RMB

Item	31/12/2021	31/12/2020
Prepayment for equipment	91,927,638.00	45,040,502.27
Prepayment for enterprise income tax	33,173,383.08	36,812,297.60
Guarantee and deposit	11,240,266.61	7,470,169.68
Others	474,023.49	420,736.91
<b>Total</b>	<b>136,815,311.18</b>	<b>89,743,706.46</b>

22. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	31/12/2021	31/12/2020
Credit loans	2,480,500,031.68	375,341,430.81

As at 31 December 2021, the Group's short-term borrowings are all composed of credit loans with no pledged, mortgaged or guaranteed borrowings.

(2) As at 31 December 2021, the Group has no short-term borrowings overdue but not yet repaid.

23. Derivative financial liabilities

Unit: RMB

Item	31/12/2021	31/12/2020
<b>Financial liabilities at FVTPL</b>	<b>976,413.16</b>	<b>18,402,480.68</b>
Including: Derivative financial assets (Note)	976,413.16	18,402,480.68

Note: The derivative financial liabilities held by the Group are foreign exchange forward contract.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Accounts payable

(1) Accounts payable

Unit: RMB

Item	31/12/2021	31/12/2020
Payable for materials	11,527,517,322.76	11,148,789,280.06
Payable for assets	577,303,942.61	190,850,342.60
Expenses payable	453,776,977.80	495,600,111.63
<b>Total</b>	<b>12,558,598,243.17</b>	<b>11,835,239,734.29</b>

(2) As at 31 December 2021, the Group has no significant accounts payable aged more than one year.

25. Contract liabilities

(1) Contract liabilities

Unit: RMB

Item	31/12/2021	31/12/2020
Receipts in advance	311,988,551.56	300,864,893.86

The Group's revenue from sales of goods is recognized when the control over related goods is transferred to the customer. A contractual liability is recognized at the time of the transaction for goods paid for in advance by the customer until the goods are shipped to or delivered to the customer, i.e. when control is transferred to the customer.

The carrying amount of contract liabilities of RMB 300,864,893.86 at the beginning of the year has been recognized as revenue in the current year, while that of RMB 311,988,551.56 at the end of the year is expected to be recognized as revenue in 2022.

26. Employee benefits payable

(1) Employee benefits payable

32. Unit:  
RMB

Item	31/12/2020	Increase from business combination	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021
1. Short-term benefits	826,428,786.98	24,093,177.03	3,425,309,380.16	3,476,872,693.74	(5,585,552.82)	793,373,097.61
2. Post-employment benefits-defined contribution plan	29,744,216.98	-	203,954,853.38	205,581,964.75	(1,001,676.23)	27,115,429.38
3. Long-term employee benefits payable due within one year	13,335,819.27	-	13,813,862.35	16,526,112.29	74,890.16	10,698,459.49
<b>Total</b>	<b>869,508,823.23</b>	<b>24,093,177.03</b>	<b>3,643,078,095.89</b>	<b>3,698,980,770.78</b>	<b>(6,512,338.89)</b>	<b>831,186,986.48</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26. Employee benefits payable - continued

(2) Short-term employee benefits

Unit: RMB

Item	31/12/2020	Increase from business combination	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021
1. Wages or salaries, bonuses, allowances and subsidies	768,913,089.78	21,426,000.79	2,861,376,060.45	2,918,765,470.60	(2,384,626.41)	730,565,054.01
2. Staff welfare	12,267,107.72	-	231,001,247.97	224,816,725.73	(1,516,465.82)	16,935,164.14
3. Social security contributions	40,622,040.65	2,667,176.24	265,245,344.15	265,895,880.75	(1,533,667.45)	41,105,012.84
Including:						
Medical insurance	32,821,439.60	2,667,176.24	158,726,585.96	160,193,404.23	(1,407,938.32)	32,613,859.25
Work injury insurance	6,045,891.40	-	49,288,756.04	48,133,007.90	(47,688.58)	7,153,950.96
Maternity insurance	122,757.56	-	1,560,120.91	1,649,938.82	(766.53)	32,173.12
Overseas comprehensive insurance expenses	1,631,952.09	-	55,669,881.24	55,919,529.80	(77,274.02)	1,305,029.51
4. Housing funds	3,866,916.07	-	59,723,375.76	60,130,643.00	(117,407.93)	3,342,240.90
5. Union running costs and employee education cost	759,632.76	-	7,963,351.83	7,263,973.66	(33,385.21)	1,425,625.72
<b>Total</b>	<b>826,428,786.98</b>	<b>24,093,177.03</b>	<b>3,425,309,380.16</b>	<b>3,476,872,693.74</b>	<b>(5,585,552.82)</b>	<b>793,373,097.61</b>

(3) Defined contribution plan (Note)

Unit: RMB

Item	31/12/2020	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021
1. Basic pensions	28,147,217.16	192,429,296.31	193,348,594.20	(910,603.88)	26,317,315.39
2. Unemployment insurance	1,596,999.82	11,525,557.07	12,233,370.55	(91,072.35)	798,113.99
<b>Total</b>	<b>29,744,216.98</b>	<b>203,954,853.38</b>	<b>205,581,964.75</b>	<b>(1,001,676.23)</b>	<b>27,115,429.38</b>

Note: The Group participates, as required, in the pension insurance and unemployment plan established by Chinese government authorities, Mexican authorities and French authorities, etc. According to such plans, the Group contributes monthly to such plans based on corresponding percentages of contribution base. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In this year, the Group should contribute pension insurance and unemployment plans amounting to RMB 192,429,296.31 and RMB 11,525,557.07 (2020: RMB 144,750,813.18 and RMB 2,738,579.86). As at 31 December 2021, the Group has outstanding contributions to pension insurance and unemployment plans that are accrued but not yet paid in the current reporting period amounting to RMB 26,317,315.39 and RMB 798,113.99 (31 December 2020: RMB 28,147,217.16 and RMB 1,596,999.82). The outstanding contributions have been paid after the reporting period.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Taxes payable

Unit: RMB

Item	31/12/2021	31/12/2020
Enterprise income tax	162,797,690.95	104,540,485.44
VAT	42,307,371.96	44,484,394.96
Surcharges	12,844,623.85	12,127,282.66
Withholding of income tax	6,774,673.16	3,916,487.97
Stamp duties	5,657,760.52	6,024,978.80
Individual income tax	5,288,608.50	2,769,891.38
Withholding of VAT and levies	499,635.84	268,118.37
Others	2,506,114.97	4,869,069.55
<b>Total</b>	<b>238,676,479.75</b>	<b>179,000,709.13</b>

28. Other payables

(1) Summary of other payables

Item	31/12/2021	31/12/2020
Interest payable	9,995,478.63	8,855,328.84
Other payables	413,513,986.88	390,981,603.23
<b>Total</b>	<b>423,509,465.51</b>	<b>399,836,932.07</b>

(2) Interest payable

Item	31/12/2021	31/12/2020
Interest payable of short-term borrowings	4,242,576.34	2,307,997.54
Interest payable of long-term borrowings	2,888,951.29	6,547,331.30
Interest payable of bonds	2,863,951.00	-
<b>Total</b>	<b>9,995,478.63</b>	<b>8,855,328.84</b>

As at 31 December 2021, the Group has no significant interest payables overdue.

(3) Other payables by nature

Unit: RMB

Item	31/12/2021	31/12/2020
Collection on behalf of third parties	209,375,088.52	172,552,996.84
Professional services fee	76,878,779.18	66,663,965.24
Accrued expenses	65,543,584.98	82,584,370.68
Utilities, storage and transportation costs	18,201,801.15	20,199,333.63
Miscellaneous fees	15,962,956.95	17,368,159.74
Procurement of non-raw materials	7,554,988.90	7,757,290.05
Others	19,996,787.20	23,855,487.05
<b>Total</b>	<b>413,513,986.88</b>	<b>390,981,603.23</b>

As at 31 December 2021, the Group has no significant other payables aged more than one year.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Non-current liabilities due within one year

Unit: RMB

Item	31/12/2021	31/12/2020
Long-term borrowings due within one year (Note (V). 30)	589,495,046.10	798,170,519.68
Lease liabilities due within one year (Note (V). 32)	131,012,735.39	136,810,835.36
<b>Total</b>	<b>720,507,781.49</b>	<b>934,981,355.04</b>

30. Long-term borrowings

Details of long-term borrowings

Unit: RMB

Item	31/12/2021	31/12/2020
Credit loans (Note 1)	1,690,715,513.65	2,862,475,218.51
Pledged borrowings (Note 2)	-	947,364,245.81
Less: Long-term borrowings included in non-current liabilities due within one year (Note (V). 29)	589,495,046.10	798,170,519.68
<b>Total</b>	<b>1,101,220,467.55</b>	<b>3,011,668,944.64</b>

Note 1: In October 2019 (the "effective date"), Universal Global Technology Co., Limited, a subsidiary of the Group, entered into the *Loan Agreement* with the bank in the total limit of USD 420,000,000.00. In July 2020, Universal Global Technology Co., Limited borrowed USD 161,271,000.00 and EUR 225,000,000.00 from the bank, equivalent to RMB 1,059,505,218.51 and RMB 1,802,970,000.00, respectively, within the limit agreed in the *Loan Agreement*. The borrowings shall be repaid at 10%, 15%, 20% and 55% of the borrowings 18 months, 24 months, and 30 months after the effective date of the contract and in October 2022, the final maturity date, respectively. The interest rate for USD borrowings is three-month or six-month LIBOR plus 95 basis points, and that for EUR borrowings is three-month or six-month plus 115 basis points. In 2021, Universal Global Technology Co., Limited repaid a part of long-term borrowings in advance. As at 31 December 2021, the balance of above borrowings was USD 92,459,658.72, equivalent to RMB 589,495,046.10, which was included in non-current liabilities due within one year.

In July 2021, Universal Global Technology Co., Limited acquired another EUR 152,500,000.00 (equivalent to RMB 1,101,220,467.55 as at 31 December 2021) of long-term borrowings bearing an interest rate of 0.4%, which should be repaid in a lump sum when due.

Note 2: In March 2020, USI France, a subsidiary of the Group, borrowed EUR 118,225,020.68 from the bank, equivalent to RMB 947,364,245.81. The borrowings shall be repaid at 8.33%, 8.33%, 8.34%, 10%, 10%, 13.75%, 13.75%, 13.75% and 13.75% of the borrowings 12 months, 18 months, 24 months, 30 months, 36 months, 42 months, 48 months, 54 months after the effective date of the contract and in January 2025, the final maturity date, respectively. The interest rate is EURIBOR plus 195 basis points, and the borrowings are guaranteed by 100% of the equity interest in FAFG acquired by the Group during the year. In 2021, USI France repaid such long-term borrowings in advance.

As at 31 December 2021, the Group had no long-term borrowings that were due but not yet repaid.

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	31/12/2021	31/12/2020
Convertible corporate bonds	3,115,505,143.28	-

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31. Bonds payable - continued

(2) Movements in bonds payable

Unit: RMB

Name of bonds	Nominal value	Date of issue	Term	Amount	31/12/2020	Issued in this year	Interest accrued as per nominal value	Amortization of premiums or discounts	Swap to equity	31/12/2021
Universal Global Convertible Bonds	100	2021/3/4	6 years	3,450,000,000.00	-	3,010,541,240.32	2,863,951.00	107,851,300.34	23,446.38	3,115,505,143.28

(3) Description on issuing, conversion condition and conversion time of convertible corporate bonds

As approved by CSRC with "Zheng Jian Xu Ke [2021] No. 167", the Company issued 34,500,000 convertible bonds at nominal value of RMB 100 (the "convertible bonds"), with annual coupon rate of 0.1%, 0.2%, 0.6%, 1.3%, 1.8% and 2.0%, respectively for the 1<sup>st</sup> year, 2<sup>nd</sup> year, 3<sup>rd</sup> year, 4<sup>th</sup> year, 5<sup>th</sup> year and 6<sup>th</sup> year, and the annual interest is payable at the date of each full year from the first date of issue of the convertible bonds in this issuance. Holders of the convertible bonds may exercise their right to convert the convertible bonds in this issuance into A shares of the Company at the current conversion price during the period commencing from the first trading day after the expiry of nine months from the date of completion of the issue of the convertible bonds (i.e. 10 March 2021) to the maturity date of the convertible bonds (the "conversion period"). Within five trading days after the expiry of the convertible bonds in this issuance, the Company will redeem the unconverted convertible bonds at a price of 108.00% (including the last interest) of the face value of the bonds.

During the conversion period of this issuance of convertible bonds, if the closing price of the company's shares on at least 20 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, with the approval of relevant regulatory authorities (if necessary), the company has the right to redeem all or part of the convertible bonds that have not been converted according to the face value of the bonds plus the accrued interest in the current period. If the company's share conversion price is adjusted due to ex rights and ex dividend on the above trading days, it shall be calculated according to the share conversion price and closing price before the adjustment on the trading day before the adjustment, and according to the adjusted share conversion price and closing price on the trading day after the adjustment. In addition, when the total face value of the convertible bonds not converted into shares issued is less than RMB 30,000,000, the company has the right to redeem all the convertible bonds not converted into shares at the price of face value plus accrued interest in the current period.

In the last two interest bearing years of the issuance of convertible bonds, if the closing price of the Company's shares on any consecutive 30 trading days is lower than 70% of the current conversion price, the holders of convertible bonds have the right to resell all or part of the convertible bonds to the company at the price of face value plus accrued interest for the current period. If the conversion price has been adjusted due to bonus shares, conversion to share capital, issuance of new shares, allotment of shares or distribution of cash dividends (excluding the increased share capital due to the conversion of convertible bonds into shares), it shall be calculated according to the conversion price and closing price before the adjustment on the trading day before the adjustment, and according to the conversion price and closing price after the adjustment on the trading day after the adjustment. In case of downward correction of the conversion price, the above "Thirty consecutive trading days" shall be recalculated from the first trading day after the conversion price adjustment. In the last two interest bearing years of the convertible bonds issued this time, the holders of the convertible bonds can exercise the resale right once according to the above agreed conditions after the resale conditions are met for the first time. If the holders of the convertible bonds fail to declare and implement the resale within the resale reporting period announced by the company at that time, the resale right shall not be exercised in the interest bearing year, and the holders of the convertible bonds cannot exercise part of the resale right multiple times.

**(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**31. Bonds payable - continued**

During the duration of the convertible bonds issued this time, if the company is deemed to change the purpose of the raised funds or recognized by the CSRC as changing the purpose of the raised funds in accordance with the relevant provisions of the CSRC, the holders of the convertible bonds have the right to sell back at one time. The holders of convertible bonds have the right to resell all or part of the convertible bonds held by them to the company at the price of the face value of the bonds plus the accrued interest of the current period. After the additional resale conditions are met, the holders of convertible bonds may carry out the resale within the additional resale reporting period after the announcement of the company. If the resale is not carried out during the additional resale reporting period, they shall not exercise the additional resale right.

When the convertible bonds have been issued for three years, the holders of the convertible bonds have the right to sell back at one time, that is, they have the right to sell back all or part of the convertible bonds held by them to the company at 102.00% (including the interest of the third year). After the conditions for the option of resale terms are met, the holders of convertible bonds may carry out resale within the reporting period for the option of resale after the announcement of the company; Those who do not carry out resale within the reporting period of selective resale shall no longer enjoy the rights agreed in the terms of selective resale.

The initial conversion price of convertible bonds issued this time is RMB 20.25 per share. According to the resolution of the general meeting of shareholders on 23 April 2021, the Company distributed cash dividends to all shareholders, with a cash dividend of RMB 5.00 per 10 shares. Therefore, as of 31 December 2021, the conversion price was adjusted to RMB 19.75 per share.

When the convertible corporate bonds issued by the company are initially measured, the amount of the fair value of the corresponding liability component after deducting the issuance expenses to be apportioned is RMB 3,010,541,240.32, which is included in the bonds payable; The corresponding amount of redemption right and put back right is RMB 6,900,000.00, which is included in derivative financial liabilities; The amount of issuance expenses to be apportioned for the derivative financial liabilities is RMB 45,397.90, which is included in the current profit and loss; The fair value of the corresponding equity part after deducting the apportioned issuance expenses is RMB 409,905,205.31, which is included in other equity instruments. The amortized cost of the adjusted liability is RMB 107,851,300.34 withdrawn according to the effective interest rate method in the current period.

As of 31 December 2021, the Company has accumulated assets with face value of RMB 26,000 (book value of RMB 23,446.38) convertible bonds are converted into A-share ordinary shares, and the number of shares converted is 1,310 shares.

NOTES TO THE FINANCIAL STATEMENTS  
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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**32. Lease liabilities**

(1) Details of lease liabilities

Unit: RMB

Item	31/12/2021	31/12/2020
Lease liabilities	606,138,332.63	671,779,599.83
Less: Lease liabilities included in non-current liabilities due within one year (Note (V). 29)	131,012,735.39	136,810,835.36
<b>Total</b>	<b>475,125,597.24</b>	<b>534,968,764.47</b>

**33. Long-term payables**

Unit: RMB

Item	31/12/2021	31/12/2020
Software licensing fee (Note)	59,328,067.47	55,184,703.96
Less: Long-term payables due within one year	13,747,011.85	11,896,967.96
<b>Total</b>	<b>45,581,055.62</b>	<b>43,287,736.00</b>

Note: It refers to software licensing fee payable by the Group, in which the portion due within one year is included in accounts payable.

**34. Long-term employee benefits payable**

(1) Details of long-term employee benefits payable

Unit: RMB

Item	31/12/2021	31/12/2020
1. Post-employment benefits- net liability of defined benefit plans	296,461,708.74	334,565,722.46
2. Termination benefits	869,451.40	1,003,958.04
<b>Total</b>	<b>297,331,160.14</b>	<b>335,569,680.50</b>

(2) Changes in defined benefit plans

Net liability of defined benefit plans

Unit: RMB

Item	2021	2020
I. 31/12/2020	347,901,541.73	116,214,486.00
II. Increase from business combination	-	230,957,112.54
III. Defined benefits costs recognized in profit or loss for the year	2,233,934.44	2,127,295.09
IV. Defined benefits costs recognized in other comprehensive income	(4,677,068.45)	13,198,594.17
V. Amount contributed and paid during the year	(16,526,112.29)	(16,318,412.08)
VI. Exchange differences arising on translation of foreign currencies	(21,772,127.20)	1,722,466.01
VII. 31/12/2021	<b>307,160,168.23</b>	<b>347,901,541.73</b>
Less: Long-term employee benefits payable due within one year	10,698,459.49	13,335,819.27
<b>Long-term employee benefits payable paid after one year</b>	<b>296,461,708.74</b>	<b>334,565,722.46</b>

Contents of defined benefit plans and related risks, and its impact over the Group's future cash flows, timing and uncertainty:

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**34. Long-term employee benefits payable - continued**

(2) Changes in defined benefit plans - continued

UGTW and USITW, the Group's subsidiaries, provide retirement benefit plan for full-time regular employees hired before 1 July 2005. The Group acquired FAFG in 2020. FAFG provides retirement benefit plan for its employees, which provides a pension for some employees who have worked for more than 10 years according to the working years and certain rate of their salaries in recent 10 years, and a pension for some employees who have worked for more than 2 years according to the working years and certain rate of their salaries in recent 12 months.

