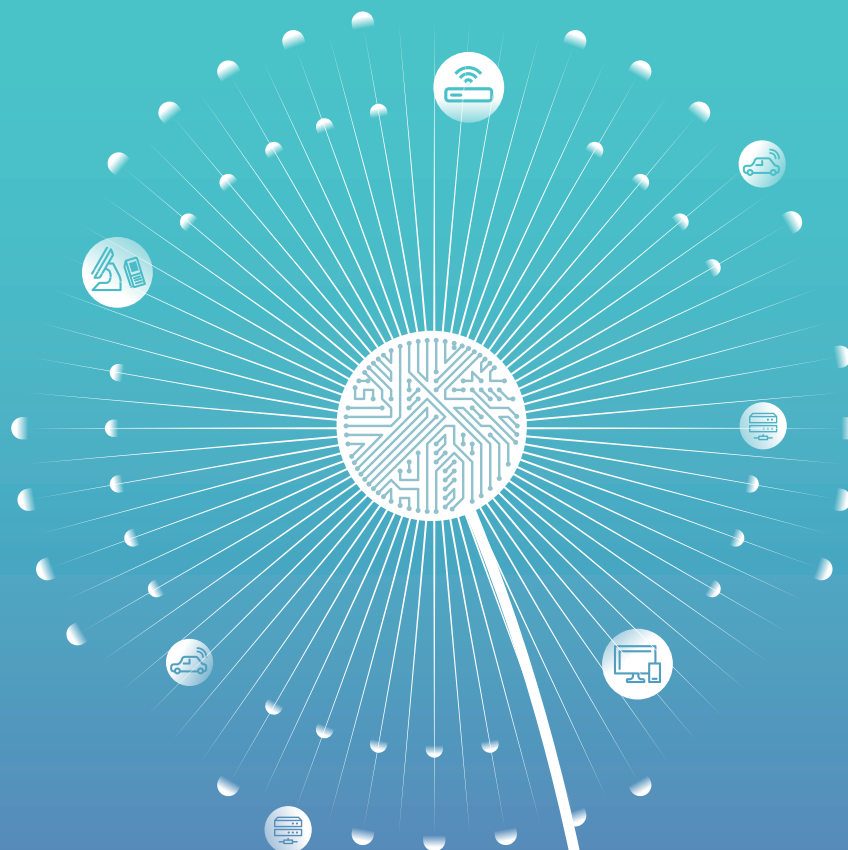




SSE Code 601231



2022

Annual Report

Stock Code: 601231

Abbreviated Name: USI

Convertible Bond Code: 113045

Abbreviated Name: USI Convertible Bond

Universal Scientific Industrial (Shanghai) Co., Ltd.

2022 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. Absent directors

Position of absent directors	Name of absent directors	Reason for absence	Name of trustee
Independent Director	Yunwei Tang	Personal health	Yiyun Chu

III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued a standard unqualified audit report for the Company.

IV. Jeffrey Chen, person in charge of the Company, Tan-Yang Liu, person in charge of accounting, and Yuh-Huah Chern, 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 2022, USI is going to distribute a cash dividend of RMB 4.30 (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. In case of any change in the total share capital of the Company and the number of shares in its buy-back securities account prior to the record date for implementing the plan, the cash dividend per share shall remain unchanged, and the total amount of cash dividend shall be adjusted accordingly.

The Company's Profit Distribution Plan for the 2022 was deliberated and approved at the 22th meeting of the fifth session of the Board of Directors of the Company, and it still needs to be deliberated at the Company's 2022 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 shareholder or other related parties 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

Contents

Section I Definitions	4
Section II Company Profile and Key Financial Indicators	6
Section III Management Discussion and Analysis.....	10
Section IV Corporate Governance	45
Section V Environmental and Social Responsibility	68
Section VI Major Events.....	78
Section VII Changes in Share Capital and Information of Shareholders.....	104
Section VIII Related Information of Preferred Stocks.....	112
Section IX Related Information of Bonds.....	113
Section X Financial Statements	116

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
USIE	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	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	ASE (Shanghai) Inc., a subsidiary of ASE Inc. in which it holds 100% shares
UGT	Universal Global Technology Co., Limited, a subsidiary of the Company in which the Company holds 100% shares, registered in Hong Kong
UGT Shanghai, Jinqiao Subsidiary, Jinqiao Factory	Universal Global Technology (Shanghai) Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
USI Shenzhen, Shenzhen Subsidiary, Shenzhen Factory	USI Electronics (Shenzhen) Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
UGT Kunshan, Kunshan Subsidiary, Kunshan Factory	Universal Global Technology (Kunshan) Co., Ltd., a wholly-owned subsidiary of the Company
UGE	Universal Global Electronics Co., Ltd., a subsidiary of the Company in which the Company holds 100% shares
UGT Huizhou, Huizhou Subsidiary, Huizhou Factory	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 Subsidiary, Vietnam Factory	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, Suzhou Subsidiary, Suzhou Factory	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.
EMEA	Abbreviation for Europe, the Middle East, and Africa
APAC	Abbreviation for the Asia-Pacific region

