

Ticker: 601231

Abbreviated Name: USI

Universal Scientific Industrial (Shanghai) Co., Ltd.
Summary of 2020 Interim Report



I. Important Notice

1. The summary is a simplified version of the interim report. To comprehensively understand Universal Scientific Industrial (Shanghai) Co., Ltd. (“the Company”, “USI”)’s operating results, financial position and future development plans, investors shall refer to the website of the Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission to carefully read the full text of the report.
2. 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 interim report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.
3. All directors attend the board meetings.
4. The interim report is unaudited.
5. There is no proposal of profit distribution or proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board.

II. General Information of the Company

1. Company overview

The stocks of the Comapny				
Type of Shares	Stock Exchange	Short Name	Ticker	Former Short Name
A-share	Shanghai Stock Exchange	USI (环旭电子)	601231.SH	None

Contact	Secretary of the Board	Securities Affairs Representative
Name	Shi Jinpeng	
Telephone	021-58968418	
Address	5F, Building B, 169 Shengxia Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China	
E-mail	Public@usiglobal.com	

2. Key accounting and financial performance indicators

Presented in RMB yuan

	30 June 2020	30 December 2019	YoY (%)
Total assets	22,805,889,659.63	21,911,851,349.31	4.08
Net assets attributable to shareholders of the listed company	10,487,591,074.82	10,275,615,667.91	2.06

	During the reporting period (January – June 2020)	January – June 2019	YoY (%)
Net cash flow from operating activities	143,667,689.35	558,498,793.16	-74.28
Operating revenue	17,017,029,927.61	14,604,124,239.44	16.52
Net profits attributable to shareholders of the listed company	505,584,056.07	389,495,118.09	29.80
Net profits after deduction of non-recurring profit or loss attributable to shareholders of the listed company	425,563,844.30	250,661,764.74	69.78
Weighted average return on net assets (%)	4.84	4.11	Up 0.73
Basic EPS (yuan per share)	0.23	0.18	27.78
Diluted EPS (yuan per share)	0.23	0.18	27.78

3. Shareholding of top 10 shareholders

Total number of common shareholders by the end of the reporting period				51,193		
Total number of preferred shareholders whose voting rights have been restored as of the end of the reporting period						
Shareholding of top 10 shareholders						
Name of shareholders	Identity	%	Shares held	Restricted shares held	Pledged or frozen shares	
USI Enterprise Limited	Foreign legal person	77.19	1,683,749,126	0	NA	0
Hong Kong Securities Clearing Company Limited	Unknown	3.29	71,838,116	0	Unknown	
China Securities Finance Co., Ltd.	Unknown	1.68	36,750,069	0	Unknown	
ASE (Shanghai) Inc.	Domestic non-state legal person	0.83	18,098,476	0	NA	0
Bank of China Investment Management Co., Ltd.: China Securities Index Trading Open-ended Securities Investment Fund	Unknown	0.64	14,050,850	0	Unknown	
Securities account of Universal Scientific Industrial (Shanghai) Co., Ltd. for buy-back	Others	0.60	13,037,477	0	NA	0
Central Huijin Investment Ltd.	Unknown	0.58	12,736,500	0	Unknown	

Agricultural Bank of China: ICBCCS mixed high-quality securities investment fund	Unknown	0.23	5,110,405	0	Unknown	
China's National Social Security Fund Portfolio 401	Unknown	0.22	4,799,864	0	Unknown	
Bank of Communications Co., Ltd.: ICBCCS Internet-plus stock fund	Unknown	0.22	4,782,479	0	Unknown	
Descriptions of related relationship or acting in concert of shareholders	The actual controllers of the Company are Mr. Chang Chien-Shen and Mr. Chang Hung-Pen brothers, who control USI Enterprise Limited and ASE (Shanghai) Inc., the Company's shareholders, through indirect shareholding, and ultimately control the Company. The Company does not know whether there are related relationships and concerted actions among other shareholders.					
Descriptions of preference shareholders whose voting rights are resumed and the number of preferred shares held	NA					