The defined benefit plans expose the Group to actuarial risks such as discount rate, future salary growth rate, etc.

The Group hired Towers Watson Business Management Consulting Co., Ltd. to estimate the present value of retirement benefit plan of UGTW and USITW by actuary in accordance with the projected unit credit method. Future salary growth rate and mortality rate are used to estimate the future cash outflows to recognize the present value of the plan at a discounted rate which is determined in accordance with the market interest rate of high-quality corporate bonds at the balance sheet date. In countries where there is no market for such bonds, the market interest rate for government bonds (at the balance sheet date) shall be used. Since the Group's post-employment benefit obligations remain effective for 11 to 13 years, the discount rate is determined by reference to the bonds with a similar duration to the post-employment benefit obligations. Therefore, the average interest rate for government bonds with a duration of 11 years or more is referenced. The Group recognizes liabilities based on the actuarial result, with gains or losses arising from actuary recognized in other comprehensive income and not to be reversed to profit or loss in subsequent accounting periods. Past service cost is included in profit or loss for the period when the modification to the plan is made. And net interest is recognized as the amount of net liabilities or assets of the defined benefit plan multiplying by an appropriate discount rate.

The following table lists the significant actuarial assumptions used by UGTW and USITW in determining the present value of the defined benefit plan obligations:

	31/12/2021	31/12/2020
Discount rate	0.75%	0.9%
Future salary growth rate	2.25%	2.25%
Mortality rate	Assumptions made based on the sixth Mortality Table in Taiwan	Assumptions made based on the fifth Mortality Table in Taiwan

Sensitive analysis as below is based on reasonable changes of corresponding assumptions at the end of the reporting period (all other assumptions remain unchanged):

- When the discount rate is up (down) 0.5%, the present value of defined benefit plan obligations of UGTW and USITW will be decreased by RMB 6,009,465.79 (increased by RMB 6,475,205.14) and RMB4,927,577.68 (increased by RMB 5,309,705.07), respectively.
- When the future salary growth rate is up (down) 0.5%, the present value of defined benefit plan obligations of UGTW and USITW will be increased by RMB 10,858,959.57 (decreased by RMB 10,181,311.11) and RMB 675,345.10 (decreased by RMB 636,418.32), respectively.

NOTES TO THE FINANCIAL STATEMENTS  
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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**34. Long-term employee benefits payable - continued**

(2) Changes in defined benefit plans - continued

The Group hired Willis Towers Watson to estimate the present value of retirement benefit plan obligation of FAFG by actuary in accordance with the projected unit credit method. Future salary growth rate is used to estimate the future cash outflows to recognize the present value of the plan at a discounted rate.

The following table lists the significant actuarial assumptions used by FAFG in determining the present value of the defined benefit plan obligations:

	31/12/2021	31/12/2020
Discount rate	0.85%~0.93%	0.65%~0.66%
Future salary growth rate	1%-2%	1%-2%
Mortality rate	Life expectancy table of local National Bureau of Statistics	Life expectancy table of local National Bureau of Statistics

Sensitive analysis as below is based on reasonable changes of corresponding assumptions at the end of the reporting period (all other assumptions remain unchanged):

- When the discount rate is up (down) 0.5%, the present value of defined benefit plan obligations of FAFG will be decreased by RMB 11,517,357.97 (increased by RMB 12,718,085.44).
- When the future salary growth rate is up (down) 0.5%, the present value of defined benefit plan obligations of FAFG will be increased by RMB 2,679,222.46 (decreased by RMB 2,536,049.36).

As it is unlikely that an assumption can change in an isolated manner due to correlations among certain assumptions, the sensitivity analysis above may not reflect actual changes in present value of defined benefit plans.

In sensitivity analysis above, the method used to calculate net liabilities of defined benefit plans at the end of the period is the same with that used to recognize related liabilities in balance sheet.

Compared with previous years, methods and assumptions adopted to analyze sensitivity remain unchanged.

**35. Provisions**

Item	Unit: RMB	
	31/12/2021	31/12/2020
Products quality warranty	10,046,914.77	11,353,780.46

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

36. Deferred income

Unit: RMB

Item	31/12/2020	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021	Reason
Government grants	30,407,540.72	45,910,000.00	17,980,271.33	(348,176.24)	57,989,093.15	Note 1
Subsidies for purchase of fixed assets	2,317,023.20	249,645.43	757,533.60	(6,285.48)	1,802,849.55	
<b>Total</b>	<b>32,724,563.92</b>	<b>46,159,645.43</b>	<b>18,737,804.93</b>	<b>(354,461.72)</b>	<b>59,791,942.70</b>	

Note 1: Items involving government grants:

Unit: RMB

Item	31/12/2020	Increase in the year	Amount recognized in other income of the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2021	Asset-related / Income-related
Funding item for industrialization technology upgrading	12,147,608.87	1,160,000.00	4,710,284.57	-	8,597,324.30	Asset-related
Manufacturing technology reform item for high transmission, high density and miniaturized wireless communication module	9,722,221.90	-	8,333,333.40	-	1,388,888.50	Asset-related
Technology reform item for ultra-thin communication module deep intelligent production line	4,435,926.03	22,200,000.00	1,975,253.19	-	24,660,672.84	Asset-related
Upgrading subsidies for Poland technology	4,101,783.92	-	1,205,090.18	(348,176.24)	2,548,517.50	Asset-related
Government grant income from matching funds for key transformation projects for the automation of the production of smart wearable products	-	11,250,000.00	205,875.00	-	11,044,125.00	Asset-related
Government grants for the sixth batch of high quality special projects (technological transformation)	-	11,300,000.00	1,550,434.99	-	9,749,565.01	Asset-related
<b>Total</b>	<b>30,407,540.72</b>	<b>45,910,000.00</b>	<b>17,980,271.33</b>	<b>(348,176.24)</b>	<b>57,989,093.15</b>	

37. Other non-current liabilities

Other non-current liabilities refer to guarantee deposits and margins received from suppliers.

38. Share capital

Unit: RMB

	31/12/2020	Changes for the year		31/12/2021
		New issue of shares (Note 1)	Convertible bonds transferred to equity (Note 2)	
Total shares	2,209,343,372.00	828,100.00	1,310.00	2,210,172,782.00

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**38. Share capital - continued**

Note 1: In November 2015 and November 2019, the Company implemented the *Stock Option Incentive Plan for Universal Scientific Industrial (Shanghai) Co., Ltd.* and the *Stock Option Incentive Plan for Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019* to grant a certain number of stock options to eligible employees to subscribe for ordinary shares of the Company. In 2021, 318,800 ordinary shares and 509,300 ordinary shares granted by the Company were exercised at RMB 15.54 per share and RMB 12.67 per share, respectively, and registered in China Securities Depository and Clearing Co., Ltd. Shanghai Branch, totally increasing the share capital by RMB 828,100.00 and capital reserve by RMB 10,578,883.00.

Note 2: See Note V, 31 for convertible bonds to equity swap.

**39. Other equity instruments**

Unit: RMB

Outstanding financial instruments	Opening balance		Increase		Decrease		Closing balance	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
Convertible corporate bonds	-	-	34,500,000.00	409,905,205.31	260.00	3,089.14	34,499,740.00	409,902,116.17

Note: Other equity instruments are formed by the equity part of convertible corporate bonds. For the details, see Note (V), 31.

NOTES TO THE FINANCIAL STATEMENTS  
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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Capital reserve

Unit: RMB

Item	31/12/2020	Increase in the year	Decrease in the year	31/12/2021
Share premium	2,045,171,620.81	14,136,893.22	-	2,059,308,514.03
Including: Share capital invested by investors (Note V. (38))	3,079,826,697.17	10,578,883.00	-	3,090,405,580.17
Purchase of minority interests	(4,405,590.07)	-	-	(4,405,590.07)
Differences resulting from combination involving enterprise under common control	(5,621,108.53)	-	-	(5,621,108.53)
Transfer of capital reserve to share capital	(1,087,961,790.00)	-	-	(1,087,961,790.00)
Share-based payment exercise included in owners' equity	66,745,457.91	5,519,464.00	-	72,264,921.91
Treasury shares transferred out (Note (V). 41)	(3,412,045.67)	(1,986,486.80)	-	(5,398,532.47)
Exercise of convertible bonds (Note (V). 31)	-	25,033.02	-	25,033.02
Other capital reserve (Note (V). 48)	135,792,556.19	52,875,000.00	5,519,464.00	183,148,092.19
<b>Total</b>	<b>2,180,964,177.00</b>	<b>67,011,893.22</b>	<b>5,519,464.00</b>	<b>2,242,456,606.22</b>

41. Treasury shares

Unit: RMB

Item	31/12/2020	Increase in the year	Decrease in the year	31/12/2021
Employee stock ownership plan	134,707,206.58	231,031,506.46	24,502,373.16	341,236,339.88

According to the *Proposal on the Plan to Repurchase the Company's Shares in the Form of Centralized Competitive Bidding* at the Twelfth Meeting of the Fifth Session of the Board of Directors held on 26 August 2021 and other proposals, from 1 September 2021 to 31 December 2021, the Company repurchased a total of 16,042,278 shares of the Company in the form of centralized competitive bidding, totaling RMB 231,031,506.46. In 2021, the Group exercised the employee stock ownership plan based on the *Core Employee Stock Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. (Draft)* and *Core Employee Stock Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021 (Draft)*, using 1,780,050 treasury shares to exercise the employee stock ownership plan and transferring 281,200 treasury shares to employee stock ownership platform in a non-trading manner. A total of 2,061,250 treasury shares were transferred out, totaling RMB 24,502,373.16. The Group received RMB 22,515,886.36 from employees for the exercise of the stock ownership plan, with the difference of RMB 1,986,486.80 included in capital reserve.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

42. Other comprehensive income

Unit: RMB

Item	31/12/2020	Amount incurred in the current year					31/12/2021
		Amount incurred for current year before tax	Less: Amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the company after tax	Attributable to minority interests after tax	
I. Other comprehensive income that cannot be subsequently reclassified to profit or loss	(79,239,470.64)	39,112,727.21	-	2,704,676.57	36,407,012.60	1,038.04	(42,832,458.04)
Including: Recalculation of the changes in defined benefit plans	(55,498,586.00)	4,677,068.45	-	2,704,676.57	1,971,353.84	1,038.04	(53,527,232.16)
Fair value changes in other equity instruments investment	(23,740,884.64)	34,435,658.76	-	-	34,435,658.76	-	10,694,774.12
II. Other comprehensive income that will be reclassified to profit or loss	(11,976,506.37)	(27,498,576.95)	-	-	(28,791,434.54)	1,292,857.59	(40,767,940.91)
Including: Other comprehensive income that can be reclassified to profit or loss under equity method	14,257,376.56	7,230,128.54	-	-	7,230,128.54	-	21,487,505.10
Exchange differences arising on translation of financial statements denominated in foreign currencies	105,461,008.12	(205,046,650.73)	-	-	(206,339,508.32)	1,292,857.59	(100,878,500.20)
Net investment hedging for overseas operations	(131,694,891.05)	170,317,945.24	-	-	170,317,945.24	-	38,623,054.19
<b>Total other comprehensive income</b>	<b>(91,215,977.01)</b>	<b>11,614,150.26</b>	<b>-</b>	<b>2,704,676.57</b>	<b>7,615,578.06</b>	<b>1,293,895.63</b>	<b>(83,600,398.95)</b>

43. Surplus reserve

Unit: RMB

Item	31/12/2020	Increase in the year	Decrease in the year	31/12/2021
Statutory surplus reserve (Note)	542,610,242.85	195,394,427.11	-	738,004,669.96

Note: According to the Articles of Association, Universal Scientific Industrial (Shanghai) Co., Ltd. is required to transfer 10% of its net profit in 2021 to the statutory surplus reserve. Statutory surplus reserve can be used to cover the Company's losses, expand the Company's production and operation or increase the Company's capital.

44. Retained profits

Unit: RMB

Item	2021	2020
Retained profits at the end of prior year	<b>7,342,825,571.69</b>	<b>6,134,589,055.19</b>
Add: Net profit attributable to owners of the Company for the year	1,857,968,074.82	1,739,435,448.10
Less: Appropriation to statutory surplus reserve (Note 1)	195,394,427.11	151,755,906.03
Dividends on ordinary shares payable (Note 2)	1,099,138,447.50	379,443,025.57
Retained profits at the end of the year (Note 3)	<b>7,906,260,771.90</b>	<b>7,342,825,571.69</b>

(1) Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**44. Retained profits - continued**

**33.**

- (2) Profit distribution approved in shareholders' meeting during the year

According to the resolution of the Ninth Meeting of the Fifth Session of the Board of Directors of the Company held on 26 March 2021, a cash dividend of RMB 5.00 (including tax) per 10 shares will be distributed on the basis of the total share capital at the equity registration date less the number of the shares repurchased by the Company from special accounts, with no bonus issue and no increase in share capital.

**34.**

- (3) Profit distribution decided after the balance sheet date

**35.**

As proposed by the resolution of the Fifteenth Meeting of the Fifth Session of the Board of Directors of the Company held on 25 March 2022, a cash dividend of RMB 2.60 (including tax) per 10 shares will be distributed on the basis of the total share capital at the equity registration date less the number of the shares repurchased by the Company from special accounts, with no bonus issue and no increase in share capital. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

- (4) Appropriation to surplus reserve by subsidiaries

**36.**

**37.** As at 31 December 2021, the balance of the Group's retained profits include appropriation to surplus reserve by subsidiaries amounting to RMB 1,192,741,399.36 (31 December 2020: RMB 1,110,302,383.39).

**45. Revenue and Costs**

- (1) Details of Revenue and costs

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year (Restated)	
	Revenue	Costs	Revenue	Costs
Principal operating activities	55,253,601,963.75	49,978,169,386.77	47,672,101,126.45	42,805,901,732.50
Other operating activities	46,052,806.46	3,309,811.07	24,127,096.08	3,648,381.64
<b>Total</b>	<b>55,299,654,770.21</b>	<b>49,981,479,197.84</b>	<b>47,696,228,222.53</b>	<b>42,809,550,114.14</b>

- (2) Analysis of revenue and costs from principal operating activities by product categories:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year (Restated)	
	Revenue	Costs	Revenue	Costs
Communication products	21,211,368,145.31	19,799,912,823.21	20,283,864,099.07	18,821,255,507.78
Consumer electronic products	18,566,021,687.70	16,886,497,387.85	17,214,810,675.04	15,524,198,157.79
Industrial products	7,276,135,793.13	6,074,544,645.90	4,350,075,411.92	3,450,426,871.41
Computer and storage products	4,793,053,315.18	4,079,381,724.91	3,825,855,621.16	3,207,733,423.12
Automotive electronic products	2,605,088,256.75	2,402,266,475.48	1,691,018,757.11	1,570,822,919.34
Medical products	280,679,550.41	264,285,249.66	71,996,638.77	65,180,848.67
Others	521,255,215.27	471,281,079.76	234,479,923.38	166,284,004.39
<b>Total</b>	<b>55,253,601,963.75</b>	<b>49,978,169,386.77</b>	<b>47,672,101,126.45</b>	<b>42,805,901,732.50</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Revenue and costs - continued

(3) Revenue and costs from other operating activities:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Revenue	Costs	Revenue	Costs
Scrap income	39,880,978.46	-	16,404,990.55	-
Others	6,171,828.00	3,309,811.07	7,722,105.53	3,648,381.64
<b>Total</b>	<b>46,052,806.46</b>	<b>3,309,811.07</b>	<b>24,127,096.08</b>	<b>3,648,381.64</b>

(4) Fulfillment of contractual obligations with customers:

The Group's sales include domestic sales and export sales. The Group's performance obligation is to provide goods to customers, including communication products, consumer electronic products, computer and storage products, industrial products, automotive electronic products, medical products and other products.

The Group recognizes revenue at the time when the customer obtains control of the goods. The Group recognizes revenue at the time when the goods leave the factory, when the goods are delivered to the carrier, when the goods are delivered to the port, when the goods are loaded onto an aircraft or ship, or when the goods are delivered to the customer or when the goods are delivered to the customer or to a location designated by the customer or when the goods are delivered to the warehouse designated by the customer and the customer signs for them on the receipt, respectively, according to the specific sales terms or trade terms agreed in the contract.

46. Taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Stamp duties	19,880,734.34	18,669,620.96
City construction and maintenance tax	11,208,526.66	13,467,342.74
Education surcharges	8,532,615.47	10,759,570.57
Real estate tax	2,937,961.06	2,063,216.19
Urban land use tax	900,287.63	655,818.97
Property transfer tax	-	13,695,041.12
Others	6,357,540.59	2,397,902.00
<b>Total</b>	<b>49,817,665.75</b>	<b>61,708,512.55</b>

47. Selling expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (Restated)
Staff costs	211,759,131.73	160,134,549.21
Royalty fees	31,098,633.03	17,325,403.34
Depreciation and amortization	16,027,092.26	3,550,147.86
Labor costs	10,077,652.76	6,709,004.28
After-sales service fee	6,394,645.51	3,116,687.86
Traveling expenses	3,876,257.29	3,004,701.45
Utilities	2,030,392.60	1,996,159.29
Entertainment expenses	1,665,596.94	1,532,933.93
Commission	1,640,768.47	469,481.07
Others	26,910,731.51	22,053,223.46
<b>Total</b>	<b>311,480,902.10</b>	<b>219,892,291.75</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

48. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	726,688,773.52	790,997,524.16
Labor costs and professional services fee	132,225,618.10	87,529,615.76
Depreciation and amortization	110,545,311.91	94,852,567.56
Share-based payments	52,875,000.00	44,777,233.10
Renovation costs	27,748,073.54	23,084,604.23
Traveling expenses	17,718,452.02	11,483,892.35
Software costs	13,172,412.70	6,265,866.72
Utilities	12,473,730.18	10,225,115.70
Insurance	10,571,950.20	4,234,388.75
Material consumption	9,656,422.95	5,913,389.86
Others	55,497,639.65	43,794,784.46
<b>Total</b>	<b>1,169,173,384.77</b>	<b>1,123,158,982.65</b>

49. Research and development expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	743,076,797.95	723,044,138.85
Material and sample costs	439,215,347.10	504,747,674.29
Work order expense	180,452,175.26	114,837,338.65
Depreciation and amortization	99,178,889.07	89,082,892.15
Mold costs	44,165,226.63	36,738,835.19
Utilities	21,466,113.30	20,584,510.89
Software	16,600,013.19	6,654,800.09
Renovation costs	16,097,717.66	15,034,257.06
Labor costs	11,803,055.92	13,930,177.23
Consumables and miscellaneous	10,880,322.68	10,061,809.70
Traveling expenses	2,914,798.18	3,471,546.74
Others	55,548,055.67	38,175,083.64
<b>Total</b>	<b>1,641,398,512.61</b>	<b>1,576,363,064.48</b>

50. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	201,328,552.68	90,186,351.24
Including: Interest expenses on lease liabilities	21,624,108.86	19,570,082.83
Interest expenses on issue of convertible bonds	107,851,300.34	-
Less: Interest income	67,779,611.82	60,445,860.19
Exchange differences	62,658,120.37	63,269,271.70
Others	7,191,529.39	2,740,747.91
<b>Total</b>	<b>203,398,590.62</b>	<b>95,750,510.66</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