Americas	North and South America
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) ²	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
YoY	Year Over Year
The reporting period or the current period	January 1, 2022 to December 31, 2022

Section II Company Profile and Key Financial Indicators

I. Company Profile

Name in Chinese	Universal Scientific Industrial (Shanghai) Co., Ltd.
Abbreviation in Chinese	USI
Name in English	Universal Scientific Industrial (Shanghai) Co., Ltd.
Abbreviation in English	USISH
Legal representative	Jeffrey Chen

II. Contact

	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, and Securities Times
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. The Company's Stocks

The Company's Stocks				
Stock Class	Listed on	Abbreviated Name	Stock Code	Former Abbreviated Name
A-share	Shanghai Stock Exchange	USI	601231	None
Corporate bonds convertible into the Company's A shares	Shanghai Stock Exchange	USI Convertible Bond	113045	None

VI. Other Related Information

Domestic accounting firm hired by the Company	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	Name	Haitong Securities Co., Ltd.
	Office address	689 Guangdong Road, Shanghai

continuous supervision during the reporting period	Names of sponsor representatives who give their signatures	Zhang Zihui, and Chen Hengrui
	Period of continuous supervision	April 2, 2021 to December 31, 2022

Note: The company has not used up the raised funds, and the sponsor will continue to perform its responsibility of continuous supervision over the use of the raised funds.

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

(I) Key accounting data

Unit: yuan Currency: RMB

Key accounting data	2022	2021	YoY (%)	2020
Revenue	68,516,075,963.26	55,299,654,770.21	23.90	47,696,228,222.53
Net profits attributable to shareholders of the listed company	3,059,967,081.20	1,857,968,074.82	64.69	1,739,435,448.10
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	3,010,200,488.88	1,695,083,855.46	77.58	1,615,438,890.95
Net cash flow from operating activities	3,435,196,255.50	-1,102,446,978.90	Not applicable	1,436,523,674.10
	End of 2022	End of 2021	YoY (%)	End of 2020
Net assets attributable to shareholders of the listed company	15,749,394,179.86	13,081,960,207.42	20.39	12,049,820,179.95
Total assets	38,574,464,731.16	35,856,733,503.81	7.58	31,070,402,620.02

(II) Key financial indicators

Key financial indicators	2022	2021	YoY (%)	2020
Basic EPS (yuan/share)	1.40	0.85	64.71	0.80
Diluted EPS (yuan/share)	1.35	0.83	62.65	0.80
Basic EPS net of non-recurring gains/losses (yuan/share)	1.38	0.77	79.22	0.74
Weighted average return on equity (%)	21.43	14.83	Up 6.60 pct.	15.88
Weighted average ROE net of non-recurring gains/losses (%)	21.08	13.53	Up 7.55 pct.	14.75

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

During the reporting period, the net profit attributable to shareholders of the listed company increased by 64.69% YoY, and the earnings per share and return on net assets both significantly increased YoY.

During the reporting period, the net cash flow from operating activities significantly increased YoY, mainly due to the increase in revenue and gross profit margin and the normal collection of receivables.

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 2022

Unit: yuan Currency: RMB

	Q1 (Jan.-Mar.)	Q2 (Apr – Jun)	Q3 (Jul – Sep)	Q4 (Oct – Dec)
Revenue	13,953,702,502.36	14,986,799,765.27	20,589,521,347.67	18,986,052,347.96
Net profits attributable to shareholders of the listed company	438,949,141.54	645,697,780.56	1,086,396,958.63	888,923,200.47
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses	412,760,005.79	682,199,841.71	1,093,143,268.02	822,097,373.36
Net cash flow from operating activities	1,693,989,778.99	-1,626,902,475.96	1,098,606,198.41	2,269,502,754.06

Explanation for differences between the quarterly data and formerly disclosed data in periodic reports

☐ Applicable ☒ Not Applicable

X. Non-recurring profit or loss

☒ Applicable ☐ Not Applicable

Unit: yuan Currency: RMB

Items of non-recurring gains/losses	Amount in 2022	Notes (if applicable)	Amount in 2021	Amount in 2020
Profit or loss on disposal of non-current assets	2,724,930.03	See Notes X(V), 57 and 59 for details	-9,115,989.64	1,172,336.59
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)	56,144,655.78	See Notes X(V), 52 for details	50,678,106.85	76,779,477.12
Enterprise restructuring expenses, such as employee placement expenses, integration costs, etc	-65,435,485.39			
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	96,937,973.50	See Notes X(V), 53 and 54 for details	134,150,704.71	57,415,602.04
Write-back of receivables and provisions for contract assets impairment subject to		See Notes X(V), 14 for	2,836,069.00	

separate impairment tests		details		
The impact of one-time adjustment of current profit and loss in accordance with tax, accounting and other laws and regulations	-49,852,343.57	See Notes X(V), 14 for details		
Other non-operating income or expenses other than the above	22,281,394.77	See Notes X(V), 58 and 59 for details	18,576,128.64	11,899,780.26
Tax effects	13,033,613.18		34,238,090.20	22,910,526.54
Effects attributable to minority interests (After tax)	919.62		2,710.00	360,112.32
Total	49,766,592.32		162,884,219.36	123,996,557.15

Explanations for the Company's extraordinary gain or loss items as defined in the "Explanatory Announcement No.1 for Public Company Information Disclosures –Extraordinary Gains or Losses", and the extraordinary gain or loss items as illustrated in the "Explanatory Announcement No.1 for Public Company Information Disclosures –Extraordinary Gains or Losses" which has been defined as its recurring gain or loss items.