4. The total number of preferred shareholders and the top 10 preferred shareholders by the end of the reporting period

☐Applicable ☒Not Applicable

5. Changes of controlling shareholders and actual controllers

☐Applicable ☒Not Applicable

6. Undue corporate debts or overdue corporate debts unpaid

☐Applicable ☒Not Applicable

III. Discussion and Analysis of Corporate Operations

1. Discussion and analysis of corporate operations

During the reporting period, the Company achieved total revenue of RMB 17.017 billion yuan, a year-on-year (YoY) increase of 16.52%. Specifically, the revenue of communication products increased substantially YoY and contributed the most amount to the growth of overall revenue; the second is the increase in revenue of consumer electronics products; the revenue of storage products, the third largest contributor to the total revenue, saw a highest YoY growth; the revenue of industrial products and automotive electronics products dropped more than 10% YoY.

During the reporting period, the Company achieved a net income of RMB 506 million yuan attributable to shareholders, a YoY increase of 29.80%. The Company's operating margin exceeded RMB 564

million yuan, a YoY increase of 27.42%, because of the significant order increase for SiP module products, the improvement of overall equipment efficiency, the rise of gross margin percentage, and the control measures of expenses during the period.

By the end of the reporting period, USI's acquisition of 100% equity in FAFG has passed antitrust reviews in the Chinese mainland, the United States, the European Union, and Taiwan, as well as foreign investor reviews in some countries; the acquisition of 10.4% equity in FAFG through a share swap transaction has been approved by the China Securities Regulatory Commission, the progress basically in line with expectations. After going through all government review and filing procedures, the Company will proceed with equity delivery and closing procedure as soon as possible.

For global expansion of manufacturing sites, the Company intended to invest US\$200 million through its wholly-owned subsidiary, Universal Global Technology Co., Limited, into the establishment of a new manufacturing site in Southeast Asia to meet the needs of overseas customers. The subsidiary in Vietnam was incorporated on June 18, 2020 with a registered capital of US\$40 million.

3.1 Compared with the previous accounting period, the changes in accounting policies, accounting estimates and accounting methods, the reasons and impacts

☐Applicable ☒Not Applicable

On December 16, 2019, the Ministry of Finance issued the *Notice of Issuing the Interim Provisions on the Accounting Treatment Regarding Trading of Carbon Emission Right (Cai Kuai [2019] No. 22)* (hereinafter referred to "the provisions"). According to the provisions, carbon emission quota allocated free of charge by the government for key companies is not accounted for. The provisions came into effect on January 1, 2020. On April 6, 2020, the Company held the eighteenth meeting of the fourth Board of Directors, and reviewed the change in accounting policy and drew a conclusion that it would only result in changes in the items of the balance sheet, without significant impacts on the Company's financial status, operating results or cash flow.

3.2 Correction of major accounting errors that occurs in the reporting period, amount of correction, reasons and impacts

☐Applicable ☒Not Applicable

Appendix: Consolidated Financial Statements

Consolidated Balance Sheet

30 June 2020

Prepared by Universal Scientific Industrial (Shanghai) Co., Ltd.

Presented in RMB yuan

Items	30 June 2020	31 December 2019
Current assets:		
Monetary funds	6,664,463,374.35	6,095,846,706.98
Settlement Reserves		
Lending funds		
Financial assets held for trading	804,080.00	0
Derivative financial assets		
Bills receivable	75,651,952.53	75,683,446.09
Accounts receivable	6,463,249,880.95	7,258,215,590.80
Receivable financing		
Prepayments	19,296,782.70	16,534,558.94
Premium receivable		
Reinsurance receivable		
Reinsurance contract reserve receivable		
Other receivables	69,542,048.51	71,454,685.55
Including: interest receivables	3,984,126.43	4,220,062.95
Dividend receivables		
Redemptory Monetary Capital for Sale		
Inventories	4,784,369,017.33	4,298,185,101.06
Contract assets		
Assets held for sale		
Non-current assets due in one year	222,111.03	466,314.46
Other current assets	437,702,981.14	369,455,435.59
Total current assets	18,515,302,228.54	18,185,841,839.47
Non-current assets:		
Issuance of loans and advances		
Debt investment		
Other debt investments		
Long-term receivables	341,886.75	348,924.13
Long-term equity investments	478,861,628.43	487,356,977.82
Investments in other equity instruments	41,885,660.13	42,152,132.46
Other non-current financial assets	71,162,540.10	46,122,432.84
Investment properties		