51. Other income

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit or loss for the period
Government grants	50,678,106.85	76,779,477.12	50,678,106.85

Government grants in other income included in profit or loss for the period

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Asset-related/ Income-related
Import interest subsidies	6,519,680.00	3,474,981.00	Income-related
2021 Economic grants by Head Office of Pudong New Area Large Enterprises	4,970,000.00	-	Income-related
French government grants for science and technology research	4,751,654.62	-	Income-related
R&D Funding for Shenzhen Science and Technology Innovation Enterprise	2,388,000.00	3,084,000.00	Income-related
Subsidy for named class of high-skilled talent in Kunshan	1,562,500.00	-	Income-related
2021 Integrated subsidy for Technical Transformation of Industrial Enterprises in Kunshan	1,350,000.00	-	Income-related
2021 Special subsidy for staying in Kunshan in the Spring Festival and stable yield by Qiandeng Township	1,002,800.00	-	Income-related
Nurturing grants for High-tech Enterprises by Nanshan Science and Technology Innovation Bureau	1,000,000.00	-	Income-related
Shenzhen government subsidies for commercial and industrial electricity consumption	961,114.00	4,379,089.00	Income-related
Vocational training subsidies by Kunshan Social Insurance Fund Management Center	791,300.00	-	Income-related
Individual tax service fee refund	664,628.80	1,129,561.66	Income-related
Subsidies for VAT deduction for enterprises employing poor people with established cards	559,180.13	-	Income-related
Award for outstanding contribution to high quality development in the 30th Anniversary of Kun-Tai Integrated Development	500,000.00	-	Income-related
Intellectual property subsidies of Shanghai Zhangjiang Science City Construction and Management Office	410,800.00	927,402.00	Income-related
Social Security Bureau stabilization subsidy	150,811.51	8,391,393.09	Income-related
Enterprise social security returned by Shenzhen Social Security Bureau	-	13,981,600.51	Income-related
Incentives for additional industrial value of Industry and Information Technology Bureau of Shenzhen Nanshan District	-	5,000,000.00	Income-related
Subsidies for expansion and capital increase item from Industry and Information Technology Bureau of Shenzhen	-	4,765,000.00	Income-related
2020 Integrated subsidies for technological reform of Kunshan industrial enterprises	-	1,683,400.00	Income-related
French R&D subsidies	-	1,589,547.98	Income-related
Top ten growing Taiwanese enterprises awarded by the Qiandeng Branch of Kunshan Finance Bureau	-	1,000,000.00	Income-related
Poland COVID-19 prevention subsidy	-	917,604.61	Income-related
District incentives for boiler improvement area in Shanghai Jingqiao	-	780,000.00	Income-related
Taiwan industry innovation platform subsidy	-	734,930.47	Income-related
Intellectual property funding in science and technology development fund	-	293,500.00	Income-related
Others	5,115,366.46	5,795,469.70	Income-related
<b>Sub-total</b>	<b>32,697,835.52</b>	<b>57,927,480.02</b>	
Amortization of asset-related government grants (Note (V). 36)	17,980,271.33	18,851,997.10	Asset-related
<b>Total</b>	<b>50,678,106.85</b>	<b>76,779,477.12</b>	

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

52. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments under equity method	22,116,497.85	19,752,692.15
Investment income from other equity instruments during the hold period	14,910,026.14	-
Investment income of other non-current financial assets during the hold period	1,208,019.49	159,135.20
Investment income on disposal of held-for-trading financial assets	73,489,834.38	63,528,666.98
Other	(45,397.90)	-
<b>Total</b>	<b>111,678,979.96</b>	<b>83,440,494.33</b>

53. Gains (losses) from changes in fair values

Unit: RMB

Source resulting in gains from changes in fair values	Amount incurred in the current year	Amount incurred in the prior year
Held-for-trading financial assets	15,525,000.00	2,293,920.33
Including: Gains (losses) from changes in fair values arising from derivative financial assets	15,525,000.00	-
Derivative financial liabilities	14,031,052.68	(4,968,603.17)
Other non-current financial assets	15,032,169.92	(3,597,517.30)
<b>Total</b>	<b>44,588,222.60</b>	<b>(6,272,200.14)</b>

54. Impairment gains (losses) of credit

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Gains (losses) from bad debts of accounts receivable	(4,542,957.48)	7,894,930.75
Gains (losses) from bad debts of other receivables	2,836,069.00	-
<b>Total</b>	<b>(1,706,888.48)</b>	<b>7,894,930.75</b>

55. Impairment gains (losses) of assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Gains (losses) on decline in value of inventories	(18,746,153.38)	(11,792,788.58)

56. Gains (losses) from disposal of assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit or loss for the period
<b>Gains from disposal of non-current assets</b>	5,290,613.92	3,024,576.57	5,290,613.92
Less: Losses from disposal of non-current assets	2,875,916.90	1,228,485.76	2,875,916.90
<b>Total</b>	<b>2,414,697.02</b>	<b>1,796,090.81</b>	<b>2,414,697.02</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

57. Non-operating income

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit or loss for the period
Sporadic income	19,628,576.06	14,978,610.83	19,628,576.06

58. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit or loss for the period
Losses on retirement of non-current assets	11,530,686.66	623,754.22	11,530,686.66
Others	1,052,447.42	2,442,552.64	1,052,447.42
<b>Total</b>	<b>12,583,134.08</b>	<b>3,066,306.86</b>	<b>12,583,134.08</b>

59. Income tax expenses

(1) Statement of income tax expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Income tax expenses for the current period	367,358,199.12	282,034,396.01
Settlement differences in income tax	(21,432,389.61)	(34,737,533.12)
Deferred income taxes	(63,759,928.76)	(7,299,040.30)
<b>Total</b>	<b>282,165,880.75</b>	<b>239,997,822.59</b>

(2) Reconciliation of income tax expenses to the accounting profit

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Total profit	2,138,858,923.07	1,973,563,054.56
Applicable tax rate	15%	15%
Income tax expenses calculated based on applicable tax rate	320,828,838.43	296,034,458.18
Effect of non-deductible cost, expense and loss	33,989,887.10	25,564,146.43
Effect of deemed sales on income taxes	3,153,974.75	846,732.13
Effect of non-taxable income	(615,775.56)	(5,265,214.57)
Tax effect of additional deductible expenses	(109,649,252.29)	(69,986,753.57)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current year	8,850,428.82	13,674,720.96
Effect of utilizing deductible temporary differences or deductible loss not recognized for deferred tax assets for prior period	(7,142.67)	(6,881,354.58)
Share based incentive scheme	6,239,839.26	-
Settlement differences in income tax	(21,432,389.61)	(34,737,533.12)
Effect of different tax rates applied by subsidiaries	30,384,135.90	12,866,903.28
Effect of levy on undistributed earnings of Taiwan subsidiaries	-	4,774,002.78
Effect of changes in income tax rates of subsidiaries on the opening balance of deferred tax assets	6,004,696.00	-
Others	4,418,640.62	3,107,714.67
<b>Income tax expenses</b>	<b>282,165,880.75</b>	<b>239,997,822.59</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

60. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest income	72,145,391.15	56,728,713.26
Subsidy income	78,607,835.52	57,927,480.02
Others (Note)	22,035,458.20	72,449,196.96
<b>Total</b>	<b>172,788,684.87</b>	<b>187,105,390.24</b>

Note: It mainly refers to advance payment on behalf of third parties.

(2) Other cash payments relating to operating activities

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Export expenses and freight paid	156,029,510.00	88,461,795.13
Other expenses paid	472,254,238.69	411,762,352.90
Payment of customs deposit	2,974,159.20	9,530,668.80
<b>Total</b>	<b>631,257,907.89</b>	<b>509,754,816.83</b>

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Subsidy for purchase of fixed assets	-	13,522,846.50

(4) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Repurchase of treasury shares	231,031,506.46	-
Payment of lease principal and interest	136,940,693.70	100,152,845.92
Payment of deposits on long-term loans	-	20,227,144.33
Purchase of minority interests	-	24,500,000.00
Others	880,489.51	5,270,084.97
<b>Total</b>	<b>368,852,689.67</b>	<b>150,150,075.22</b>

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

61. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2021	2020
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	1,856,693,042.32	1,733,565,231.97
Add: Losses (gains) on impairment of assets	18,746,153.38	11,792,788.58
Gains on impairment of credit	1,706,888.48	(7,894,930.75)
Depreciation of fixed assets	743,998,618.03	461,584,134.19
Depreciation of right-of-use assets	126,034,558.52	94,604,372.28
Amortization of intangible assets	102,807,442.51	40,126,621.54
Amortization of long-term prepaid expenses	94,475,344.98	79,481,660.45
Amortization of deferred income	(18,737,804.93)	(20,865,298.64)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(2,414,697.02)	(1,796,090.81)
Losses on retirement of fixed assets	11,530,686.66	623,754.22
Losses (gains) on changes in fair values	(44,588,222.60)	6,272,200.14
Financial expenses (income)	263,986,673.05	35,304,650.47
Gains arising from investments	(111,678,979.96)	(83,440,494.33)
Share-based payments settled by equity	52,875,000.00	44,786,016.39
Decrease (increase) in deferred tax assets	(18,286,336.11)	16,583,165.40
Increase in deferred tax liabilities	(34,306,686.56)	(23,882,205.70)
Decrease (increase) in inventories	(2,203,751,438.05)	(1,381,853,828.82)
Decrease (increase) in receivables from operating activities	(2,319,617,462.56)	(2,611,537,261.99)
Increase (decrease) in payables from operating activities	378,080,240.96	3,043,069,189.51
Net cash flow from operating activities	<b>(1,102,446,978.90)</b>	<b>1,436,523,674.10</b>
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Acquisition of long-term assets with debt	601,020,573.06	297,166,665.61
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	6,018,193,116.59	6,303,224,304.50
Less: Opening balance of cash	6,303,224,304.50	6,082,639,950.14
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(285,031,187.91)</b>	<b>220,584,354.36</b>

(2) Net cash payments to acquire subsidiaries for the year

Unit: RMB

Item	Amount
Cash or cash equivalents paid in current year for business combination incurred in current year	49,613,369.15
Less: Cash and cash equivalents held by subsidiaries at the date of purchase	4,291,567.33
Net cash paid to acquire subsidiaries	45,321,801.82

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

61. Supplementary information to the cash flow statement - continued

(3) Composition of cash and cash equivalents

Unit: RMB

Item	31/12/2021	31/12/2020
I. Cash	6,018,193,116.59	6,303,224,304.50
Including: Cash on hand	126,530.08	191,907.34
Bank deposits that can be readily withdrawn on demand	6,018,066,586.51	6,303,032,397.16
II. Cash equivalents	-	-
<b>III. Closing balance of cash and cash equivalents</b>	<b>6,018,193,116.59</b>	<b>6,303,224,304.50</b>

62. Assets with limited ownership or use right

Unit: RMB

Item	Closing balance of carrying amount	Reasons for the restrictions
Other cash and bank balances	12,504,828.00	Customs deposit
Other cash and bank balances	3,506,097.66	Deposit for interest on long-term loans
<b>Total</b>	<b>16,010,925.66</b>	

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing RMB equivalent
Cash and bank balances			
Including: RMB	41,632,970.98	1.0000	41,632,970.98
USD	196,270,303.76	6.3757	1,251,360,575.68
EUR	1,101,362.38	7.2211	7,953,047.88
HKD	1,623,616.96	0.8176	1,327,469.23
JPY	36,727,091.00	0.0554	2,034,680.84
MXN	24,532,362.81	0.3097	7,597,672.76
SGD	10,662.56	4.7179	50,304.89
CZK	11,354.00	0.2905	3,298.34
TND	2,197,327.05	2.2027	4,840,052.28
VDN	138,699,105,966.00	0.0003	41,609,731.79
Accounts receivable			
Including: USD	1,536,343,162.72	6.3757	9,795,263,102.55
EUR	2,279,934.40	7.2211	16,463,634.30
MXN	5,750,025.93	0.3097	1,780,783.03
Other receivables			
Including: USD	2,116,392.86	6.3757	13,493,485.96
EUR	50,847.34	7.2211	367,173.73
MXN	19,982,224.39	0.3097	6,188,494.89
VDN	1,193,942,258.00	0.0003	358,182.68
Short-term borrowings			
Including: USD	74,414,621.52	6.3757	474,445,302.43
EUR	173,000,000.00	7.2211	1,249,250,300.00
Accounts payable			
Including: USD	1,380,870,716.48	6.3757	8,804,017,427.06
EUR	4,080,014.21	7.2211	29,462,190.61
HKD	2,415,775.14	0.8176	1,975,137.75
JPY	751,300,626.00	0.0554	41,622,054.68
MXN	122,504,778.30	0.3097	37,939,729.84
VDN	115,144,116,687.00	0.0003	34,543,235.01
Other payables			
Including: USD	25,567,860.44	6.3757	163,013,007.81
EUR	5,100.00	7.2211	36,827.61
MXN	36,418,224.24	0.3097	11,278,724.05
VDN	3,655,122,490.00	0.0003	1,096,536.75
Long-term borrowings			
Including: EUR	152,500,000.00	7.2211	1,101,220,467.55

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63. Foreign currency monetary items - continued

(2) Description of overseas operating entities

38.

Full name of subsidiary	Major operation place	Functional currency	Choosing basis
Universal Global Technology Co., Limited ("UGT")	Hong Kong	USD	Major currencies used in operating and financing activities
Universal Global Industrial Co., Limited ("UGI")	Hong Kong	USD	Major currencies used in operating activities
Universal Global Electronics Co., Limited ("UGE")	Hong Kong	USD	Major currencies used in operating activities
UGTW	Taiwan	TWD	Currency in major economic environment
USITW	Taiwan	TWD	Currency in major economic environment
USI America Inc.	USA	USD	Currency in major economic environment
USI Japan Co., Ltd.	Japan	JPY	Currency in major economic environment
Universal Scientific Industrial De México S.A. De C.V.	Mexico	USD	Major currencies used in operating and financing activities
Universal Scientific Industrial Poland Sp. z o.o.	Poland	PLN	Currency in major economic environment
Universal Scientific Industrial (France)	France	EUR	Currency in major economic environment
FINANCIÈRE AFG S.A.S.	France	EUR	Currency in major economic environment
Universal Scientific Industrial Vietnam Company Limited	Vietnam	USD	Major currencies used in operating activities

64. Hedge

Disclose by category the following information: hedge items, related hedging instruments, the qualitative and quantitative information of hedged risks:

The Group acquired FAFG through USI France under Universal Global Technology Co., Limited, its wholly-owned subsidiary, in order to expand its global operations and market layout in electronic design and manufacturing. The Group's net investment in FAFG's foreign operations with EUR as the functional currency is exposed to risks of exchange rate changes in EUR. The Group uses loan contracts in EUR to manage the foreign exchange risk of the net investment in FAFG's foreign operations. The Group's foreign borrowings are in EUR, which is also the functional currency of FAFG. The exchange rate of EUR is the basic variable for both the hedging instrument (short-term and long-term borrowings) and the hedged item (the Group's net investment in foreign operations of FAFG). The Group designates the overall foreign exchange risk component of short-term and long-term borrowings as the hedging instrument and designates a portion of the Group's net investment in foreign operations of FAFG as the hedged item, which are equal in quantity. The Group uses hedges for net investment in foreign operations.

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

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. Hedge - continued

Hedging instrument

A summary of hedging instrument:

Unit: EUR

Hedging instrument		31/12/2021		
		Within 6 months	6 to 12 months	After 12 months
Hedges for net investment in foreign operations (Note (V). 22 and 30)				
Foreign exchange risk - Short-term borrowings in EUR	Nominal amount	120,000,000.00	-	-
Foreign exchange risk - Long-term borrowings in EUR	Nominal amount	-	-	152,500,000.00

Unit: RMB

	31/12/2021	31/12/2021		Items presented for assets and liabilities that include hedging instruments	2021
	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument			Changes in fair value of the invalid part of hedge
		Assets	Liabilities		
Hedges for net investment in foreign operations					
Foreign exchange risk - Short-term borrowings in EUR	866,534,138.40	-	866,534,138.40	Short-term borrowings	-
Foreign exchange risk - Long-term borrowings in EUR	1,101,220,467.55	-	1,101,220,467.55	Long-term borrowings	-
Total	1,967,754,605.95	-	1,967,754,605.95		-

Details of hedged items:

Unit: RMB

	Carrying amount of hedged items at 31/12/2021		Items presented for assets and liabilities that include hedged instruments	Changes in fair value of the invalid part of hedged items in 2021	Hedge reserve for net investment in foreign operations at 31/12/2021
	Assets	Liabilities			
Hedges for net investment in foreign operations					
Foreign exchange risk - Long-term equity investment	1,967,754,605.95	-	The Group's net investment in FAFG's foreign operations	-	38,623,054.19

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. Hedge - continued

Hedge effect

Unit: RMB

	2021	2021		Amount reclassified from hedge reserves for net investment in foreign operations to profit or loss for the current period in 2021	Items listed in the income statement including reclassification adjustment
Hedges for net investment in foreign operations	Changes in hedge reserves for net investment in foreign operations of hedging instruments included in other comprehensive income	The invalid part of hedge included in profit or loss for the current period	Items listed in the income statement including invalid part of hedge recognized		
Foreign exchange risk - Short-term borrowings in EUR	70,928,489.69	-	N/A	N/A	N/A
Foreign exchange risk - Long-term borrowings in EUR	99,389,455.55	-	N/A	N/A	N/A
<b>Total</b>	<b>170,317,945.24</b>	-	N/A	N/A	N/A

(VI) CHANGES IN SCOPE OF CONSOLIDATION

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control incurred in the current year

Unit: RMB

Name of acquiree	Timing of equity acquisition	Acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of purchase to the year-end	Net loss of the acquiree from the date of purchase to the year-end
SER S.A.S ("SER")	2 November 2021	49,613,369.15	100%	Cash	2 November 2021	Acquisition of control	51,748,866.10	(116,814.90)

Note: The Company entered into the *Share Purchase Agreement* with Idemia Identity & Security France (the former shareholder of SER) through Asteelflash France (the subsidiary of the Company's wholly-owned subsidiary FAFG) to acquire the 100% equity interest of SER. At 2 November 2021, Asteelflash France completed the delivery of the 100% equity interest of SER to acquire the control over SER and thus included SER in the scope of consolidation.