☐ Applicable ☒ Not Applicable

XI. Items Measured at Fair Value

☒ Applicable ☐ Not Applicable

Unit: yuan Currency: RMB

Item	Opening amount	Closing balance	Change in the current period	Impact on profit of the current period
Held-for-trading financial assets	96,480,087.56	271,243,519.53	174,763,431.97	71,926,419.80
Other equity instrument investments	75,957,194.28	38,420,782.40	-37,536,411.88	17,034,226.73
Other non-current financial assets	236,978,820.68	170,126,278.86	-66,852,541.82	10,294,727.64
Financial liabilities held for trading	-976,413.16	-3,118,891.32	-2,142,478.16	-2,317,400.67
Total	408,439,689.36	476,671,689.47	68,232,000.11	96,937,973.50

XII. Others

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

I. Discussion and Analysis of Corporate Operations

The Company realized total revenue of RMB 68.52 billion in 2022, up 23.90% from RMB 55.30 billion in 2021.

The Company achieved an operating profit of RMB 3.46 billion in 2022, an increase of 62.34% from RMB 2.13 billion in 2021; a total profit of RMB 3.48 billion, an increase of 62.57% from RMB 2.14 billion in 2021; net profit attributable to shareholders of the listed company of RMB 3.06 billion, an increase of 64.69% from RMB 1.86 billion in 2021; net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses of RMB 3.01 billion, an increase of RMB 1.32 billion from RMB 1.70 billion in 2021, a YoY increase of 77.58%.

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.

Electronic manufacturing services mainly include 3C (i.e. Computer, Communication, Consumer Electronics) products, industrial, automobile, medical, transportation, energy, aerospace and other fields, among which consumer electronics occupies an important position. The growing demand for smart phones, smart wearable devices, XR devices, computers and cloud, smart home and other products has driven the rapid development and continuous upgrading of chips, storage, electronic components, modules and smart manufacturing.

China has the world's largest market share and the most competitive supply chain in the electronics manufacturing service industry. As the demand for "glocalization" continues to increase, low-cost manufacturing regions such as Southeast Asia, Mexico, and Eastern Europe are gradually heating up, and production capacity is growing rapidly.

(II) Industry characteristics and development trends

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

In 2022, the industrial scale of the global EMS industry has exceeded USD 720 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 so as to increase product added value.

2. "AI+" powers 3C product intelligence and subversive innovation

5G has ushered in the era of "Internet of Everything". The implementation and promotion of new technologies and products are expedited such as cloud computing, AI, Internet of Things, smart wearables, and XR. The application depth and breadth of intelligent interactive products are continuously expanding, including smartphones, smart wearable devices, XR equipment, automotive electronics, and computers. 3C product innovation is the incremental demand that attracts most attention in the electronics manufacturing service industry.

Intelligence, a main feature of the next generation 3C products, will introduce the "Internet+" era to the "AI+" era, and "AI+" will lead the intelligence and the subversive innovation of 3C products. The realization of intelligent 3C products requires stronger chip computing power, higher transmission speed, lower latency and higher reliability. The rapid development of advanced chipmaking process leads to the progress of computing power, and the processing capabilities of "cloud" and "end" devices are

continuously strengthened to meet the increasingly high requirements of AI for computing power. At the same time, with the continuous growth of AI, cloud computing and metaverse, cloud related business of technology giants continues to expand in scale, and the investment in cloud infrastructure continues to increase, which also leads to accelerated growth in demand for servers, switches, and storage-related electronic products. The constant upgrading of communication technology strengthens the "cloud-to-end" and "end-to-end" transmission capabilities, which better meet the needs of future large-volume data transmission and real-time interaction, and empower AI through data transmission to realize 3C product intelligence. With the gradual application and promotion of new-generation communication technologies such as Wi-Fi 6E, Wi-Fi 7, millimeter waves, and low-earth orbit satellite communications, they are integrated with 5G and even 6G networks, and, by using edge computing and artificial intelligence technologies, achieve intelligent management and optimized network resources, potentially expected to build an integrated communication network with seamless global coverage of land, sea and air space.

3. "Carbon neutrality" promotes the rapid growth of electric vehicles and energy storage

In the global context of "carbon neutrality", the sales volume of electric vehicles has greatly increased and the proportion of electric vehicles in the global sales of new vehicles will continue to grow rapidly. As the demand for automotive electronics related to electric vehicles has surged, the upgrading of technologies such as intelligent cockpit and ADAS has accelerated, and the proportion of manufacturing service outsourcing has increased. The energy storage industry has also benefited from the global demand for "carbon neutrality" with its prosperity rising continuously.