Fixed assets	1,760,452,255.61	1,668,761,553.10
Construction in progress	643,931,696.77	224,960,848.83
Biological assets for production		
Oil and gas assets		
Right-of-use assets	564,931,739.00	561,443,365.68
Intangible assets	125,098,924.34	137,340,663.63
Development expenditure		
Goodwill	28,922,446.44	28,500,426.70
Long-term prepaid expenses	261,764,592.77	286,061,873.00
Deferred income tax assets	161,820,357.77	167,638,369.67
Other non-current assets	151,413,702.98	75,321,941.98
Total non-current assets	4,290,587,431.09	3,726,009,509.84
Total assets	22,805,889,659.63	21,911,851,349.31
Current liabilities:		
Short-term borrowings	2,435,438,532.06	1,764,375,659.55
Borrowing from the central bank		
Borrowing funds		
Trading financial liabilities		
Derivative financial liabilities		
Bills payable		
Accounts payables	7,220,039,925.42	7,931,457,515.28
Advance from customers		
Contract liabilities	179,380,207.19	140,330,198.70
Financial assets sold for repurchase		
Deposits from customers and interbank		
Receivings from vicariously Traded Securities		
Receivings from vicariously Sold Securities		
Payroll payable	374,967,965.54	484,791,129.88
Taxes payable	69,252,935.01	68,997,782.75
Other payables	409,187,017.52	364,975,089.16
Including: Interest payable	13,340,284.68	2,969,431.05
Divident payable		
Fees and commissions payable		
Reinsurance payables		
Liabilities held for sale		
Non-current liabilities due within one year	193,428,262.26	97,310,645.77
Other current liabilities		4,892,359.93
Total current liabilities	10,881,694,845.00	10,857,130,381.02
Non-current liabilities:		

Insurance contract reserve		
Long-term borrowings	742,938,759.69	30,707,476.42
Bond payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities	493,815,441.49	493,960,115.15
Long-term payables	51,193,917.41	56,049,550.79
Long-time payroll payable	105,892,424.56	117,957,204.60
Estimated liabilities	1,311,322.97	1,603,967.00
Deferred income	33,387,058.53	40,311,997.69
Deferred income tax liabilities	2,945,117.66	3,919,871.67
Other non-current liabilities	5,041,645.49	3,350,545.52
Total non-current liabilities	1,436,525,687.80	747,860,728.84
Total liabilities	12,318,220,532.80	11,604,991,109.86
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	2,181,283,330.00	2,179,088,030.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserve	1,766,656,022.38	1,719,118,051.70
Less: Treasury stock	154,978,351.25	154,978,351.25
Other comprehensive income	43,045,651.18	6,944,545.45
Special reserve		
Surplus reserve	390,854,336.82	390,854,336.82
General risk reserve		
Undistributed profits	6,260,730,085.69	6,134,589,055.19
Total equity attributable to owners (or shareholders) of the Parent Company	10,487,591,074.82	10,275,615,667.91
Minority shareholders' interests	78,052.01	31,244,571.54
Total owners' equity (or shareholders' equity)	10,487,669,126.83	10,306,860,239.45
Total liabilities and owners' equity (or shareholders' equity)	22,805,889,659.63	21,911,851,349.31

Legal representative: Chen Chang-Yi

Person in charge of accounting affairs: Liu Tan-Yang

Head of the accounting department: Lai Liangliang

Consolidated Profit Statement

For the six months ended 30 June

Prepared by Universal Scientific Industrial (Shanghai) Co., Ltd.