(2) Combination cost and goodwill

Unit: RMB

Combination cost	SER
Cash	49,613,369.15
Less: Share of fair value of identifiable net asset acquired	49,613,369.15
Goodwill	-

NOTES TO THE FINANCIAL STATEMENTS  
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(VI) CHANGES IN SCOPE OF CONSOLIDATION - continued

1. Business combinations not involving enterprises under common control - continued

(3) Identifiable assets and liabilities of the acquiree at the date of acquisition

Unit: RMB

Item	SER	
	Fair value at acquisition date	Carry amount at acquisition date
<b>Assets:</b>		
Cash and bank balances	4,291,567.33	4,291,567.33
Accounts receivable	8,146,821.67	8,146,821.67
Inventories	85,583,311.83	85,583,311.83
Other current assets	1,095,235.04	1,095,235.04
Fixed assets	7,472,068.22	7,472,068.22
Construction in progress	1,104,633.49	1,104,633.49
Right-of-use assets	41,087,402.27	41,087,402.27
Intangible assets	83,754.92	83,754.92
Other non-current assets	1,362,253.79	1,362,253.79
<b>Liabilities:</b>		
Accounts payable	18,893,268.66	18,893,268.66
Taxes payable	5,935,563.37	5,935,563.37
Employee benefits payable	24,093,177.03	24,093,177.03
Other payables	10,541,727.40	10,541,727.40
Non-current liabilities due within one year	3,939,488.59	3,939,488.59
Lease liabilities	37,210,454.36	37,210,454.36
<b>Net assets</b>	<b>49,613,369.15</b>	<b>49,613,369.15</b>

Determination of fair value of intangible assets and liabilities:

The management of the Group believes that there is no significant difference between the fair value and carrying amount of SER's identifiable assets and liabilities on the acquisition date.

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(VII) EQUITY IN OTHER ENTITIES

1. Equity in major subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Principal operation place	Registered place	Business nature	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Universal Global Electronics (Shanghai) Co., Ltd.	Shanghai	Room 229, 2nd Floor, No.8 Jia Feng Road, China (Shanghai) Pilot Free Trade Zone	Trade and investment	100	-	Acquisition through establishment
Universal Global Technology (Shanghai) Co., Ltd.	Shanghai	No.501 Longgui Road, Jinqiao Export Processing Zone, Pudong New Area, Shanghai	Production and sales, product design and research development	100	-	Acquisition through establishment
Universal Global Technology (Kunshan) Co., Ltd.	Kunshan	No.397 Huangpu Road, Qiandeng Town, Kunshan City, Jiangsu Province	Production and sales	100	-	Acquisition through establishment
UGTW	Taiwan	No. 141, Lane 351, Sec. 1, Taiping Road, Caotun Town, Nantou County, Taiwan	Production and sales, product design and research development	-	100	Acquisition through establishment
USITW	Taiwan	No. 141, Lane 351, Sec. 1, Taiping Road, Caotun Town, Nantou County, Taiwan	Production and sales, product maintenance	-	100	Acquisition through business combinations involving enterprises under common control
Universal Global Technology Co., Limited	Hong Kong	Room 2702-3, 27th Floor, Bank of East Asia Harbour Centre, No. 56 Gloucester Road, Wanchai, Hong Kong	Trade and investment	100	-	Acquisition through establishment
Universal Global Industrial Co., Ltd.	Hong Kong	Room 2702-3, 27th Floor, Bank of East Asia Harbour Centre, No. 56 Gloucester Road, Wanchai, Hong Kong	Trade and investment	-	100	Acquisition through establishment
UGE	Hong Kong	Room 2702-3, 27th Floor, Bank of East Asia Harbour Centre, No. 56 Gloucester Road, Wanchai, Hong Kong	Trade and investment	-	100	Acquisition through establishment
USI Electronics (Shenzhen) Co., Ltd.	Shenzhen	Huanxu Electronics Park, North of Hi-Tech Park, Nanshan District, Shenzhen City, Guangdong Province	Production and sales	50	50	Acquisition through business combinations involving enterprises under common control
USI America Inc.	America	1255 East Arques Avenue Sunnyvale, CA 94085	Contractual manufacturing, product maintenance and related services	-	100	Acquisition through business combinations involving enterprises under common control
USI Japan Co., Ltd.	Japan	Sumitomo Fudosan Shin-yokohama Bldg. 10F 2-5-5. Shin-yokohama, Kouhoku-ku, Yokohama, Japan	Product maintenance and related services	-	100	Acquisition through business combinations involving enterprises under common control
Universal Scientific Industrial De México S.A. De C.V.	Mexico	Anillo Periferico Manuel Gomez Morin 656 Residencial Santa Isabel CP44290, Guadalajara, Jalisco, México	Contractual manufacturing, product maintenance and related services	-	100	Acquisition through business combinations involving enterprises under common control

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

**(VII) EQUITY IN OTHER ENTITIES - continued**

**1. Equity in major subsidiaries - continued**

(1) Composition of enterprise group - continued

Name of subsidiary	Principal operation place	Registered place	Business nature	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Universal Global Technology (Huizhou) Co., Ltd.	Huizhou	8th Floor, Innovation Building, No.1 Science and Technology Road, Middle Shihua Avenue, Daya Wan, Huizhou	Production and sales	100	-	Acquisition through establishment
Universal Scientific Industrial (France)	France	95 rue La Boetie 75008 Paris, France	Investment	-	100	Acquisition through establishment
Universal Scientific Industrial Poland Sp. z o.o.	Poland	Biskupice Podgórne ul. Innowacyjna 4, 55-040, Wrocław, Polska	Production and sales	-	100	Acquisition through business combinations not involving enterprises under common control
Universal Scientific Industrial Vietnam Company Limited	Vietnam	Land Plot CN4.1H, Dinh Vu Industrial Zone, Dinh Vu – Cat Hai Economic Zone, Dong Hai 2 Ward, Hai An District, Hai Phong City, Vietnam	Production and sales, product design and research & development	-	100	Acquisition through establishment
USI (Shenzhen) Electronic Technology Innovation Co., Ltd.	Shenzhen	101 Huanxu Electronics Factory, Gaoxin North District, Songpingshan North Ring Road, Songpingshan Community, Xili Street, Nanshan District, Shenzhen	Product design and research & development, real estate development and operation	-	100	Acquisition through establishment
FINANCIÈRE AFG S.A.S.	France	6 Rue Vincent Van Gogh 93360 Neuilly-Plaisance	Production and sales	10.42	89.58	Acquisition through business combinations not involving enterprises under common control

(2) The Group has no significant non-wholly subsidiaries.

**2. Equity in joint ventures or associates**

(1) Significant associates or joint ventures

Name of associate or joint venture	Principal operation place	Registered place	Business nature	Shareholding proportion (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
<b>I. Joint venture</b>						
SUMA-USI	Kunshan	Room 8, No. 232, Yuanfeng Road, Yushan Town, Kunshan City	Production and sales, product design and research development	-	49.00	Equity method
<b>II. Associate</b>						
M-Universe	Singapore	1 Marina Boulevard #28-00, Singapore	Production and sales	-	42.23	Equity method

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

(VII) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures or associates - continued

(2) Major financial information of significant joint ventures

Unit: RMB

	SUMA-USI	
	31/12/2021/Amount incurred in the current period	31/12/2020/Amount incurred in the prior period
Current assets	639,944,748.59	314,624,525.13
Including: Cash and cash equivalent	96,396,102.06	171,416,102.88
Non-current assets	14,238,749.45	14,056,139.00
Total assets	654,183,498.04	328,680,664.13
Current liabilities	421,010,161.96	108,206,914.14
Non-current liabilities	50,000.00	50,000.00
Total liabilities	421,060,161.96	108,256,914.14
Total shareholders' equity	233,123,336.08	220,423,749.99
Share of net assets calculated based on shareholding proportion	114,230,434.68	108,007,637.50
Carrying amount of equity investments in joint ventures	114,230,434.68	108,007,637.50
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Revenue	424,530,768.25	109,828,047.02
Income tax expenses	3,758,368.69	3,909.15
Net profit	12,699,586.09	596,512.39
Total comprehensive income	12,699,586.09	596,512.39

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

(VII) **EQUITY IN OTHER ENTITIES - continued**

**2. Equity in joint ventures or associates - continued**

(3) Major financial information of significant associates

Unit: RMB

	M-Universe	
	31/12/2021/Amount incurred in the current period	31/12/2020/Amount incurred in the prior period
Current assets	986,288,911.50	969,698,013.50
Including: Cash and cash equivalent	148,547,434.30	171,996,364.00
Non-current assets	484,452,265.86	442,341,620.01
Total assets	1,470,741,177.36	1,412,039,633.51
Current liabilities	401,547,961.70	363,547,853.30
Non-current liabilities	52,746,166.10	44,010,450.50
Total liabilities	454,294,127.80	407,558,303.80
Minority interests	2,193,240.80	1,592,075.60
Equity attributable to shareholders of the Company	1,014,253,808.76	1,002,889,254.11
Share of net assets calculated based on shareholding proportion	428,319,383.95	423,520,132.02
Carrying amount of equity investments in joint ventures	428,319,383.95	423,520,132.02
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Revenue	1,341,385,113.60	1,153,224,305.60
Net profit attributable to owners of the Company	37,636,042.32	46,081,934.83
Other comprehensive income attributable to owners of the Company, net of tax	17,120,834.81	42,837,502.20
Total comprehensive income attributable to owners of the Company	54,756,877.13	88,919,437.03
Dividends received from joint ventures in the current period	8,521,365.60	8,879,460.13

(4) There is no significant limitations over the ability of joint ventures or associates to transfer funds to the Group.

(5) The Group has no unrecognized commitment relating to investments in joint ventures.

(6) The Group has no contingent liabilities relating to investments in joint ventures and associates.

(VIII) **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's major financial instruments include cash and bank balances, held-for-trading financial assets, notes receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, long-term receivables, other equity instrument investment, other non-current financial assets, other non-current assets, borrowings, derivative financial liabilities, accounts payable, other payables, non-current liabilities due within one year, bonds payable, lease liabilities, long-term payables and other non-current liabilities, etc. Details of these financial instruments are disclosed in Note (V). 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 the risks are monitored at a certain level.

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

**(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

Unit: RMB

	31/12/2021	31/12/2021 (Restated)
<b>Financial assets</b>		
At FVTPL		
Held-for-trading financial assets	96,480,087.56	182,315,272.70
Other non-current financial assets	236,978,820.68	152,935,434.70
Subtotal	333,458,908.24	335,250,707.40
At FVTOCI		
Other equity instrument investment	75,957,194.28	41,351,831.65
Subtotal	75,957,194.28	41,351,831.65
Measured at amortized cost		
Cash and bank balances	6,034,204,042.25	6,332,982,117.63
Notes receivable	78,960,907.84	70,395,770.23
Accounts receivable	12,459,388,852.15	10,468,619,520.16
Other receivables	124,093,293.85	121,079,752.84
Other current assets	153,785,608.36	129,990,309.17
Non-current assets due within one year	991,195.08	813,785.46
Long-term receivables	11,164,116.06	10,380,472.81
Other non-current assets	11,240,266.61	7,470,169.68
Subtotal	18,873,828,282.20	17,141,731,897.98
<b>Total financial assets</b>	<b>19,283,244,384.72</b>	<b>17,518,334,437.03</b>
<b>Financial liabilities</b>		
At FVTPL		
Derivative financial liabilities	976,413.16	18,402,480.68
Measured at amortized cost		
Short-term borrowings	2,480,500,031.68	375,341,430.81
Accounts payable	12,558,598,243.17	11,835,239,734.29
Other payables	397,047,553.23	382,052,467.52
Non-current liabilities due within one year	720,507,781.49	934,981,355.04
Long-term borrowings	1,101,220,467.55	3,011,668,944.64
Bonds payable	3,115,505,143.28	-
Lease liabilities	475,125,597.24	534,968,764.47
Long-term payables	45,581,055.62	43,287,736.00
Other non-current liabilities	5,642,575.13	4,960,300.38
Subtotal	20,899,728,448.39	17,122,500,733.15
<b>Total financial liabilities</b>	<b>20,900,704,861.55</b>	<b>17,140,903,213.83</b>

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period or shareholders' 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.

**(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

**1. Risk management objectives and policies**

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group'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 Market risk

1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with USD and EUR. The Group's subsidiaries located in China have some purchases, sales and financing activities denominated in USD and EUR while other principal activities are denominated and settled in RMB; The Group's subsidiaries located in Taiwan have some purchases and sales denominated in USD and EUR while other principal activities are denominated and settled in TWD; The Group's subsidiaries located in Japan have some purchases and sales denominated in USD while other principal activities are denominated and settled in JPY; The Group's subsidiaries located in Hong Kong have some financing activities denominated in EUR while other principal activities are denominated and settled in USD; The Group's subsidiary, USI Poland, located in Europe has some purchases and sales denominated in USD and EUR while other principal activities are denominated and settled in PLN; The Group's other subsidiaries located in Europe have principal activities denominated and settled in EUR; The Group's subsidiaries located in America and Mexico have activities denominated and settled in USD. As at 31 December 2021 and 31 December 2020, the balance of the Group's significant assets and liabilities set out below are both denominated in foreign currencies (non-functional currency and translated to RMB). Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

Unit: RMB'000

Item	31/12/2021	31/12/2020
<b>USD</b>		
Cash and bank balances	1,251,361	2,559,972
Accounts receivable	9,795,263	8,635,997
Other receivables	13,493	26,823
Short-term borrowings	(474,445)	(15,396)
Accounts payable	(8,804,017)	(8,552,722)
Other payables	(163,013)	(123,925)
<b>Subtotal</b>	<b>1,618,642</b>	<b>2,530,749</b>

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

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.1. Currency risk - continued

Unit: RMB'000

Item	31/12/2021	31/12/2020
EUR		
Cash and bank balances	7,953	8,481
Accounts receivable	16,464	21,040
Other receivables	367	230
Short-term borrowings	(1,249,250)	-
Accounts payable	(29,462)	(22,747)
Other payables	(37)	(14)
Non-current liabilities due within one year	-	(450,743)
Long-term borrowings	(1,101,220)	(1,352,228)
<b>Subtotal</b>	<b>(2,355,185)</b>	<b>(1,795,981)</b>

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures, and uses foreign currency forward contracts to reduce part of the currency exposures.

Sensitivity analysis on currency risk

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 year and shareholders' equity:

Unit: RMB'000

Item	Change in exchange rate	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% appreciation against RMB	(13,736)	(13,736)	27,023	27,023
USD	5% depreciation against RMB	13,736	13,736	(27,023)	(27,023)
USD	5% appreciation against TWD	122,196	122,196	81,662	81,662
USD	5% depreciation against TWD	(122,196)	(122,196)	(81,662)	(81,662)
USD	5% appreciation against EUR	(21,539)	(21,539)	17,642	17,642
USD	5% depreciation against EUR	21,539	21,539	(17,642)	(17,642)
USD	5% appreciation against PLN	1,972	1,972	210	210
USD	5% depreciation against PLN	(1,972)	(1,972)	(210)	(210)
EUR	5% appreciation against RMB	(380)	(380)	149	149
EUR	5% depreciation against RMB	380	380	(149)	(149)
EUR	5% appreciation against TWD	(23)	(23)	(13)	(13)
EUR	5% depreciation against TWD	23	23	13	13
EUR	5% appreciation against USD	(117,802)	(117,802)	(90,295)	(90,295)
EUR	5% depreciation against USD	117,802	117,802	90,295	90,295
EUR	5% appreciation against PLN	284	284	360	360
EUR	5% depreciation against PLN	(284)	(284)	(360)	(360)

1.1.2. Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see Note (V). 22 & 30 for details). The Group closely monitors the effects of changes in the interest rates on the Group's interest rate risk exposures. It is the Group's policy to keep its borrowings at floating rate of interests with no other arrangements such as interest rate swaps.

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

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

*Sensitivity analysis on interest rate risk*

Where all other variables are held constant, reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the year and shareholders' equity:

Unit: RMB'000

Item	Change in interest rate	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Financial instruments at floating interest rate	+100 basis points	(13,465)	(13,465)	(22,024)	(22,024)
Financial instruments at floating interest rate	-100 basis points	13,465	13,465	22,024	22,024

1.1.3. *Other price risk*

The price risk of the Group mainly arises from held-for-trading equity instrument investment and other equity instrument investment. The Group reduces the price risk of equity instrument investment by holding a variety of equity securities portfolio.

1.2 Credit risk

40.

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: cash and bank balances (Note (V). 1), held-for-trading financial assets (Note (V). 2), notes receivable (Note (V). 3), accounts receivable (Note (V). 4), portion of other receivables (Note (V). 6), non-current assets due within one year (Note (V). 8), portion of other current assets (Note (V). 9), long-term receivables (Note (V). 10), portion of other non-current assets (Note (V). 21) and non-current financial assets at FVTPL that are not included in the impairment assessment (Note (V). 13). As at the balance sheet date, the carrying amount of the Group's financial assets is its maximum exposure to credit risk.

In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate provision for credit loss is made for relevant financial assets. In this regard, the management of the Group considers that the Group'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.

As of 31 December 2021, the balance of bank acceptance bills held by the Group was RMB 78,960,907.84, of which all issuing banks were banks with high credit rating. Therefore, the management of the Group believes that the credit risk of relevant bank acceptance bills is low.

As at 31 December 2021, the balance of accounts receivable of the Group's top 5 customers was RMB 7,045,433,457.45 (31 December 2020: RMB 6,418,226,754.66), accounting for 56.50% (31 December 2020: 61.28%) of the Group's accounts receivable. Except for that, the Group has no other significant credit risk exposures concentrated on a single financial asset or a portfolio of financial assets with similar characteristics.

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

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on cash generated from production and operations and bank borrowings as significant sources of liquidity. As at 31 December 2021, the Group has available unutilized bank loan facilities of approximately RMB 17.539 billion.

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

Unit: RMB

	Less than 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,484,292,320.15	-	-	2,484,292,320.15
Accounts payable	12,558,598,243.17	-	-	12,558,598,243.17
Other payables	423,509,465.51	-	-	423,509,465.51
Long-term borrowings	599,204,325.22	1,103,789,981.98	-	1,702,994,307.20
Long-term payables	14,603,600.51	34,229,123.85	13,083,682.23	61,916,406.59
Bonds payable	3,449,974.00	134,548,986.00	3,656,972,440.00	3,794,971,400.00
Lease liabilities	141,162,788.40	404,952,136.09	109,594,213.94	655,709,138.43
Other non-current liabilities	-	5,642,575.13	-	5,642,575.13
Derivative financial liabilities	976,413.16	-	-	976,413.16

(IX) DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Closing balance			
	Level 1	Level 2	Level 3	Total
<b>I. Continuous fair value measurement</b>				
(I) Financial assets at FVTPL				
1. Derivative financial assets	-	616,169.38	8,624,935.00	9,241,104.38
2. Fund investment	-	-	94,130,696.47	94,130,696.47
3. Accounts receivable factoring	-	-	87,238,983.18	87,238,983.18
4. Equity instrument investment	-	-	51,878,465.32	51,878,465.32
5. Contingent consideration	-	-	90,969,658.89	90,969,658.89
(II) Financial assets at FVTOCI				
1. Equity instrument investments	-	-	75,957,194.28	75,957,194.28
<b>Total assets continuously measured at fair value</b>	-	<b>616,169.38</b>	<b>408,799,933.14</b>	<b>409,416,102.52</b>
(III) Derivative financial liabilities				
1. Financial liabilities at FVTPL	-	<b>976,413.16</b>	-	<b>976,413.16</b>

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

The fair value of continuous level 1 fair value measurement items is derived from quotes in an active market.