(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, China and the Chinese mainland. At present, China, Southeast Asia, India, Mexico, Eastern Europe have become the regional centers of low-cost manufacturing in the EMS industry, and the current demand for "glocalization" services has increased significantly. Low-cost manufacturing areas require a relatively complete supply chain system in which upstream and downstream companies cooperate and form an industrial cluster. Component companies sell their products to terminal assembly companies, and after the assembly is completed, the terminal products are directly sold to downstream brand companies for global sales.

3. Seasonal characteristics of industry operation

Affected by traditional consumption patterns, orders from consumer electronics brand customers tend to concentrate in the second half of the year, resulting in certain degree of seasonality in the shipment and revenue of the EMS industry. The first and second quarters of each year are the traditional off-season, while the third quarter is start of peak season of sales, the fourth quarter is the peak season of shipment.

(IV) Competitive position of the Company in the industry

The Company is a world-renowned manufacturer in the EMS industry. In 2021, USI ranked 12th 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

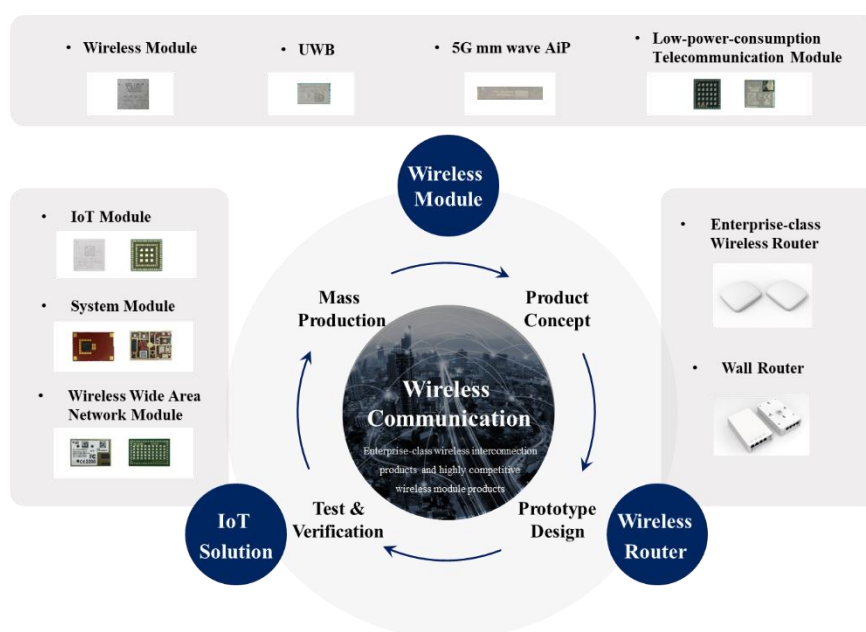
As a world-leading D(MS)2 manufacturer, by providing brand customers with more value-added design, manufacturing and related services, USI participates more in developing industry-wide application solutions, and enhances the manufacturing value added of products and overall services. In the future, following the core concept of creating value for customers, USI will attach more importance to Solutions and Services among the D(MS)2, 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

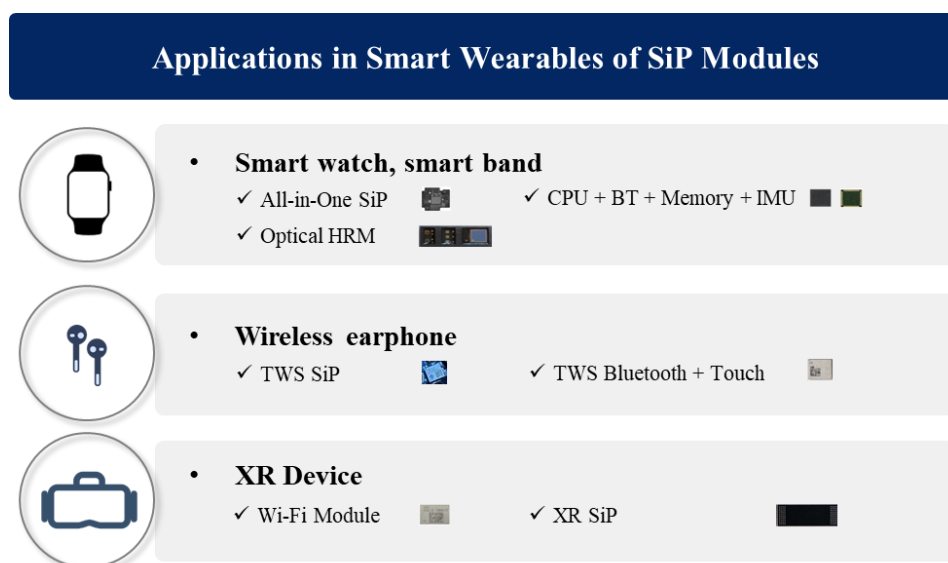
In the field of wireless communication, the Company, with a strong design and manufacturing team, provides customers with design, verification manufacturing and related services for enterprise-class wireless interconnection products and highly competitive wireless module products by collaborating with 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-level packaging (SiP) module, system-level Internet of Things (IoT) module, IoT module, low-power consumption telecommunication module, enterprise-level wireless router, 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. With the continuous development of "Metaverse" related fields, the Company will also continue to deploy SiP modules in XR smart head-mounted display devices, including Wi-Fi modules and multi-functional SiP modules.