Presented in RMB yuan

Items	2020 Interim	2019 Interim
I. Total operating revenue	17,017,029,927.61	14,604,124,239.44
Including: Operating revenue	17,017,029,927.61	14,604,124,239.44
Interest income		
Premium Income		
Fees and commissions income		
II. Total cost of operations	16,517,670,984.01	14,310,574,463.57
Including: Operating cost	15,324,338,731.15	13,184,027,962.69
Interest expense		
Fees and commissions expense		
Surrender value		
Net payouts		
Withdrawal of insurance liability reserve net		
Dividend payment		
Reinsurance costs		
Taxes and surcharges	32,095,141.92	18,711,100.86
Sales expense	144,373,822.94	155,556,168.14
Management expense	412,757,872.09	333,633,730.04
R&D expenses	573,638,298.38	601,789,797.96
Financial expenses	30,467,117.53	16,855,703.88
Including: interest expense	46,073,990.80	37,310,595.45
Interest income	28,495,253.40	20,670,440.05
Add: other income	42,284,912.91	32,149,643.26
investment income (losses are represented by '-')	40,046,988.14	45,171,802.56
Including: investment income of associates and joint ventures	-8,759,063.61	3,503.50
Income generated from the derecognition of financial assets measured at amortized cost		
Exchange gain (losses are represented by '-')		

Net hedging gains (losses are represented by '-')		
Income from change in fair value (losses are represented by '-')	-1,413,854.37	68,199,439.75
Loss on credit impairment (losses are represented by '-')	661,683.06	5,694,485.80
Loss on assets impairment (losses are represented by '-')	-17,785,890.49	-5,019,713.55
Gain from disposal of assets (losses are represented by '-')	962,609.57	2,984,870.37
III. Operating profit (losses are represented by '-')	564,115,392.42	442,730,304.06
Add: non-operating income	6,234,489.08	5,528,089.44
Less: non-operating expenses	1,422,466.21	1,285,166.97
IV. Total profit (total losses are represented by '-')	568,927,415.29	446,973,226.53
Less: income tax expense	69,118,610.08	57,558,515.97
V. Net profit (net losses are represented by '-')	499,808,805.21	389,414,710.56
(I) Classified by operational continuity		
1. Net profit from continuous operation (net losses are represented by '-')	499,808,805.21	389,414,710.56
2. Net profit from discontinued operation (net losses are represented by '-')		
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')	505,584,056.07	389,495,118.09
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')	-5,775,250.86	-80,407.53
VI. Other comprehensive income, net of tax	36,065,561.06	-8,292,048.72
i) Other comprehensive income attributable to owners of the Parent Company, net of tax	36,101,105.73	-8,307,476.95

1. Other comprehensive income that cannot be reclassified into the profit or loss	-1,387,388.76	304,464.27
(1) Changes arising from re-measurement of defined benefit plans	0	0
(2) Other comprehensive income that cannot be transferred into profit or loss under equity method		
(3) Changes in fair value of investments in other equity instruments	-1,387,388.76	304,464.27
(4) Changes in fair value of credit risks of the enterprise		
2. Other comprehensive income to be reclassified into the profit or loss	37,488,494.49	-8,611,941.22
(1) Other comprehensive income that can be transferred into profit or loss under equity method	-5,838,739.99	-
(2) Changes in fair value of other debt investments		
(3) Reclassified financial assets that are credited to other comprehensive income		
(4) Credit impairment provision for other debt investments		
(5) Reserve for cash flow hedging		
(6) Differences on translation of financial statements denominated in foreign currencies	43,327,234.48	-8,611,941.22
(7) Others		
(ii) Total comprehensive income attributable to the minority shareholders	-35,544.67	15,428.23
VII. Total comprehensive income	535,874,366.27	381,122,661.84

(i) Total comprehensive income attributable to the owners of Parent Company	541,685,161.80	381,187,641.14
(ii) Total comprehensive income attributable to the minority shareholders	-5,810,795.53	-64,979.30
VIII. Earnings per share:		
(i) Basic earnings per share (RMB/share)	0.23	0.18
(ii) Diluted earnings per share (RMB/share)	0.23	0.18

Legal representative: Chen Chang-Yi

Person in charge of accounting affairs: Liu Tan-Yang

Head of the accounting department: Lai Liangliang

Consolidated Cash Flow Statement

For the six months ended 30 June

Prepared by Universal Scientific Industrial (Shanghai) Co., Ltd.