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

**(IX) DISCLOSURE OF FAIR VALUE - continued**

**3. Valuation techniques and qualitative and quantitative information of key parameters adopted for level 2 fair value measurement items**

Unit: RMB

	Fair value at 31 December 2021	Valuation technique	Inputs
Derivative financial assets (Note (V). 2)	616,169.38	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate reflecting credit risk of counterparties
Derivative financial liabilities (Note (V). 23)	976,413.16	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate reflecting credit risk of counterparties

**4. Valuation techniques and qualitative and quantitative information of key parameters adopted for level 3 fair value measurement items**

Unit: RMB

	Fair value at 31 December 2021	Valuation technique	Significant unobservable inputs
Accounts receivable factoring (Note (V). 2)	87,238,983.18	Method of discounted cash flow analysis	Discount rate reflecting credit risk of counterparties
Convertible bond option (Note V, 2)	8,624,935.00	Binomial tree evaluation model	Risk free interest rate, discount rate and Volatility
Contingent consideration (Note (V). 13)	90,969,658.89	Monte-Carlo analogy method	Net interest rate
Fund investment (Note (V). 13)	94,130,696.47	Market approach	Liquidity discount
Equity instrument investments (Note (V). 12 & 13)	127,835,659.60	Market approach	Liquidity discount

**5. Reconciliation between opening and closing carrying amounts for continuous level 3 fair value measurement items**

Unit: RMB

Item	1 January 2021 (Restated)	Recognized in profit or loss	Recognized in other comprehensive income	Translation of financial statements denominated in foreign currencies	Purchase /Increase	Settlement	31 December 2021	Changes in unrealized gains or losses for assets held at the end of the reporting period
(I) Financial assets at FVTPL								
1. Financial products	5,274,102.94	73,489,834.38	-	-	6,643,000,000.00	6,721,763,937.32	-	-
2. Accounts receivable factoring	174,458,243.25	-	-	(13,234,738.22)	715,060,459.12	789,044,980.97	87,238,983.18	-
3. Fund investment	64,091,002.18	4,990,173.85	-	(1,934,797.96)	28,192,337.89	1,208,019.49	94,130,696.47	3,782,154.36
4. Equity instrument investment	-	-	-	-	51,878,465.32	-	51,878,465.32	-
5. Contingent consideration	88,844,432.52	11,250,015.56	-	(9,124,789.19)	-	-	90,969,658.89	11,250,015.56
6. Convertible bond option	-	15,525,000.00	-	-	(6,900,000.00)	65.00	8,624,935.00	8,624,935.00
(II) Financial assets at FVTOCI								
Other equity instrument	41,351,831.65	14,910,026.14	34,435,658.76	169,703.87	-	14,910,026.14	75,957,194.28	-

**6. There are no changes in valuation techniques in the year.**

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

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**(IX) DISCLOSURE OF FAIR VALUE - continued**

**7. Fair value of financial assets and financial liabilities not measured at fair value**

The Group's management has assessed cash and bank balances, notes receivable, accounts receivable, other receivables, other current assets, non-current assets due within one year, long-term receivables, short-term borrowings, accounts payable, other payables, non-current liabilities due within one year, lease liabilities, long-term borrowings, bonds payable, long-term payables, other non-current liabilities, etc. and considers that their carrying amount approximates to the fair value of these assets and liabilities.

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

**1. Parent of the Company**

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
USI Enterprise Limited	Room A, 7/F, Yuen Long Technology Centre, No. 11 Wang Yip Street West, Yuen Long, New Territories, Hong Kong	Investment holding	USD 210,900,000.00	76.18	77.06

The ultimate controlling party of the Company is ASE Investment Holding Limited, which is listed on the Taiwan Stock Exchange with the listing code as 3711.

**2. Subsidiaries of the Company**

The details of the subsidiaries of the Company are set out in Note (VII). 1.

**3. Associates and joint ventures of the Company**

The details of the associates and joint ventures of the Company are set out in Note (VII). 2.

(X) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

**4. Other related parties of the Company**

Name of other related party	Relationship between other related parties and the Company
USI Inc.	Indirect holding company
ASE (Shanghai) Inc.	The same ultimate holding company
ASE (KunShan) Inc. (Note)	The same ultimate holding company
ASE Inc.	The same ultimate holding company
ASE Assembly & Test (Shanghai) Limited	The same ultimate holding company
Suzhou ASEN Semiconductors Co., Ltd. (Note)	The same ultimate holding company
ASE(US)Inc.	The same ultimate holding company
ASE KOREA, Inc.	The same ultimate holding company
ASE Electronics Inc.	The same ultimate holding company
ISE Labs, Inc.	The same ultimate holding company
Advanced Semiconductor Engineering (China) Ltd.	The same ultimate holding company
ASE Test Inc.	The same ultimate holding company
ASE Marketing & Service Japan Co., Ltd.	The same ultimate holding company
Shanghai Ding Hui Real Estate Development Co., Ltd.	The same ultimate holding company
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	The same ultimate holding company
Wuxi Tongzhi Microelectronics Co., Ltd.	The same ultimate holding company
ISE labs, China. Ltd.	The same ultimate holding company
Shanghai Youhong Electronic Engineering Technology Consulting Co., Ltd.	The same ultimate holding company
Rirong Semiconductor (Shanghai) Co., Ltd. (Note)	The same ultimate holding company
Shanghai Ding Gu Estate Management Co., Ltd.	The same ultimate holding company
Siliconware Precision Industries Co., Ltd	The same ultimate holding company
DECELECT SOISSONS	Company controlled by key management
DECELECT SAINT VIT	Company controlled by key management
ASDI Assistance Direction	Company controlled by key management
SHANGHAI HONGRONG PROPERTY MANAGEMENT CO., LTD.	Associate of the ultimate holding company
Taitech Precision Electronic (Kunshan) Co., Ltd.	Subsidiary of an associate
Memtech Development (H.K.) Co., Limited	Subsidiary of an associate
Dongguan Memtech Electronics Co., Ltd.	Subsidiary of an associate
Nantong Memtech Technologies Co., Ltd.	Subsidiary of an associate

Note: In 2021, the Company's ultimate controlling company ASE Investment Holding Limited sold all of its equity interests of Rirong Semiconductor (Shanghai) Co., Ltd., Suzhou ASEN Semiconductors Co., Ltd. and ASE (KunShan) Inc. to independent third parties.

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

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - CONTINUED

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	44,964,569.02	37,669,511.29
ASE Electronics Inc.	Purchase of materials	35,395,020.12	36,974,401.57
Memtech Development (H.K.) Co., Limited	Purchase of materials	33,805,960.04	29,025,496.83
Dongguan Memtech Electronics Co., Ltd.	Purchase of materials	21,142,669.59	13,751,524.45
Siliconware Precision Industries Co., Ltd	Purchase of materials	2,396,432.75	-
DECELECT SAINT VIT	Purchase of materials	1,419,113.28	-
Nantong Memtech Technologies Co., Ltd.	Purchase of materials	1,244,612.87	998,543.35
ASE Inc.	Purchase of materials	887,380.86	2,036,861.76
Rirong Semiconductor (Shanghai) Co., Ltd.	Purchase of materials	567,548.09	-
SUMA-USI	Purchase of materials	329,035.08	17,200.09
ASE KOREA, Inc.	Purchase of materials	185,560.55	27,356.06
DECELECT SOISSONS	Purchase of materials	162,939.14	-
Wuxi Tongzhi Microelectronics Co., Ltd.	Purchase of materials	-	30,450.93
<b>Total</b>		<b>142,500,841.39</b>	<b>120,531,346.33</b>
ASE Inc.	Receipt of services	1,485,559,571.92	2,205,671,003.49
ASE (Shanghai) Inc.	Receipt of services	38,163,009.12	40,295,014.64
ASE (KunShan) Inc.	Receipt of services	36,299,124.27	33,258,241.10
USI Inc.	Receipt of services	15,146,692.07	14,081,791.53
USI Enterprise Limited	Receipt of services	3,450,020.58	3,044,204.41
ASDI Assistance Direction	Receipt of services	1,976,673.00	-
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	Receipt of services	1,953,179.19	2,364,304.11
ASE KOREA, Inc.	Receipt of services	1,133,819.86	10,409,020.39
ASE Marketing & Service Japan Co., Ltd.	Receipt of services	846,602.40	930,315.60
ASE (US) Inc.	Receipt of services	106,965.60	35,969.09
SUMA-USI	Receipt of services	61,627.40	106,790.49
Memtech Development (H.K.) Co., Limited	Receipt of services	23,377.92	-
Taitech Precision Electronic (Kunshan) Co., Ltd.	Receipt of services	17,500.00	23,270.00
Dongguan Memtech Electronics Co., Ltd.	Receipt of services	13,613.15	-
SHANGHAI HONGRONG PROPERTY MANAGEMENT CO., LTD.	Receipt of services	-	364,492.80
ASE Assembly & Test (Shanghai) Limited	Receipt of services	-	56,463.78
Rirong Semiconductor (Shanghai) Co., Ltd.	Receipt of services	-	14,238.32
<b>Total</b>		<b>1,584,751,776.48</b>	<b>2,310,655,119.75</b>

The above transactions are executed at the prices agreed on by both parties.

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

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - CONTINUED**

**5. Related party transactions - continued**

(1) Sales and purchase of goods, provision and receipt of services - continued

Sales of goods/provision of services

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
ASE Inc.	Sales of goods	6,524,003.25	3,619,961.48
SUMA-USI	Sales of goods	107,841.18	8,340,234.29
DECELECT SOISSONS	Sales of goods	25,590.38	-
ASE Test Inc.	Sales of goods	-	2,537,953.91
Suzhou ASEN Semiconductors Co., Ltd.	Sales of goods	-	41,004.00
<b>Total</b>		<b>6,657,434.81</b>	<b>14,539,153.68</b>
ASE Inc.	Provision of services	4,186,289.70	2,053,269.85
ISE labs, China. Ltd.	Provision of services	611,327.88	757,657.98
SUMA-USI	Provision of services	603,545.70	1,286,929.02
Taitech Precision Electronic (Kunshan) Co., Ltd.	Provision of services	276,588.89	48,042.45
Rirong Semiconductor (Shanghai) Co., Ltd.	Provision of services	4,500.00	-
ASE Assembly & Test (Shanghai) Limited	Provision of services	-	1,957,515.58
Advanced Semiconductor Engineering (China) Ltd.	Provision of services	-	377,182.30
Suzhou ASEN Semiconductors Co., Ltd.	Provision of services	-	109,150.94
Shanghai Ding Gu Estate Management Co., Ltd.	Provision of services	-	17,711.25
Shanghai Ding Hui Real Estate Development Co., Ltd.	Provision of services	-	3,542.18
<b>Total</b>		<b>5,682,252.17</b>	<b>6,611,001.55</b>

The above transactions are executed at the prices agreed on by both parties.

(2) Leases with related parties

Leases where the Group is the lessor

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
ASE Inc.	Plant	3,597,504.88	3,642,717.71
ISE labs, China. Ltd.	Machinery and equipment	200,510.00	462,889.00
Rirong Semiconductor (Shanghai) Co., Ltd.	Machinery and equipment	105,000.00	-
Suzhou ASEN Semiconductors Co., Ltd.	Machinery and equipment	-	1,322,782.94
<b>Total</b>		<b>3,903,014.88</b>	<b>5,428,389.65</b>

The above transactions are executed at the prices agreed on by both parties.

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

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - CONTINUED**

**5. Related party transactions - continued**

(2) Leases with related parties - continued

Leases where the Group is the lessee

Unit: RMB

Name of lessor	Type of leased assets	Right-of-use assets leased in this year	Lease interest for the year	Deposit interest
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	3,668,609.46	-
ASE (KunShan) Inc.	Leasing of business premises	-	4,517,463.39	29,894.40
Advanced Semiconductor Engineering (China) Ltd.	Leasing of business premises	-	1,908,208.31	36,050.71
USI Inc.	Leasing of business premises	-	3,127,879.21	-
ISE Labs, Inc.	Leasing of business premises	-	20,231.02	14.84
<b>Total</b>			<b>13,242,391.39</b>	<b>65,959.95</b>

Unit: RMB

Name of lessor	Type of leased assets	Right-of-use assets leased in prior year	Lease interest for prior year	Deposit interest income
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	3,837,597.08	-
ASE (KunShan) Inc.	Leasing of business premises	47,559.64	4,521,389.29	23,001.49
Advanced Semiconductor Engineering (China) Ltd.	Leasing of business premises	-	2,566,545.47	35,255.51
USI Inc.	Leasing of business premises	-	3,759,869.12	-
ASE (US) Inc.	Leasing of business premises	-	8,500.76	220.06
ISE Labs, Inc.	Leasing of business premises	-	35,258.99	16.56
<b>Total</b>		<b>47,559.64</b>	<b>14,729,160.71</b>	<b>58,493.62</b>

Unit: RMB

Name of lessor	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
ASE (US) Inc.	Leasing of business premises	458,432.15	-
SUMA-USI	Machinery and equipment	32,312.09	-
ASE (KunShan) Inc.	Machinery and equipment	24,162.60	-
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	39,691.43
ASE KOREA, Inc.	Staff dormitory	-	46,768.85
<b>Total</b>		<b>514,906.84</b>	<b>86,460.28</b>

The above transactions are executed at the prices agreed on by both parties.

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - CONTINUED**

**5. Related party transactions - continued**

(3) Assets transfer/debt restructuring with related parties

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
ASE Test Inc.	Sales of fixed assets	12,545,380.16	-
ASE Test Inc.	Purchase of fixed assets	-	13,211,965.96
ISE labs, China. Ltd.	Sales of fixed assets	10,071,875.88	-
ASE Inc.	Sales of fixed assets	3,478,999.00	-
Shanghai Youhong Electronic Engineering Technology Consulting Co., Ltd.	Purchase of fixed assets	505,387.14	1,883,582.14
Rirong Semiconductor (Shanghai) Co., Ltd.	Sales of fixed assets	21,740.65	-
<b>Total</b>		<b>26,623,382.83</b>	<b>15,095,548.10</b>

The above transactions are executed at the prices agreed on by both parties.

(4) Interest expenses with related parties

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
USI Enterprise Limited	Interest expenses on convertible bonds	80,914,020.40	-
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	869,753.10	-
<b>Total</b>		<b>81,783,773.50</b>	-

In 2021, the Group issued 34,500,000 convertible bonds with a face value of RMB 100. See Note (V), 31 for details, of which 26,418,020 were subscribed by USI Enterprise Limited and 283,970 by ASE (Shanghai) Inc.

(5) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	30,519,010.96	19,963,423.42

**6. Amounts due from / to related parties**

(1) Amounts due from related parties

Unit: RMB

Item	Related party	31/12/2021		31/12/2020	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	ASE Inc.	1,158,180.69	-	1,658,203.45	-
Accounts receivable	SUMA-USI	160,167.11	-	382,002.29	-
Accounts receivable	ASE Test Inc.	-	-	363,853.44	-
<b>Total</b>		<b>1,318,347.80</b>	<b>-</b>	<b>2,404,059.18</b>	<b>-</b>

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

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Amounts due from / to related parties - continued

(1) Amounts due from related parties - continued

Unit: RMB

Item	Related party	31/12/2021		31/12/2020	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables	ASE Inc.	1,144,700.73	-	3,232,749.33	-
Other receivables	ISE labs, China. Ltd.	192,606.48	-	339,909.17	-
Other receivables	USI Inc.	55,570.86	-	64,882.44	-
Other receivables	ASE Assembly & Test (Shanghai) Limited	-	-	407,122.42	-
<b>Total</b>		<b>1,392,878.07</b>	<b>-</b>	<b>4,044,663.36</b>	<b>-</b>

Unit: RMB

Item	Related party	31/12/2021		31/12/2020	
		Book value	Bad debt provision	Book value	Bad debt provision
Other non-current assets	Advanced Semiconductor Engineering (China) Ltd.	1,412,962.98	-	1,412,962.98	-
Other non-current assets	ISE Labs, Inc.	21,644.74	-	22,151.25	-
Other non-current assets	ASE (KunShan) Inc.	-	-	1,366,613.20	-
Other non-current assets	ASE (US) Inc.	-	-	391,494.00	-
<b>Total</b>		<b>1,434,607.72</b>	<b>-</b>	<b>3,193,221.43</b>	<b>-</b>

(2) Amounts due to related parties

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
Accounts payable	ASE Inc.	340,399,410.06	873,672,163.55
Accounts payable	Taitech Precision Electronic (Kunshan) Co., Ltd.	27,560,169.90	21,613,585.65
Accounts payable	Memtech Development (H.K.) Co., Limited	15,169,729.44	16,910,583.12
Accounts payable	USI Inc.	11,616,822.99	11,457,428.86
Accounts payable	ASE Electronics Inc.	10,591,402.08	4,647,678.81
Accounts payable	Dongguan Memtech Electronics Co., Ltd.	9,476,508.78	8,811,288.04
Accounts payable	SUMA-USI	320,185.81	139,767.99
Accounts payable	USI Enterprise Limited	288,607.33	254,216.81
Accounts payable	Nantong Memtech Technologies Co., Ltd.	164,619.78	496,816.60
Accounts payable	ASDI Assistance Direction	86,739.49	-
Accounts payable	DECELECT SAINT VIT	59,874.12	-
Accounts payable	DECELECT SOISSONS	56,411.81	-
Accounts payable	Siliconware Precision Industries Co., Ltd	6,694.49	-
Accounts payable	ASE KOREA, Inc.	-	1,671,206.97
Accounts payable	ASE (KunShan) Inc.	-	8,687.56
<b>Total</b>		<b>415,797,176.08</b>	<b>939,683,423.96</b>

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

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Amounts due from / to related parties - continued

(2) Amounts due to related parties - continued

		Unit: RMB	
Item	Related party	31/12/2021	31/12/2020
Other payables	ASE (Shanghai) Inc.	3,898,185.67	4,485,287.19
Other payables	ASE Inc.	2,682,192.50	4,766,284.80
Other payables	USI Enterprise Limited	2,193,057.52	-
Other payables	Memtech Development (H.K.) Co., Limited	667,119.11	39,998.69
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	240,956.60	167,348.25
Other payables	Siliconware Precision Industries Co., Ltd	234,039.09	-
Other payables	USI Inc.	7,370.75	7,331.35
Other payables	ASE (KunShan) Inc.	-	5,023,662.49
Other payables	Dongguan Memtech Electronics Co., Ltd.	-	873,921.64
Other payables	ASE Assembly & Test (Shanghai) Limited	-	24,275.32
Other payables	Rirong Semiconductor (Shanghai) Co., Ltd.	-	16,089.31
<b>Total</b>		<b>9,922,921.24</b>	<b>15,404,199.04</b>

		Unit: RMB	
Item	Related party	31/12/2021	31/12/2020
Long-term payables	USI Inc.	37,610,084.54	43,287,736.00

		Unit: RMB	
Item	Related party	31/12/2021	31/12/2020
Bonds payable	USI Enterprise Limited	2,399,279,839.68	-
Bonds payable	ASE (Shanghai) Inc.	25,790,104.50	-
<b>Total</b>		<b>2,425,069,944.18</b>	<b>-</b>

		Unit: RMB	
Item	Related party	31/12/2021	31/12/2020
Lease liabilities	USI Inc.	145,924,337.73	174,470,551.10
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	70,337,306.54	82,153,151.12
Lease liabilities	Advanced Semiconductor Engineering (China) Ltd.	46,106,208.08	46,379,823.96
Lease liabilities	ASE (KunShan) Inc.	-	99,034,866.63
<b>Total</b>		<b>262,367,852.35</b>	<b>402,038,392.81</b>

7. Related party commitments

As at 31 December 2021, there are no related party commitments.