In addition to smart wearable SiP modules, consumer electronics products also involve video devices, connection devices, mainly including X-Y bar control board, miniLED display control, timing control board, smart stylus, electromagnetic sensing board, etc.

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), smart handheld device (SHD) and industrial control panel.



4. Cloud and storage products

On the market of 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 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. The motherboards manufactured by the Company are widely used in cloud computing, data centers, edge computing and other fields. The Company continues to introduce new generation technologies such as DDR5 and PCIe-G5 with the service model of Join Design Manufacture (JDM).

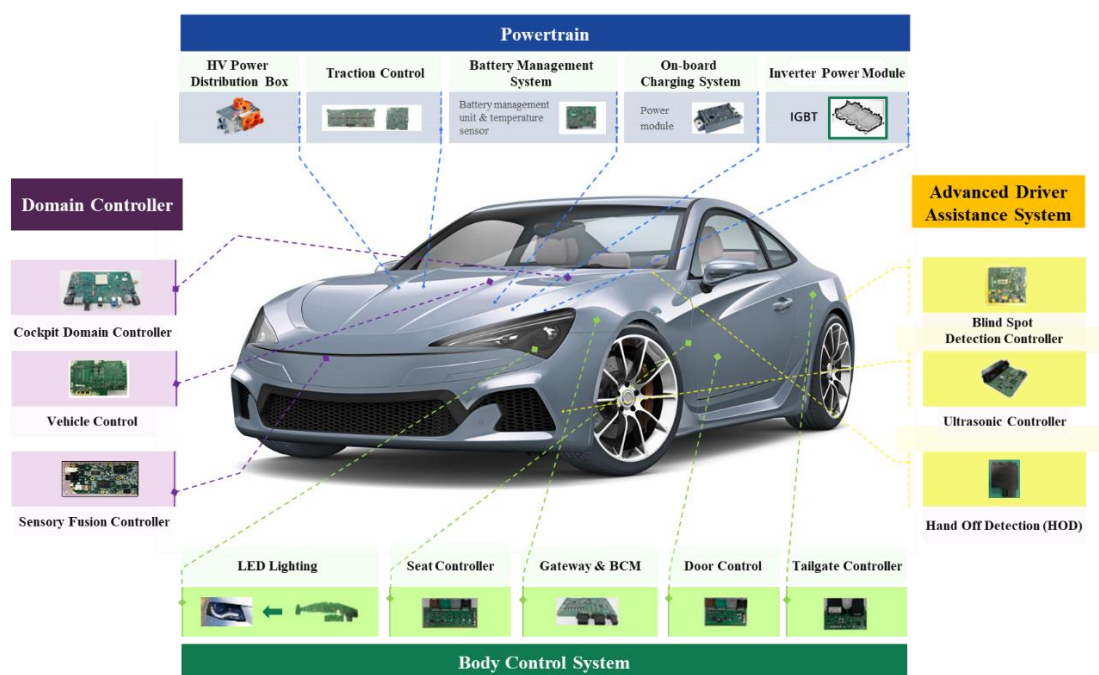


Storage and interconnection products include solid-state drives (SSDs) and enterprise-class high-speed switches and network adapters. USI has industry-leading R&D capabilities for new technologies, such as Fiber Optic Channel, SAS, SATA, 10 Gigabit Ethernet, dual port I/O and wireless broadband, etc., and has developed diversified products. The Company is a leading SSD design and manufacturing partner, providing customers with manufacturing services and hardware design, product verification and customized development of production and test platform services; the switches and host channel adaptor products are must-have devices for enterprises, institutions, computing and data center.

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.

USI's automotive electronic products mainly include power modules, power inverters, BMS, On-Board Charger, electronic pumps, domain controllers, vehicle NAD modules, LED lights, ADAS-related controllers, other body controllers, etc.



Following the development trend of “electrification, intelligence, and connectivity” in automotive electronics, the Company focuses on “electrification” and invests heavily in research and development of power modules, power inverters, BMS, On-Board Charger and other automotive power products to serve power chip manufacturers, Tier 1 suppliers and OEMs; at the same time, the Company takes into account “intelligence” and “connectivity”, and expands new products and businesses in the fields of smart cockpits, ADAS, and vehicle communications.