Presented in RMB yuan

Items	2020 Interim	2019 Interim
I. Cash flow from operating activities:		
Cash received from the sale of goods and rendering of services	17,947,213,938.76	17,366,477,593.62
Deposits from customers and interbank		
Net increase on borrowing from the central bank		
Net increase on borrowing from other financial institutions		
Cash received from the original insurance contract premium		

Net cash received from reinsurance business		
Net increase in insurance deposits and investment funds		
Cash received from interests, fees and commission		
Net increase on borrowing funds		
Net increase in repurchase business funds		
Net cash received from agent buying and selling of securities		
Refunds of taxes	180,326,409.42	146,242,932.51
Cash paid to other operation activities	96,481,127.11	107,892,184.09
Sub-total of cash outflows from operating activities	18,224,021,475.29	17,620,612,710.22
Cash paid on purchase of goods and services	16,304,025,207.19	15,397,047,547.71
Increase in loans and advances for customers		
Net increase in deposits in central bank and interbank funds		
Cash paid for the original insurance contract premium		
Net increase on lending funds		
Cash paid on interests, fees and commission		
Dividend payment		
Cash paid to and on behalf of employees	1,399,157,312.28	1,332,409,343.53

Cash paid for all types of taxes	113,668,395.52	124,555,714.29
Cash paid to other operation related activities	263,502,870.95	208,101,311.53
Sub-total of cash outflows from operating activities	18,080,353,785.94	17,062,113,917.06
Net cash flow from operating activities	143,667,689.35	558,498,793.16
II. Cash flow from financing activities:		
Cash received from recovery of investments	6,208,262,300.49	6,173,782,130.54
Cash received from return on investments	47,068,655.64	45,186,168.52
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	4,681,767.31	9,861,168.09
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from investing activities	1,377,402.21	961,012.73
Sub-total of cash inflows from investing activities	6,261,390,125.65	6,229,790,479.88
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	657,564,436.67	294,495,391.77
Cash paid for investments	6,237,556,877.38	6,231,213,125.00
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other business units	0	10,780,000.00

Cash paid on other investing activities		
Sub-total of cash outflows from investing activities	6,895,121,314.05	6,536,488,516.77
Net cash flow from investing activities	-633,731,188.40	-306,698,036.89
III. Cash flow from financing activities:		
Cash received from capital contributions	34,114,962.00	431,200.01
Including: cash received from capital contributions by minority shareholders of subsidiaries		
Cash received from borrowings	6,426,657,872.19	4,565,786,698.67
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	6,460,772,834.19	4,566,217,898.68
Cash paid for debt repayment	4,991,496,712.29	4,210,719,008.69
Cash paid on distribution of dividends, profits or repayment of interest expenses	404,851,147.17	383,777,298.56
Including: dividends and profits paid by subsidiaries to minority shareholders		
Cash paid on other financing activities	47,445,636.82	142,902,327.47
Sub-total of cash outflows from financing activities	5,443,793,496.28	4,737,398,634.72

Net cash flow from financing activities	1,016,979,337.91	-171,180,736.04
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	19,755,241.64	-8,347,823.38
V. Net increase in cash and cash equivalents	546,671,080.50	72,272,196.85
Add: balance of cash and cash equivalents at the beginning of the period	6,082,640,025.18	4,606,688,796.85
VI. Balance of cash and cash equivalents at the end of the period	6,629,311,105.68	4,678,960,993.70

Legal representative: Chen Chang-Yi

Person in charge of accounting affairs: Liu Tan-Yang

Head of the accounting department: Lai Liangliang