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

(XI) SHARE-BASED PAYMENTS

1. Summary of share-based payments

Unit: share

2021	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2015 (Note 1)	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019 (Note 2)	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019 (Note 3)	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020 (Note 4)	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020 (Note 5)	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021 (Note 6)	
Total number of the Company's equity instruments outstanding at the beginning of the year	13,416,130	16,710,000	5,122,400	1,140,000	424,700	-	
Total number of the Company's equity instruments granted during the year	-	-	-	-	-	281,200	
Total number of the Company's equity instruments vested during the period	318,800	509,300	1,780,050	-	-	-	
Total number of the Company's equity instruments lapsed during the period	178,200	624,100	461,000	150,000	22,100	-	
Total number of the Company's equity instruments outstanding at the end of the year	12,919,130	15,576,600	2,881,350	990,000	402,600	281,200	
Total number of equity instruments exercisable at the end of the year	12,919,130	5,933,700	-	396,000	-	-	
Range of exercise prices and remaining contractual life of the Company's stock options outstanding at the end of the year	Exercise prices of stock options	RMB 15.54	RMB 12.67	RMB 12.67	RMB 21.25	RMB 0	RMB 0
	Remaining contractual life	About 4 years	About 3 years	About 2.5 years	About 3 years	About 1 years	About 2 years
Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	None	None	None	None	None	None	

Note 1: In November 2015, in order to further improve the corporate governance structure of the Company, to promote the Company to establish and improve the incentive and restraint mechanism, to fully mobilize the enthusiasm of the Company's middle-level managers and employees, effectively combine the interests of shareholders, the Company and the personal interests of operators, and to make all parties jointly focus on the long-term development of the Company, the Company formulated the "Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant qualified employees a certain number of stock options to subscribe for the Company's general shares. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	25 November 2015	25 November 2015 to 24 November 2020	25 November 2017 to 24 November 2025

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for two years and meeting the performance assessment in the company and individual level.

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

(XI) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 1: - continued

	Accumulated maximum vested proportion
2 years after the grant date	40%
3 years after the grant date	60%
4 years after the grant date	80%
5 years after the grant date	100%

If the stock options are not exercised 10 years after the grant date, the options will lapse. If the incentive recipient leaves the Company due to resignation or layoffs, the stock options that have been approved to exercise but have not been exercised by the incentive recipient shall be terminated and the unapproved options will be null and void on the date thereof. If the incentive recipient leaves the Company due to retirement, the incentive recipient shall continue to retain the exercise right for the stock options that have been approved to exercise but have not been exercised, and the options that have not been approved to exercise shall be invalidated on the date thereof.

Note 2: In November 2019, in order to establish and improve the Company's long-term incentive, assessment and restraint mechanism, to attract and retain excellent talents, to fully mobilize the enthusiasm of the Company's directors (excluding independent directors), senior managers, core managers, middle-level managers and core business (technical) staff, and to effectively combine the interests of shareholders, the Company and the personal interests of the core team, as well as to make all parties jointly focus on the long-term development of the Company, the Company formulated the "Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant qualified employees a certain number of stock options to subscribe for the Company's general shares. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

The *Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd in 2019 (Draft)* stipulates: "from the date of announcement of the draft incentive plan to the date when the incentive object completes the exercise of stock options, if the Company converts capital reserve into share capital, distributes stock dividends, allotments, dividends and other matters, the exercise price of stock options will be adjusted accordingly." The 13th meeting of the 5th board of directors held on 26 October 2021 approved the proposal on adjusting and canceling some rights and interests related to the first grant of stock option incentive plan in 2019, and the exercise price was adjusted from RMB13.34 to RMB 12.67 per share.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	28 November 2019	28 November 2019 to 27 November 2023	28 November 2021 to 27 November 2024

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for two years and meeting the performance assessment in the company and individual level.

	Accumulated maximum vested proportion
2 years after the grant date	40%
3 years after the grant date	70%
4 years after the grant date	100%

(XI) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 2: - continued

If the stock options are not exercised 5 years after the grant date, the options will lapse. If the incentive recipient leaves the Company due to resignation or layoffs, the stock options that have been approved to exercise but have not been exercised by the incentive recipient shall be terminated and the unapproved options will be null and void on the date thereof. If the incentive recipient leaves the Company due to retirement, the incentive recipient shall continue to retain the exercise right for the stock options that have been approved to exercise but have not been exercised, and the options that have not been approved to exercise shall be invalidated on the date thereof.

Note 3: In November 2019, in order to enrich the salary system of employees, establish and improve the benefit sharing mechanism between workers and owners, realize the consistency of the interests of the Company, shareholders and employees, and promote all parties to jointly focus on the long-term development of the Company, so as to bring more efficient and lasting returns to shareholders; to further improve the corporate governance structure, improve the Company's long-term and effective incentive and restraint mechanism, and ensure the long-term and stable development of the Company; to effectively mobilize the enthusiasm of managers and employees, attract and retain excellent management talents and business backbones, and improve the cohesion of employees and the competitiveness of the Company, the Company formulated the "Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant qualified directors (excluding independent directors), supervisors, senior managers, middle-level managers and core employees (including those for research and development, sales, production and management, etc.) of the Company and its holding subsidiaries a certain number of stock options to subscribe for the general shares of the Company. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

According to the Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. (Draft) (Revised), "the price of transfer for the Core Employee Share Ownership Plan will be adjusted accordingly in the event of any capitalization of capital reserves, issue of stock dividends, allotment of shares or distribution of dividends by the Company from the date of announcement of this draft employee share ownership plan to the implementation of the second and third phases of the Employee Share Ownership Plan". In 2021, the transfer price of the Company's core employee share ownership plan was adjusted from RMB 13.17 per share to RMB 12.67 per share as a result of distribution of profits in 2020.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	18 November 2019	18 November 2019 to 17 November 2022	30 April 2020 to 30 April 2024

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for one year and meeting the performance assessment in the company level.

	Accumulated maximum vested proportion
1 year after the grant date	20%
2 years after the grant date	55%
3 years after the grant date	100%

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

(XI) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 3: - continued

The current stock options that fails to be exercised by the incentive recipient shall be terminated after the end of each exercise period of the stock options. If the incentive recipient leaves the Company due to resignation or layoffs, the stock options that have been approved to exercise but have not been exercised by the incentive recipient shall be terminated and the unapproved options will be null and void on the date thereof. If the incentive recipient leaves the Company due to retirement, the incentive recipient shall continue to retain the exercise right for the stock options that have been approved to exercise but have not been exercised, and the options that have not been approved to exercise shall be invalidated on the date thereof.

Note 4: In September 2020, in order to establish and improve the Company's long-term incentive, assessment and restraint mechanism, to attract and retain excellent talents, to fully mobilize the enthusiasm of the Company's directors (excluding independent directors), senior managers, core managers, middle-level managers and core business (technical) staff, and to effectively combine the interests of shareholders, the Company and the personal interests of the core team, as well as to make all parties jointly focus on the long-term development of the Company, the Company formulated the "Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant qualified employees a certain number of stock options to subscribe for the Company's general shares. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

The *Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd in 2019 (Draft)* stipulates: "from the date of announcement of the draft incentive plan to the date when the incentive object completes the exercise of stock options, if the Company converts capital reserve into share capital, distributes stock dividends, allotments, dividends and other matters, the exercise price of stock options will be adjusted accordingly." The 13th meeting of the 5th board of directors held on 26 October 2021 approved the proposal on adjusting and canceling some rights and interests related to the reserved grant of stock option incentive plan in 2019, and the exercise price was adjusted from RMB 24.65 to RMB 21.15 per share.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	9 September 2020	9 September 2020 to 8 November 2023	9 November 2021 to 8 November 2024

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for 14 months and meeting the performance assessment in the company and individual level.

	Accumulated maximum vested proportion
14 months after the grant date	40%
26 months after the grant date	70%
38 months after the grant date	100%

The stock options that fails to be exercised by the incentive recipient will be lapsed after the end of each exercise period of the stock options. If the incentive recipient leaves the Company due to resignation or layoffs, the stock options that have been approved to exercise but have not been exercised by the incentive recipient shall be terminated and the unapproved options will be null and void on the date thereof. If the incentive recipient leaves the Company due to retirement, the incentive recipient shall continue to retain the exercise right for the stock options that have been approved to exercise but have not been exercised, and the options that have not been approved to exercise shall be invalidated on the date thereof.

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

(XI) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 5: In September 2020, in order to enrich the salary system of employees, establish and improve the benefit sharing mechanism between workers and owners, realize the consistency of the interests of the Company, shareholders and employees, and promote all parties to jointly focus on the long-term development of the Company, so as to bring more efficient and lasting returns to shareholders; to further improve the corporate governance structure, improve the Company's long-term and effective incentive and restraint mechanism, and ensure the long-term and stable development of the Company; to effectively mobilize the enthusiasm of managers and employees, attract and retain excellent management talents and business backbones, and improve the cohesion of employees and the competitiveness of the Company, the Company formulated the "Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant qualified core talents with strategic value to the Company, including key employees in key positions of the Company and holding subsidiaries that are important to the implementation of the Company's development strategy and business objectives a certain number of stock options to subscribe for the general shares of the Company. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	25 September 2020	25 September 2020 to 24 January 2022	25 January 2022 to 15 September 2022

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for 16 months and meeting the individual performance assessment.

	Accumulated maximum vested proportion
16 months after the grant date	100%

The current stock options that fails to be exercised by the incentive recipient shall be terminated after the end of each exercise period of the stock options. If the incentive recipient leaves the Company due to resignation or layoffs of the Company, the qualification to participate in the employee share ownership plan will be cancelled, and the corresponding shares will be transferred back to the special account for repurchase of the Company. The shares derived from the distribution of share dividends and the transfer of capital reserve by the listed company will be reversed to the special account for repurchase of the Company. If cash dividends are obtained, they will be returned to the Company. If the incentive recipient leaves the company due to retirement, the rights and interests will retain unchanged.

Note 6: In September 2021, in order to enrich the salary system of employees, establish and improve the benefit sharing mechanism between workers and owners, realize the consistency of the interests of the Company, shareholders and employees, and promote all parties to jointly focus on the long-term development of the Company, so as to bring more efficient and lasting returns to shareholders; to further improve the corporate governance structure, improve the Company's long-term and effective incentive and restraint mechanism, and ensure the long-term and stable development of the Company; to implement the development strategies of the Company, effectively mobilize the enthusiasm of employees, and retain excellent key technical talents and business backbones, and improve the cohesion of employees and the competitiveness of the Company, the Company formulated the "Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd." to grant the qualified core talents who hold key positions in the Mexico Plant, Vietnam Plant and Huizhou Plant as designated by the Company with a certain number of stock options to subscribe for the general shares of the Company. During the service period of the employees granted stock options for the Group, the fair value of the corresponding equity instruments shall be included in the costs or expenses of the Group on a straight-line basis during the vesting period, and the capital reserve shall be increased accordingly.

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

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(XI) **SHARE-BASED PAYMENTS - continued**

**1. Summary of share-based payments - continued**

Note 6:-continued

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	13 September 2021	13 September 2021 to 12 January 2023	13 January 2023 to 13 September 2023

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for 16 months and meeting the individual performance assessment.

	Accumulated maximum vested proportion
16 months after the grant date	100%

The current stock options that fails to be exercised by the incentive recipient shall be terminated after the end of each exercise period of the stock options. If the incentive recipient leaves the Company due to resignation or layoffs of the Company, the qualification to participate in the employee share ownership plan will be cancelled, and the corresponding shares will be transferred back to the special account for repurchase of the Company. The shares derived from the distribution of share dividends and the transfer of capital reserve by the listed company will be reversed to the special account for repurchase of the Company. If cash dividends are obtained, they will be returned to the Company. If the incentive recipient leaves the company due to retirement, the rights and interests will retain unchanged.

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

(XI) SHARE-BASED PAYMENTS - continued

2. Equity-settled share-based payments

Unit: RMB

	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2015	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021
The method of determining the fair value of equity instruments at the grant date	Black-Scholes Model	Binomial Tree Model	Binomial Tree Model	Binomial Tree Model	Binomial Tree Model	Binomial Tree Model
The basis of determining the number of equity instruments expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the company and individual level, and the corresponding equity instrument is that expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the company and individual level, and the corresponding equity instrument is that expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the company level, and the corresponding equity instrument is that expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the company and individual level, and the corresponding equity instrument is that expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the individual level, and the corresponding equity instrument is that expected to be vested	When the optionee reaches the exercise period in the stock options plan and meets the performance assessment in the individual level, and the corresponding equity instrument is that expected to be vested
Reasons for the significant difference between the estimate in the current year and that in the prior year	None	None	None	None	None	N/A
Amounts of equity-settled share-based payments accumulated in capital reserve	139,923,402.85	81,395,000.00	563,000.00	5,179,000.00	6,848,000.00	688,000.00
Total expenses recognized arising from equity-settled share-based payments	-	42,747,000.00	238,000.00	3,859,000.00	5,343,000.00	688,000.00

Method of determining the fair value of equity instruments: Fair values are calculated by using Black-Scholes Model or Binomial Tree Model and the inputs to the model at the grant date are as follows:

	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2015	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2019	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. In 2019	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2020	Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021
Weighted average share price	RMB 15.54	RMB 13.34	RMB 13.34	RMB 21.65	RMB 0	RMB 0
Weighted average exercise price	RMB 15.54	RMB 13.34	RMB 13.34	RMB 21.65	RMB 0	RMB 0
Expected volatility	40.33%~45.00%	45.07%~51.8%	47.77%	48.14%~53.57%	57.21%	47.15%
Expected life	6 years ~ 7.5 years	3 years ~ 5 years	1.5 years ~ 3.5 years	2.17 years ~4.17 years	1.33 years	1.33 years
Risk-free interest rate	3.06%~3.13%	2.80%-2.97%	2.7%	2.80%-2.99%	2.63%	2.34%
Expected dividend yield	0.87%	0.00%	0.00%	0.00%	0.00%	0.00%

Expected volatility is calculated based on the volatility of the share prices of similar companies during the past certain years. Expected life used in the model is based on the best estimate of management after the adjustments of the effects of inconvertibility, exercise restriction and exercise pattern.

3. In this year, the Group has no cash-settled share-based payments.

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4. In this year, the Group has no modification to or termination of share-based payments.

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

**(XII) COMMITMENTS AND CONTINGENCIES**

**1. Significant commitments**

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
- Commitment for acquisition and construction of long-term assets (Note 1)	224,350	769,169
- External investment commitment (Note 2)	92,757	92,816
<b>Total</b>	<b>317,107</b>	<b>861,985</b>

Note 1: As at 31 December 2021, the construction of long-term asset commitments mainly included equipment purchased by the Company and its subsidiary Universal Global Technology (Kunshan) Co., Ltd. and FAFG, equivalent to RMB 41,212,848.73, RMB 44,406,793.92 and RMB 31,566,331.66, respectively.

Note 2: For the commitment of foreign investment, according to the partnership agreement concluded between UGE and the investee PHI FUND, L.P., UGE needs to pay a total subscription amount of USD 25,000,000.00, in which the amount of USD 4,201,990.00, equivalent to RMB 27,192,337.89 has been paid this period. As at 31 December 2021, the Group has paid USD 15,000,000.00, equivalent to RMB 95,635,500.00 in total; but remains a subscription amount of USD 10,000,000.00, equivalent to RMB 63,757,000.00 unpaid.

For the commitment of foreign investment, according to the partnership agreement concluded between the Company and the investee Suzhou Yaotu Equity Investment Partnership, the Company needs to pay a total subscription amount of RMB 30,000,000.00, in which the amount of RMB 1,000,000.00 has been paid this period. As at 31 December 2021, the Group has paid RMB 1,000,000.00 in total; but remains a subscription amount of RMB 29,000,000.00 unpaid.

**2. Contingencies**

The Group has no significant contingencies to be disclosed.

**(XIII) EVENTS AFTER THE BALANCE SHEET DATE**

**1. Profit appropriation**

**42.**

As proposed by the resolution of the Fifteenth Meeting of the Fifth Session of the Board of Directors of the Company held on 25 March 2022, a cash dividend of RMB 2.60 (including tax) per 10 shares will be distributed on the basis of the total share capital at the equity registration date less the number of the shares repurchased by the Company from special accounts, with no bonus issue and no increase in share capital. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS  
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(XIV) OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) Determination basis and accounting policies of reporting segments

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 4 reporting segments according to the manufacturing location, which are Chinese mainland, Taiwan, China, Europe and other countries/regions. At the same time, the products are divided into communication products, consumer electronics products, computer and storage products, industrial products, automotive electronics products and other products according to categories in each region. These report segments are recognized on the basis of manufacturing location and product category. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements. Due to the acquisition of FAFG in 2020, the Group's internal organizational structure changes, resulting in changes in the composition of reporting segments. The Group restates the previous data.