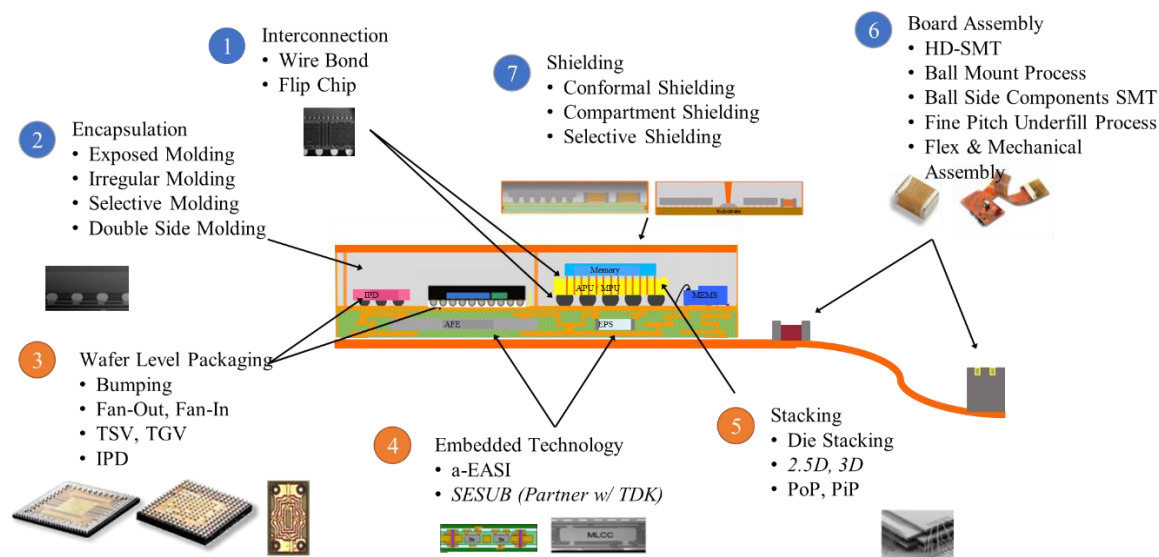
6. Medical electronics

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

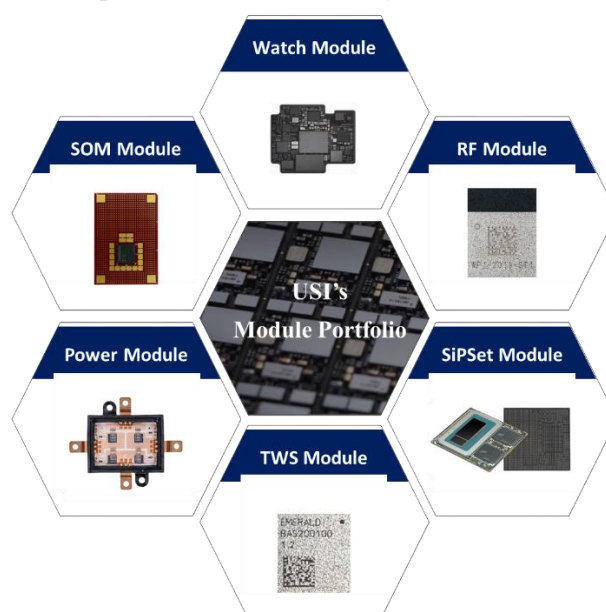
(II) Miniaturization design and products

USI has a leading position in SiP miniaturization technology. SiP module is based on heterogeneous integration technology, which integrates chips and passive components of different processes into one module, effectively reducing the area of functional modules, improving the efficiency of circuit system, and ensuring 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.

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, metaverse 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, smart wearables, XR devices, automotive electronics, computers, base stations for wireless communications, industrial electronics, solid-state storage 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.



The Company's module products mainly include Wi-Fi modules, UWB modules, millimeter wave antenna modules, smart wearable modules, SiPlet, notebook SiPSet modules, SOM, vehicle NAD and power modules, etc.

IV. Analysis of Core Competitiveness during the Reporting Period

√Applicable □ Not Applicable

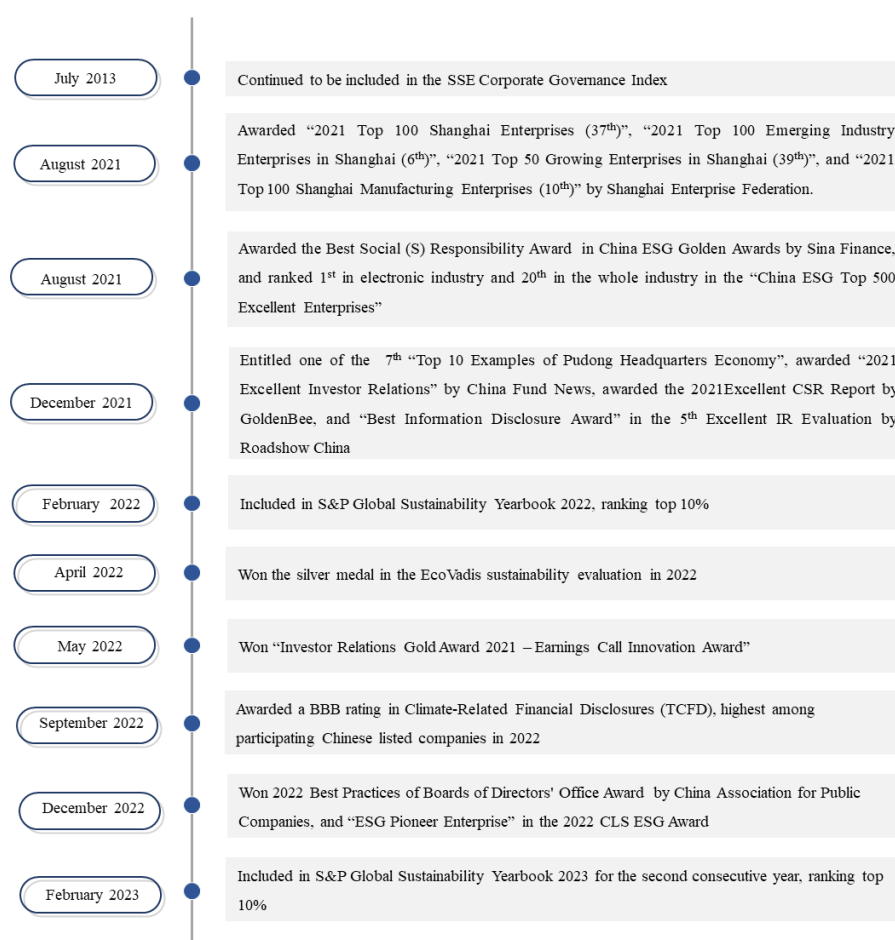
As a large design and manufacturing service provider in the field of electronic products, the Company has the following core competitive advantages:

(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 2021, 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 the requirements of laws and regulations, and follows the relevant regulatory requirements of the Shanghai Stock Exchange as well as the Taiwan Stock Exchange and the New York Stock Exchange where its parent company ASE Technology Holding Co., Ltd is listed. In the past five consecutive years, the Company has been awarded the A-level rating on information disclosure by the Shanghai Stock Exchange, and has won a series of honors in the field of business operation and corporate governance.



(II) Global layout and advantages in localized services

The global supply chain is shifting from efficiency-oriented offshoring to nearshoring or friendshoring, so as to better control its supply chain security. Facing the trend of the industrial supply chain, the Company has launched a glocalization strategic landscape in 2018: in 2018, USI acquired the Polish facility; in 2020, the Company acquired FAFG, the second largest EMS company in Europe, and has ever since continued to integrate; in 2021, the Vietnam Facility started mass production; by 2022, the efforts of the glocalization strategy has paid off – the Vietnam Facility achieved profitability, the second factory in Nankang was put into operation, the project of the second factory in Mexico started, and the synergy of integrating FAFG emerged with overseas factories generating more than 30% of the total revenue. By adopting a new operating model of "global platform, localized service", the Company promotes sustainable and sound growth.

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. At present, the Company has 28 manufacturing 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. To meet customers' differentiated needs, the

Company provide global customers with diversified manufacturing service solutions based on localized operating systems in North America, Europe, Asia Pacific and North Africa, and form a competitive advantage in global operations and differentiated services.



(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 has a diversified and balanced product portfolio covering five major fields of communication electronics, consumption electronics, cloud and storage products, industrial and medical electronics, and automotive electronics. On the basis of “selecting the very best”, the Company implements horizontal integration across sub-sectors and industries, conforms to the development trend of continuous integration of electronic industry, realizes dynamically optimal product portfolios, and promotes sustainable and stable development. Meanwhile, 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.

Due to long-term partnership with the world-class electronic brands for their essential products and keeping a close eye on 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.

The Company attaches importance to judging the industry development and grasping market opportunities. The trend of automotive electrification and intelligence is mostly driven by the development of the power system and its internal power modules and semiconductor components. The automotive power module business is a differentiated growth market. The Company follows the market trend to expand its advantages, and provides a complete range of key process technologies from chips, modules to systems based on more than 40 years of experience in the automotive EMS business and its cooperation with its parent company. In 2022, the Company's revenue from automotive electronics increased by 72% YoY, accounting for 6.6% of the total revenue, up 1.8 percentage points from 4.8% in 2021.

(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 has formulated the “five-star factory standard” with reference to the industry practice, that is, the machines are 100% automated, more than 80% of the production lines can be operated with the lights out, and the direct manpower is less than 30%. It plans to upgrade all factories of Industry 4.0 to 3-star or 4-star factories, with an average of 3.2 stars, and four of the factories will be upgraded to five-star lights-out factories that achieve fully automated production in 2025.

The company uses Industry 4.0 automation technology to realize the intelligent manufacturing roadmap. At present, technologies that have been introduced include internal automation equipment communication network supporting 4G and 5G, Automatic Material Handling Systems (AMHS), fully automated manipulator testing unmanned workshop, and real-time production equipment status monitoring platform with remote access dashboard; AI technology has been applied to the management of key production equipment, production systems and product inspection systems.

In addition, the Company set up a digital transformation committee in 2022 to continuously strengthen digital management, comprehensively improve and upgrade its entire process with the help of IT technology platforms and enhance its competitiveness.