(2) Financial information of reporting segments  
2021

Unit: RMB'000

	Chinese mainland			Taiwan, China			Europe			Other countries/regions			Inter-segment offsetting			Total		
	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment total
Communication products	12,743,061	11,600,159	1,142,902	8,230,235	8,017,048	213,187	373,154	369,499	3,655	621,725	622,895	(1,170)	(756,807)	(809,688)	52,881	21,211,368	19,799,913	1,411,455
Consumer electronics products	17,456,916	15,933,736	1,523,180	1,735,643	1,578,573	157,070	277,744	277,398	346	3,313,241	3,313,902	(661)	(4,217,522)	(4,217,112)	(410)	18,566,022	16,886,497	1,679,525
Computer and storage products	3,393,072	2,827,357	565,715	2,522,317	2,345,820	176,497	84,748	84,212	536	1,572,519	1,590,865	(18,346)	(2,779,603)	(2,768,872)	(10,731)	4,793,053	4,079,382	713,671
Industrial products	3,461,571	3,077,203	384,368	4,072,604	3,442,420	630,184	1,266,377	1,135,812	130,565	3,927,362	3,864,155	63,207	(5,451,778)	(5,445,045)	(6,733)	7,276,136	6,074,545	1,201,591
Automotive electronics products	980,758	852,615	128,143	123,458	109,548	13,910	370,951	275,905	95,046	1,285,923	1,331,823	(45,900)	(156,001)	(167,624)	11,623	2,605,089	2,402,267	202,822
Medical products	29,779	30,094	(315)	-	-	-	249,760	233,171	16,589	1,140	1,020	120	-	-	-	280,679	264,285	16,394
Others	234,398	177,183	57,215	367,115	160,838	206,277	180,476	166,466	14,010	244,766	177,440	67,326	(505,500)	(210,646)	(294,854)	521,255	471,281	49,974
<b>Revenue/cost from principle operating activity of segment</b>	<b>38,299,555</b>	<b>34,498,347</b>	<b>3,801,208</b>	<b>17,051,372</b>	<b>15,654,247</b>	<b>1,397,125</b>	<b>2,803,210</b>	<b>2,542,463</b>	<b>260,747</b>	<b>10,966,676</b>	<b>10,902,100</b>	<b>64,576</b>	<b>(13,867,211)</b>	<b>(13,618,987)</b>	<b>(248,224)</b>	<b>55,253,602</b>	<b>49,978,170</b>	<b>5,275,432</b>
Other operating income/cost of segment	24,042	330	23,712	6,390	3,239	3,151	94	-	94	22,701	12,888	9,813	(7,174)	(13,147)	5,973	46,053	3,310	42,743
<b>Total operating revenue/cost of segment</b>	<b>38,323,597</b>	<b>34,498,677</b>	<b>3,824,920</b>	<b>17,057,762</b>	<b>15,657,486</b>	<b>1,400,276</b>	<b>2,803,304</b>	<b>2,542,463</b>	<b>260,841</b>	<b>10,989,377</b>	<b>10,914,988</b>	<b>74,389</b>	<b>(13,874,385)</b>	<b>(13,632,134)</b>	<b>(242,251)</b>	<b>55,299,655</b>	<b>49,981,480</b>	<b>5,318,175</b>
Less: Taxes and levies			42,271			1,261			6,088			198			-			49,818
Selling expenses			186,704			95,387			30,754			35,714			(37,078)			311,481
Administrative expenses			474,417			466,044			147,812			139,217			(58,317)			1,169,173
R&D expenses			1,226,244			500,895			1,305			15,514			(102,559)			1,641,399
Financial expenses			78,559			8,350			62,470			54,776			(758)			203,399
Including: Interest expenses			120,745			11,034			34,371			44,508			(9,330)			201,329
Interest income			77,163			759			2,407			6,581			(19,130)			67,780
Add: Other income			42,837			238			7,603			-			-			50,678
Investment income			79,307			17,426			(2,297)			17,243			-			111,679
Including: Investment income from associates and joint ventures			6,223			-			-			15,894			-			22,117
Gains (losses) from changes in fair value			13,686			(1,737)			28,845			3,793			-			44,588
Gains (losses) from credit impairment			4,098			842			(1,378)			(5,269)			-			(1,707)
Gains (losses) from assets impairment			5,473			(11,523)			(830)			(11,866)			-			(18,746)
Gains (losses) from disposal of assets			764			93			(18)			1,576			-			2,415

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

Operating income			1,962,890			333,678			44,337			(165,552)			(43,541)			2,131,812
Net profit			1,777,455			281,203			38,666			(219,748)			(20,883)			1,856,693

(XIV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

2020(Restated):

Unit: RMB'000

	Chinese mainland			Taiwan, China			Europe			Other countries/regions			Inter-segment offsetting			Total		
	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment sub-total	Revenue	Costs	Segment total
Communication products	12,452,107	11,373,825	1,078,282	8,020,296	7,752,302	267,994	6,423	11,844	(5,421)	788,671	791,856	(3,185)	124,939	(1,108,572)	2,480	20,283,864	18,821,255	1,462,609
Consumer electronics products	16,951,794	15,394,748	1,557,046	1,431,129	1,305,608	125,521	9,007	9,419	(412)	2,146,849	2,140,871	5,978	2,480	(3,323,968)	(3,326,448)	17,214,811	15,524,198	1,690,613
Computer and storage products	2,508,190	2,062,275	445,915	2,183,090	2,019,993	163,097	2,598	2,338	260	1,143,992	1,143,049	943	7,907	(2,012,014)	(2,019,921)	3,825,856	3,207,734	618,122
Industrial products	2,333,854	2,018,558	315,296	3,279,129	2,767,949	511,180	179,185	163,355	15,830	2,989,180	2,938,045	51,135	6,207	(4,431,273)	(4,437,480)	4,350,075	3,450,427	899,648
Automotive electronics products	696,893	592,979	103,914	129,685	127,284	2,401	135,942	99,555	36,387	877,386	889,085	(11,699)	(10,808)	(148,887)	(138,079)	1,691,019	1,570,824	120,195
Medical products	33,697	28,562	5,135	-	-	-	38,300	36,634	1,666	-	-	-	15	(15)	15	71,997	65,181	6,816
Others	191,956	117,809	74,147	451,827	160,459	291,368	2,538	2,060	478	162,152	115,095	47,057	(573,993)	(229,139)	(344,854)	234,480	166,284	68,196
<b>Revenue/cost from principle operating activity of segment</b>	<b>35,168,491</b>	<b>31,588,756</b>	<b>3,579,735</b>	<b>15,495,156</b>	<b>14,133,595</b>	<b>1,361,561</b>	<b>373,993</b>	<b>325,205</b>	<b>48,788</b>	<b>8,108,230</b>	<b>8,018,001</b>	<b>90,229</b>	<b>(11,473,769)</b>	<b>(11,259,654)</b>	<b>(214,114)</b>	<b>47,672,102</b>	<b>42,805,903</b>	<b>4,866,199</b>
Other operating income/cost of segment	19,747	2,306	17,441	6,070	3,307	2,763	1,537	-	1,537	144	-	144	(3,371)	(1,965)	(1,406)	24,127	3,648	20,479
<b>Total operating revenue/cost of segment</b>	<b>35,188,238</b>	<b>31,591,062</b>	<b>3,597,176</b>	<b>15,501,226</b>	<b>14,136,902</b>	<b>1,364,324</b>	<b>375,530</b>	<b>325,205</b>	<b>50,325</b>	<b>8,108,374</b>	<b>8,018,001</b>	<b>90,373</b>	<b>(11,477,140)</b>	<b>(11,261,619)</b>	<b>(215,520)</b>	<b>47,696,229</b>	<b>42,809,551</b>	<b>4,886,678</b>
Less: Taxes and levies			44,460			1,415			1,188			14,646			-			61,709
Selling expenses			154,326			85,875			5,833			20,926			(47,067)			219,893
Administrative expenses			447,484			586,716			16,926			118,508			(46,475)			1,123,159
R&D expenses			1,207,856			480,522			856			9,013			(121,884)			1,576,363
Financial expenses			13,544			11,066			15,593			55,705			(157)			95,751
Including: Interest expenses			36,426			11,921			5,170			56,164			(19,495)			90,186
Interest income			64,210			5,995			1,678			7,138			(18,575)			60,446
Add: Other income			72,195			735			3,850			-			-			76,779
Investment income			60,024			1,204			2,223			19,989			-			83,440
Including: Investment income from associates and joint ventures			292			-			-			19,460			-			19,753
Gains (losses) from changes in fair value			2,290			853			(5,827)			(3,588)			-			(6,272)
Gains (losses) from credit impairment			3,830			(803)			654			4,214			-			7,895
Gains (losses) from assets impairment			15,128			(18,483)			119			(8,557)			-			(11,792)
Gains (losses) from disposal of assets			1,627			145			25			-			-			1,798
<b>Operating income</b>			<b>1,884,602</b>			<b>182,382</b>			<b>10,972</b>			<b>(116,366)</b>			<b>62</b>			<b>1,961,651</b>
<b>Net profit</b>			<b>1,682,647</b>			<b>173,942</b>			<b>8,271</b>			<b>(129,164)</b>			<b>(2,131)</b>			<b>1,733,565</b>

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

(XIV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

Closing balance

Unit: RMB'000

	Chinese mainland	Taiwan, China	Europe	Other countries/regions	Inter-segment offsetting	Total
Total assets of segment	20,740,377	7,945,438	5,770,751	7,931,818	(7,171,046)	35,217,338
Total liabilities of segment	13,528,439	5,672,142	2,309,205	7,991,935	(6,727,353)	22,774,368

Opening balance (Restated)

Unit: RMB'000

	Chinese mainland	Taiwan, China	Europe	Other countries/regions	Inter-segment offsetting	Total
Total assets of segment	20,297,817	8,083,869	4,167,032	3,466,360	(5,446,353)	30,568,725
Total liabilities of segment	10,253,273	6,126,772	2,858,429	5,320,432	(5,538,710)	19,020,196

External revenue by geographical area of source and non-current assets by geographical location of assets

Unit: RMB

Item	2021	2020
External revenue from Chinese mainland	1,849,642,217.15	1,552,658,131.45
External revenue outside Chinese mainland	53,450,012,553.06	46,143,570,091.08
<b>Total</b>	<b>55,299,654,770.21</b>	<b>47,696,228,222.53</b>

Unit: RMB

Item (Note)	Closing balance	Opening balance (Restated)
Non-current assets located in Chinese mainland	3,670,766,522.73	3,187,435,517.86
Non-current assets located in France	861,843,609.68	1,046,354,493.35
Non-current assets located in Taiwan, China	716,969,088.71	782,649,415.64
Non-current assets located in Mexico	466,431,691.41	337,432,330.20
Non-current assets located in Hong Kong	428,342,492.16	423,590,922.10
Non-current assets located in Vietnam	367,247,653.39	55,988,428.34
Non-current assets located in Poland	134,049,045.77	149,103,465.85
Non-current assets located in the United States	76,599,618.10	1,686,773.50
Non-current assets located in Japan	385,937.29	218,191.85
<b>Total</b>	<b>6,722,635,659.24</b>	<b>5,984,459,538.69</b>

Note: The above non-current assets exclude long-term receivables, investments in other equity instruments, other non-current financial assets and deferred tax assets.

Degree of reliance on major customers

Information of major customers whose revenue accounts for 10% or more of the total revenue

Unit: RMB

Customer name	2021		2020	
	Total revenue	Proportion in total revenue (%)	Total revenue	Proportion in total revenue (%)
Entity A	18,036,500,419.83	32.62	19,926,626,059.23	41.78
Entity B	8,388,844,842.56	15.17	7,691,845,393.04	16.13
<b>Total</b>	<b>26,425,345,262.39</b>	<b>47.79</b>	<b>27,618,471,452.27</b>	<b>57.91</b>

Inter-segment transfers are measured on the basis of actual transaction prices. Segment revenue and segment expenses are determined on the basis of actual revenue and expenses of each segment. Segment assets and liabilities are allocated according to the attributable assets employed by a segment in its operating activities and the attributable liabilities resulting from the operating activities of a segment.

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

**(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS**

**1. Notes receivable**

(1) Categories of notes receivable

Category	Unit: RMB	
	31/12/2021	31/12/2020
Bank acceptances	66,256,985.55	58,278,567.16

(2) As of 31 December 2021, the Company had no notes receivable that have been pledged as security.

(3) As of 31 December 2021, the Company had no notes receivable that have been endorsed or discounted and were not yet matured at the balance sheet date.

(4) As of 31 December 2021, the Company had no notes that were converted to accounts receivable due to the default of the issuer.

(5) As of 31 December 2021, the Company made no provision for credit loss since the Company considered that the accepting banks of the bank acceptances held by it were of high ratings and no significant credit risk was expected to exist.

(6) As of 31 December 2021, the Company had no notes receivable that have been actually written off.

**2. Accounts receivable**

(1) Categories of accounts receivable

Category	Unit: RMB	
	31/12/2021	31/12/2020
Accounts receivable arising from contracts with customers	3,902,506,561.61	3,473,829,654.08
Less: Bad debt provision	66,007.59	215,211.33
<b>Total</b>	<b>3,902,440,554.02</b>	<b>3,473,614,442.75</b>

(2) Disclosure of accrual method for credit loss

As part of the Company's credit risk management, the expected credit losses on accounts receivable are assessed using the aging analysis approach. According to the Company's assessment on credit risk, there is no significant difference in the losses among different customer groups, and the aging reflects the solvency of customers when the receivables are due.

At 31 December 2021, the credit risk and expected credit losses on accounts receivable were as follows:

Aging	Unit: RMB			
	31/12/2021			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	-	3,842,770,679.08	-	3,842,770,679.08
1-30 days overdue	0.01	58,521,002.52	260.56	58,520,741.96
31-60 days overdue	5.18	1,203,660.94	62,381.31	1,141,279.63
61-90 days overdue	30.00	11,219.07	3,365.72	7,853.35
<b>Total</b>	<b>0.01</b>	<b>3,902,506,561.61</b>	<b>66,007.59</b>	<b>3,902,440,554.02</b>

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

2. Accounts receivable - continued

(2) Disclosure of accrual method for credit loss - continued

At 31 December 2020, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2020			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	0.01	3,391,437,624.66	204,604.27	3,391,233,020.39
1-30 days overdue	0.01	81,315,730.50	8,131.57	81,307,598.93
31-60 days overdue	0.23	1,076,298.92	2,475.49	1,073,823.43
<b>Total</b>	<b>0.01</b>	<b>3,473,829,654.08</b>	<b>215,211.33</b>	<b>3,473,614,442.75</b>

The expected average loss rate mentioned above is based on the historical actual credit loss rates and the current conditions as well as the forecast of future economic conditions. In 2021, the Group's valuation method and significant assumptions remain unchanged.

(3) Changes in bad debt provisions

Unit: RMB

Category	31/12/2020	Changes for the year		31/12/2021
		Provision (Reversal)	Write-off or elimination	
Bad debt provisions by ageing matrix	215,211.33	(149,203.74)	-	66,007.59

(4) There are no accounts receivable that have been actually written off in the year.

(5) Top five accounts receivable at 31 December 2021 categorized by debtor

Unit: RMB

Company name	Relationship with the Company	Book value	Bad debt provision at 31 December 2021	Proportion of the total accounts receivable at 31 December 2021(%)
Company B	Third party	1,534,265,134.17	-	39.32%
Company A	Third party	985,937,436.05	-	25.26%
Company E	Third party	583,233,323.28	-	14.95%
Company P	Third party	139,373,167.97	-	3.57%
Company Q	Third party	125,365,514.19	-	3.21%
<b>Total</b>		<b>3,368,174,575.66</b>	<b>-</b>	<b>86.31%</b>

(6) As at 31 December 2021, there is no accounts receivable derecognized due to the transfer of financial assets.

(7) As at 31 December 2021, there is no amount of assets and liabilities arising from transfer of accounts receivable and continuing involvement.

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

3. Other receivables

(1) Disclosure of other receivables by aging

Unit: RMB

Aging	31/12/2021		
	Amount	Bad debt provision	Proportion of provision (%)
Within 1 year	635,383,876.68	-	-

(2) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31/12/2021	Book value at 31/12/2020
Cash pooling receivables from related parties	624,818,600.00	-
Advances for third parties	5,333,890.23	1,897,188.07
Amounts due from related parties	2,370,349.91	5,439,431.58
Advance payments for employees	1,487,451.18	430,997.72
Others	1,373,585.36	4,906,743.09
<b>Total</b>	<b>635,383,876.68</b>	<b>12,674,360.46</b>

(3) Provision for ECL is neither made nor reversed or recovered since the Company's other receivables are less likely to be unrecovered.

(4) There were no other receivables actually written off in the year.

(5) As of 31 December 2021, there were no other receivables related to government grants.

(6) As of 31 December 2021, there were no other receivables derecognized due to the transfer of financial assets.

(7) As of 31 December 2021, there was no amount of assets and liabilities arising from transfer of other receivables and continuing involvement.

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

4. Long-term equity investments

Details of long-term equity investments:

Unit: RMB

Investee	Accounting methodology	1/1/2021	Changes for the year		31/12/2021	Proportion of the ownership interest held in investee (%)	Proportion of the voting power held in investee (%)	Explanation of the inconsistency between the proportions of the ownership interest and the voting power in the investee	Cash dividends for this year
			Capital increase in the year	Increase from stock option grants (Note)					
Universal Global Technology Co., Limited	Cost method	1,768,859,657.00	421,086,300.00	-	2,189,945,957.00	100	100	N/A	-
USI Electronics (Shenzhen) Co., Ltd.	Cost method	388,998,994.64	-	3,322,155.99	392,321,150.63	50	100	The remaining 50% equity interest is held by Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary.	675,000,000.00
Universal Global Technology (Kunshan) Co., Ltd.	Cost method	263,577,336.48	-	3,492,605.32	267,069,941.80	100	100	N/A	200,000,000.00
Universal Global Technology (Shanghai) Co., Ltd.	Cost method	1,343,726,297.88	-	4,192,911.52	1,347,919,209.40	100	100	N/A	300,000,000.00
Universal Global Electronics (Shanghai) Co., Ltd.	Cost method	50,000,000.00	-	-	50,000,000.00	100	100	N/A	-
UGTW	N/A	99,955,754.29	-	30,591,168.98	130,546,923.27	N/A	N/A	The 100% equity interest is held by Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary.	-
Universal Global Technology (Huizhou) Co., Ltd.	Cost method	130,920,090.82	325,000,000.00	-	455,920,090.82	100	100	N/A	-
FAFG	Cost method	393,342,321.82	-	-	393,342,321.82	10.42	100	The remaining 89.58% equity interest is held by Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary.	-
<b>Total</b>		<b>4,439,380,452.93</b>	<b>746,086,300.00</b>	<b>41,598,841.81</b>	<b>5,227,065,594.74</b>				<b>1,175,000,000.00</b>

Note: The amount refers to the share-based payments settled under equity in 2021 arising from the stock option incentive plan offered by the Company to relevant personnel of USI Electronics (Shenzhen) Co., Ltd., Universal Global Technology (Kunshan) Co., Ltd., Universal Global Technology (Shanghai) Co., Ltd. and UGTW.

As at 31 December 2021, the ability of the investee, in which the Company holds long-term equity investments, to transfer funds to the Company is not restricted.

5. Revenue and costs

(1) Revenue and costs

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Revenue	Cost	Revenue	Cost
Principal operating activities	18,331,017,029.05	16,637,068,444.96	17,595,425,180.82	15,915,867,003.76
Other operating activities	4,114,711.66	120,186.64	3,538,926.30	834,459.69
<b>Total</b>	<b>18,335,131,740.71</b>	<b>16,637,188,631.60</b>	<b>17,598,964,107.12</b>	<b>15,916,701,463.45</b>

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

5. Revenue and costs - continued

(2) Analysis of revenue and costs from principal operating activities by product categories:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Revenue	Cost	Revenue	Cost
Communication products	12,086,981,745.92	11,027,496,344.34	11,656,912,252.68	10,680,017,144.99
Consumer electronic products	5,315,414,614.15	4,926,749,381.37	5,138,470,453.70	4,665,877,385.73
Computer and storage products	494,840,322.98	318,826,137.31	335,952,886.48	204,878,855.06
Automotive electronic products	407,360,175.63	351,751,177.93	419,604,035.04	346,901,820.92
Others	26,420,170.37	12,245,404.01	44,485,552.92	18,191,797.06
<b>Total</b>	<b>18,331,017,029.05</b>	<b>16,637,068,444.96</b>	<b>17,595,425,180.82</b>	<b>15,915,867,003.76</b>

(3) Revenue and costs from other operating activities:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Revenue	Cost	Revenue	Cost
Scrap income	3,598,507.79	-	1,777,533.15	-
Others	516,203.87	120,186.64	1,761,393.15	834,459.69
<b>Total</b>	<b>4,114,711.66</b>	<b>120,186.64</b>	<b>3,538,926.30</b>	<b>834,459.69</b>

6. Investment income

Details of investment income

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Cash dividends of subsidiaries	1,175,000,000.00	700,000,000.00
Investment income on disposal of held-for-trading financial assets	41,843,686.33	7,491,553.58
Investment income of held-for-trading financial assets during the hold period	-	-
<b>Total</b>	<b>1,216,843,686.33</b>	<b>707,491,553.58</b>

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

7. Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2021	2020
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	1,953,944,271.08	1,517,559,060.28
Add: Provision for impairment losses of assets	3,920,601.29	5,885,658.10
Provision for impairment of credit	(149,203.74)	179,723.41
Depreciation of fixed assets	270,000,465.98	200,404,712.46
Depreciation of right-of-use assets	13,036,830.13	10,864,733.80
Amortization of intangible assets	1,419,871.53	940,875.52
Amortization of long-term prepaid expenses	21,476,416.14	15,749,595.46
Amortization of deferred income	(14,487,455.41)	(14,487,455.41)
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(277,783.36)	925,848.81
Losses (gains) on changes in fair values	(14,537,089.99)	(944,484.55)
Financial expenses (income)	149,695,634.97	(38,209,472.92)
Losses (gains) arising from investments	(1,216,843,686.33)	(707,491,553.58)
Share-based payments settled by equity	11,276,158.19	8,471,385.42
Decrease (increase) in deferred tax assets	(23,331,326.08)	(7,443,985.91)
Decrease (increase) in inventories	(274,392,854.67)	(527,177,277.49)
Decrease (increase) in receivables from operating activities	(364,746,551.48)	(1,317,311,951.12)
Increase (decrease) in payables from operating activities	78,047,498.94	1,887,574,764.50
Net cash flow from operating activities	<b>594,051,797.19</b>	<b>1,035,490,176.78</b>
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Acquisition of long-term assets with debt	352,812,380.40	22,639,986.00
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	2,490,051,993.72	1,347,901,732.05
Less: Opening balance of cash	1,347,901,732.05	975,809,455.92
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<b>1,142,150,261.67</b>	<b>372,092,276.13</b>

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

**8. Related party relationship and transactions**

**(1). Related parties of the Company**

The details of the subsidiaries of the Company are set out in Note (VII). 1. The details of the associates and joint ventures of the Company are set out in Note (VII). 2. The details of other related parties are set out in Note (X). 4.

**(2). Related party transactions**

(2.1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

			Unit: RMB
Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
Universal Global Technology Co., Limited	Purchase of materials	568,153,489.57	821,941,909.66
ASE Electronics Inc.	Purchase of materials	5,994,201.48	23,518,506.57
Universal Global Industrial Co., Ltd.	Purchase of materials	3,575,706.92	3,396,636.89
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of materials	2,040,667.28	1,764,033.53
Universal Scientific Industrial De México S.A. De C.V.	Purchase of materials	653,887.18	754,652.06
Rirong Semiconductor (Shanghai) Co., Ltd.	Purchase of materials	567,548.09	-
Universal Global Technology (Shanghai) Co., Ltd.	Purchase of materials	254,978.42	121,979.78
ASE Inc.	Purchase of materials	254,237.55	1,261,004.02
USI Electronics (Shenzhen) Co., Ltd.	Purchase of materials	21,271.35	22,421.08
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	5,548.00	4,191.00
Wuxi Tongzhi Microelectronics Co., Ltd.	Purchase of materials	-	9,987.29
<b>Total</b>		<b>581,521,535.84</b>	<b>852,795,321.88</b>
UGTW	Test service fee	60,434,620.49	33,083,680.00
ASE (Shanghai) Inc.	Receipt of services	25,363,860.80	23,840,115.72
Universal Global Technology Co., Limited	Receipt of services	11,577,370.00	3,626,759.60
UGTW	Sales commission	8,497,870.63	33,083,680.96
USI (Shenzhen) Electronic Technology Innovation Co., Ltd.	Receipt of services	3,981,132.13	452,830.19
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	Receipt of services	1,953,179.19	2,364,304.11
SHANGHAI HONGRONG PROPERTY MANAGEMENT CO., LTD.	Receipt of services	-	198,880.00
ASE Inc.	Receipt of services	-	184,953.65
ASE Assembly & Test (Shanghai) Limited	Receipt of services	-	56,463.78
Rirong Semiconductor (Shanghai) Co., Ltd.	Receipt of services	-	14,238.32
<b>Total</b>		<b>111,808,033.24</b>	<b>96,905,906.33</b>

The above transactions are executed at the prices agreed on by both parties.

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

8. Related party relationship and transactions - continued

(2). Related party transactions - continued

(2.1) Sales and purchase of goods, provision and receipt of services - continued

Sales of goods/provision of services

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
Universal Global Industrial Co., Ltd.	Sales of goods	327,749,153.96	30,526,790.53
Universal Global Technology (Shanghai) Co., Ltd.	Sales of goods	96,252,005.06	126,445,788.88
Universal Global Technology Co., Limited	Sales of goods	77,760,751.81	8,147,037.40
Universal Scientific Industrial De México S.A. De C.V.	Sales of goods	5,663,804.25	983,857.57
Universal Global Technology (Kunshan) Co., Ltd.	Sales of goods	1,496,435.78	2,251,464.78
USI Electronics (Shenzhen) Co., Ltd.	Sales of goods	23,291.50	248,323.42
Universal Scientific Industrial Poland Sp. z o.o.	Sales of goods	13,879.96	10,825.36
FINANCIÈRE AFG S.A.S.	Sales of goods	1,715.83	-
USI Japan Co., Ltd.	Sales of goods	-	42,660.02
<b>Total</b>		<b>508,961,038.15</b>	<b>168,656,747.96</b>
Universal Global Technology (Kunshan) Co., Ltd.	Provision of services	10,092,815.02	10,073,636.64
ISE labs, China. Ltd.	Provision of services	611,327.88	757,657.98
ASE Inc.	Provision of services	12,374.95	-
Rirong Semiconductor (Shanghai) Co., Ltd.	Provision of services	4,500.00	-
Universal Global Industrial Co.,Ltd	Provision of services	3,206.33	-
USI Electronics (Shenzhen) Co., Ltd.	Provision of services	-	13,996,248.00
ASE Assembly & Test (Shanghai) Limited	Provision of services	-	1,957,515.58
Suzhou ASEN Semiconductors Co., Ltd.	Provision of services	-	109,150.94
Universal Scientific Industrial De México S.A. De C.V.	Provision of services	-	57,097.87
<b>Total</b>		<b>10,724,224.18</b>	<b>26,951,307.01</b>

The above transactions are executed at the prices agreed on by both parties.

(2.2) Leases with related parties

Leases where the Company is the lessor

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
ISE labs, China. Ltd.	Office	200,510.00	462,889.00
Rirong Semiconductor (Shanghai) Co., Ltd.	Machinery and equipment	105,000.00	-
Universal Global Technology (Shanghai) Co., Ltd.	Machinery and equipment	49,285.70	-
Suzhou ASEN Semiconductors Co., Ltd.	Machinery and equipment	-	797,224.26
<b>Total</b>		<b>354,795.70</b>	<b>1,260,113.26</b>

The above transactions are executed at the prices agreed on by both parties.

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - continued

8. Related party relationship and transactions - continued

(2). Related party transactions - continued

(2.2) Leases with related parties - continued

Leases where the Company is the lessee

Unit: RMB

Name of lessor	Type of leased assets	Right-of-use assets leased in this year	Lease interest for the year
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	3,668,609.46

The above transactions are executed at the prices agreed on by both parties.

Unit: RMB

Name of lessor	Type of leased assets	Right-of-use assets leased in prior year	Lease interest for prior year
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	3,837,597.08

The above transactions are executed at the prices agreed on by both parties.

Unit: RMB

Name of lessor	Type of leased assets	Short-term lease payments for the year	Short-term lease payments for prior year
Universal Global Technology (Shanghai) Co., Ltd.	Machinery and equipment	210,232.57	1,103,234.91
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	-	39,691.43
<b>Total</b>		210,232.57	1,142,926.34

The above transactions are executed at the prices agreed on by both parties.

(2.3) Borrowings/loans with related parties

Unit: RMB

Related party	Annual interest rate	Amount incurred in the current year		Amount at the end of the year
		Amount lent	Amount collected	Amount
Lent to - Cash pool trading (Note 1)				
Universal Scientific Industrial Vietnam Company Limited	One month Libor +40 basis points	438,213,000.00	-	433,547,600.00
Universal Scientific Industrial De México S.A. De C.V.	One month Libor +40 basis points	193,200,000.00	-	191,271,000.00

Unit: RMB

Related party	Annual interest rate	Amount incurred in the prior year		Amount at the end of prior year
		Amount lent	Amount collected	Amount
Lent to - Cash pool trading (Note 1)				
Universal Global Technology (Shanghai) Co., Ltd.	1.75%	-	100,000,000.00	-

The interest income for 2021 is RMB 762,855.43 (2020: RMB 395,125.80 yuan), and there is no interest yet received at the end of the year (31 December 2020: None).

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - CONTINUED

**8. Related party relationship and transactions - continued**

**(2). Related party transactions - continued**

(2.3) Borrowings/loans with related parties - continued

The interest income for the year is RMB 762,855.43 (2020: RMB 395,125.80), and there is no outstanding interest at the end of the year (31 December 2020: None).

Unit: RMB

Related party	Annual interest rate	Amount incurred in the current year		Amount at the end of the year
		Amount borrowed	Amount repaid	Amount
Borrowed from - Cash pool trading (Note 1)				
USI Electronics (Shenzhen) Co., Ltd.	1.75%	-	782,697,200.00	-
Universal Global Technology (Shanghai) Co., Ltd.	0.60%	-	97,873,500.00	-

Unit: RMB

Related party	Annual interest rate	Amount incurred in the prior year		Amount at the end of prior year
		Amount borrowed	Amount repaid	Amount
Borrowed from - Cash pool trading (Note 1)				
USI Electronics (Shenzhen) Co., Ltd.	1.75%	782,697,200.00	-	782,697,200.00
Universal Global Technology (Shanghai) Co., Ltd.	0.60%	97,873,500.00	-	97,873,500.00

The interest paid in this year was RMB 2,620,456.27 (2020: RMB 7,771,090.02), and the outstanding interest at the end of the year was RMB 0 (31 December 2020: RMB 7,765,440.12).

Note 1: The Company entered into a cash pool entrustment loan agreement with the bank for entrusted loans in which the Company is the leading party and Universal Global Technology (Shanghai) Co., Ltd., USI Electronics (Shenzhen) Co., Ltd., Universal Global Technology Co., Limited, Universal Global Technology (Kunshan) Co., Ltd, Universal Scientific Industrial Vietnam Company Limited and Universal Scientific Industrial De México S.A. De C.V. are participants,

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - CONTINUED

8. Related party relationship and transactions - continued

(2). Related party transactions - continued

(2.4) Assets transfer with related parties

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
Universal Global Technology (Shanghai) Co., Ltd.	Purchase of fixed assets	13,231,008.93	76,016,365.58
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of fixed assets	21,201.96	150,051.15
ASE Test Inc.	Purchase of fixed assets	-	13,211,965.96
<b>Total</b>		<b>13,252,210.89</b>	<b>89,378,382.69</b>
Universal Global Technology (Shanghai) Co., Ltd.	Sales of fixed assets	35,820,700.83	447,016.60
Universal Scientific Industrial Vietnam Company Limited	Sales of fixed assets	25,213,949.19	-
ASE Test Inc.	Sales of fixed assets	12,545,380.16	-
ISE labs, China. Ltd.	Sales of fixed assets	10,071,875.88	-
ASE Inc.	Sales of fixed assets	3,478,999.00	-
Universal Global Technology (Kunshan) Co., Ltd.	Sales of fixed assets	187,724.78	2,051,002.83
UGTW	Sales of fixed assets	29,304.00	6,688.10
Rirong Semiconductor (Shanghai) Co., Ltd.	Sales of fixed assets	21,740.65	-
USI Electronics (Shenzhen) Co., Ltd.	Sales of fixed assets	-	297,333.64
<b>Total</b>		<b>87,369,674.49</b>	<b>2,802,041.17</b>
Universal Global Technology (Shanghai) Co., Ltd.	Sales of intangible assets	984,479.74	983,362.50
USI Electronics (Shenzhen) Co., Ltd.	Sales of intangible assets	232,446.60	232,182.81
Universal Global Technology (Kunshan) Co., Ltd.	Sales of intangible assets	150,406.63	-
<b>Total</b>		<b>1,367,332.97</b>	<b>1,215,545.31</b>
Universal Global Technology (Shanghai) Co., Ltd.	Sales of molds	1,945,670.63	-

The above transactions are executed at the prices agreed on by both parties.

(2.5) Interest expenses with related parties

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
USI Enterprise Limited	Interest expenses on convertible bonds	80,914,020.40	-
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	869,753.10	-
<b>Total</b>		<b>81,783,773.50</b>	-

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - CONTINUED

8. Related party relationship and transactions - continued

(2). Related party transactions - continued

(2.6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	30,519,010.96	19,963,423.42

(2.7) Others

The Company offers stock option incentive plan for relevant personnel of USI Electronics (Shenzhen) Co., Ltd., Universal Global Technology (Kunshan) Co., Ltd., Universal Global Technology (Shanghai) Co., Ltd. and UGTW. See Note (XV) 4 for details.

(3). Amounts due from / to related parties

(3.1) Amounts due from related parties

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
		Book value	Book value
Accounts receivable	Universal Global Industrial Co., Ltd.	196,438,433.79	5,044,052.76
Accounts receivable	Universal Global Technology (Shanghai) Co., Ltd.	34,233,779.97	43,823,875.48
Accounts receivable	Universal Scientific Industrial De México S.A. De C.V.	462,683.64	60,592.43
Accounts receivable	Universal Global Technology (Kunshan) Co., Ltd.	353,769.09	804,623.10
Accounts receivable	Universal Global Technology Co., Limited	132,622.23	7,997,863.50
Accounts receivable	FINANCIÈRE AFG S.A.S.	1,938.89	-
Accounts receivable	USI Electronics (Shenzhen) Co., Ltd.	1,436.31	81,254.29
Accounts receivable	Universal Scientific Industrial Poland Sp. z o.o.	-	10,718.76
<b>Total</b>		<b>231,624,663.92</b>	<b>57,822,980.32</b>

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
		Book value	Book value
Other receivables	Universal Scientific Industrial Vietnam Company Limited (Note)	433,547,600.00	-
Other receivables	Universal Scientific Industrial De México S.A. De C.V. (Note)	191,271,000.00	-
Other receivables	Universal Global Technology (Kunshan) Co., Ltd.	2,177,743.43	1,331,910.52
Other receivables	ASE Assembly & Test (Shanghai) Limited	192,606.48	339,909.17
Other receivables	USI Electronics (Shenzhen) Co., Ltd.	-	3,358,627.98
Other receivables	ISE labs, China. Ltd.	-	407,122.42
Other receivables	Universal Global Industrial Co., Ltd.	-	1,861.49
<b>Total</b>		<b>627,188,949.91</b>	<b>5,439,431.58</b>

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

(XV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS - CONTINUED

8. Related party relationship and transactions - continued

(3). Amounts due from / to related parties - continued

(3.2) Amounts due to related parties

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
Accounts payable	Universal Global Technology Co., Limited	187,121,413.66	189,755,304.27
Accounts payable	Universal Global Technology (Shanghai) Co., Ltd.	7,576,389.56	2,209,450.45
Accounts payable	USI (Shenzhen) Electronic Technology Innovation Co., Ltd.	1,170,000.00	-
Accounts payable	Universal Global Industrial Co., Ltd.	797,128.16	985,111.56
Accounts payable	Universal Global Technology (Kunshan) Co., Ltd.	534,179.42	190,570.56
Accounts payable	ASE Electronics Inc.	472,446.13	1,228,898.49
Accounts payable	Universal Scientific Industrial De México S.A. De C.V.	327,441.04	34,821.69
Accounts payable	USI Electronics (Shenzhen) Co., Ltd.	4,186.46	5,460.39
Accounts payable	UGTW	-	10,584,600.33
Accounts payable	ASE Inc.	-	33,113.85
<b>Total</b>		<b>198,003,184.43</b>	<b>205,027,331.59</b>

Unit: RMB

Item	Related party	31/12/2021	31/12/2020 (Restated)
Other payables	USI Enterprise Limited	2,193,057.52	-
Other payables	ASE (Shanghai) Inc.	2,035,944.03	2,229,775.05
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	240,956.60	167,348.25
Other payables	USI Electronics (Shenzhen) Co., Ltd. (Note)	-	782,697,200.00
Other payables	Universal Global Technology (Shanghai) Co., Ltd. (Note)	-	97,873,500.00
Other payables	USI Electronics (Shenzhen) Co., Ltd.	-	7,659,410.58
Other payables	USI (Shenzhen) Electronic Technology Innovation Co., Ltd.	-	480,000.00
Other payables	Universal Global Technology (Shanghai) Co., Ltd.	-	284,123.26
Other payables	ASE Assembly & Test (Shanghai) Limited	-	24,275.32
Other payables	Rirong Semiconductor (Shanghai) Co., Ltd.	-	16,089.31
<b>Total</b>		<b>4,469,958.15</b>	<b>891,431,721.77</b>

Note: The Company entered into a cash pool entrustment loan agreement with the bank for entrusted loans in which the Company is the leading party and Universal Global Technology (Shanghai) Co., Ltd., USI Electronics (Shenzhen) Co., Ltd., Universal Global Technology Co., Limited, Universal Global Technology (Kunshan) Co., Ltd, Universal Scientific Industrial Vietnam Company Limited and Universal Scientific Industrial De México S.A. De C.V are participants.

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	70,337,306.54	82,153,151.12

Unit: RMB

Item	Related party	31/12/2021	31/12/2020
Bonds payable	USI Enterprise Limited	2,399,279,839.68	-
Bonds payable	ASE (Shanghai) Inc.	25,790,104.50	-
<b>Total</b>		<b>2,425,069,944.18</b>	-

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

(XVI) SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Unit: RMB

Item	Amount	Description
Profit or loss on disposal of non-current assets	(9,115,989.64)	See Notes (V), 56 and 58 for details
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	50,678,106.85	See Notes (V), 51 for details
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	134,150,704.71	See Notes (V), 52 and 53 for details
Reversal of impairment losses for accounts receivable and contract assets of which impairment loss is tested individually	2,836,069.00	See Notes (V), 6 for details
Other non-operating income or expenses other than the above	18,576,128.64	See Notes (V), 57 and 58 for details
Tax effects	(34,238,090.20)	
Effects attributable to minority interests (After tax)	(2,710.00)	
<b>Total</b>	<b>162,884,219.36</b>	

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by Universal Scientific Industrial (Shanghai) Co., Ltd. in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share* (Revised 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting year	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	14.83%	0.85	0.83
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	13.53%	0.77	0.76

USI has **27** manufacturing sites, **7** sales offices, and **5** design centers around the world.

**With global footprint, we offer timely and localized services to our customers.**



## Office Address

### Headquarters

No.1558 Zhang Dong Rd., Pudong New Area,  
Shanghai 201203  
T+86-21-5896-6996

### Europe

Waterloo Office Park Building M, Drève Richelle,  
161, Box 23, B-1410 Waterloo, Belgium  
T +32-2-647-8461

### Taipei

3F, No.66 Sanchong Road, Nangang District,  
Taipei 115602  
T +886-2-2782-0366

### USA

4211 Starboard Drive, Fremont,  
CA 94538, USA  
T +1-510-440-2840



## **Universal Scientific Industrial (Shanghai) Co., Ltd.**

No.1558 Zhang Dong Rd., Pudong New Area,  
Shanghai 201203

T+86-21-5896-6996  
[www.usiglobal.com](http://www.usiglobal.com)