(V) Product innovation driven by R&D

The company always attaches great importance to technology research and development, and continues to increase investment in research and development. From 2020 to 2022, the Company's R&D investment was RMB 1.58 billion, 1.64 billion, and 2.03 billion respectively. As of the end of 2022, the Company had an R&D team of 2,728 employees, and obtained 786 patents and 224 potential patents under application.

The company is a global leader in SiP technology. In 2022, it integrated a number of advanced technologies with the miniaturized and multifunctional SiP, such as high-density SMT part design (40um pitch), 150um pitch WLCSP packaging and filling technology, double layer stacking technology of passive components, more complex double-sided packaging technology with more connectors, double-sided special-shaped selective electromagnetic shielding, etc. In addition, to meet the needs of high-performance computing, the Company cooperates deeply with ASUS to develop the first SiP CPU module among industry peers, which reduces the core area of the motherboard by 38%, increases Thermal Design Power (TDP) from 145W to 155W, increases Total Graphic Power (TGP) by 15%, and improves the memory bandwidth from 6Gbps to 7.5Gbps.

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.

In 2021, the Company's automotive electronic business obtained the ISO26262 certification for manufacturing, and formally started mass production of power systems, battery management systems, and heat dissipation systems of electric vehicles. In the second half of 2022, it has passed customer verification and officially started mass production of IGBT power modules used in inverters of electric vehicles. In 2023, the Company will begin mass production of SiC power modules and continue to invest in research and development of advanced process technology and participate in the early stages of customer product development, and expectedly become a leading Outsource Semiconductor Assembly and Test (OSAT) company in this field in the future.

(VI) Long-term adherence to sustainable management

In face of a complex and ever-changing business environment, corporate resilience has increasingly become a part of the core competitiveness for company to achieve sustainable operations. Highly

resilient companies can cope with a variety of unpredictable dynamic changes, recover quickly from crises, and survive and thrive in adversity. USI not only focuses on risk control and crisis management, but also pays attention to forging resilience in corporate strategy, organizational system, operating system, cultural development, and technological innovation.

The Company always takes “be a most reliable provider for electronic design and manufacturing service” as its vision, and according to the United Nations Sustainable Development Goals (SDGs), it focuses on the four dimensions of its Sustainability Strategy, i.e. Low Carbon, Circular, Collaborative and Inclusive, strengthens employees' awareness of SDGs, and cooperates with partners and communities to promote economic growth and enhance productivity through sustainable development



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 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. Since 2019, the Company has launched employee stock ownership plans and stock option incentive plans according to operational needs. As of the end of March 2023, the Company has launched two stock option incentive plans, granting a total of 44,946,500 stock options with 14,293,875 shares exercised by employees, and five employee stock ownership plans, transferring a total of 5,481,800 shares from treasury shares to the plans.

While operating steadily, the Company takes the mission of “creating value for shareholders and sharing growth with shareholders”. In order to fully protect the interests of shareholders and enhance investor confidence, the Company has continuously launched share repurchase plans, repurchasing 13,037,477, 16,042,278, and 9,356,317 shares in 2019, 2021, and 2022 respectively. As of the end of 2022, the Company has achieved a cumulative net profit of RMB 13.81 billion, and a cumulative cash dividend (including the 2022 dividend plan) of RMB 4.79 billion since its listing in 2012, with an average cash payout ratio of 34.70%.

V. Main Business Operations during the Reporting Period

The Company realized total revenue of RMB 68.52 billion in 2022, up 23.90% from RMB 55.30 billion in 2021. Specifically, the revenue of automotive electronics increased by 72.24% YoY; the revenue of cloud and storage products increased by 41.08% YoY; the revenue of communication electronics increased by 21.69% YoY; the revenue of consumer electronics increased by 18.28% YoY; the revenue of industrial electronics increased by 17.45% YoY. The main reasons for revenue growth include the following: (1) The market share of existing customers was stable, and the increase in customer demand has brought about an increase in sales; (2) The expansion of new businesses and new customers brought about an increase in revenue; (3) RMB's depreciation relative to USD had a positive impact on the Company's revenue; (4) The company's efforts in global expansion and landscape paid off.

The total sales, administrative, R&D and financial expenses of the Company in 2022 were RMB 3.80 billion, an increase of RMB 474 million or 14.24% over RMB 3.33 billion in 2021.

The Company achieved operating profit of RMB 3.46 billion in 2022, an increase of 62.34% over RMB 2.13 billion in 2021; the total profit was RMB 3.48 billion, an increase of 62.57% over RMB 2.14 billion in 2021; the net profit attributable to shareholders of the listed company was RMB 3.06 billion, an increase of 64.69% over RMB 1.86 billion in 2021. In 2022, the net profit attributable to shareholders of the listed company net of non-recurring gains/losses was RMB 3.01 billion, an increase of RMB 1.32 million and 77.58% over RMB 1.70 billion in the same period of 2021.

(I) Main business analysis

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

Unit: yuan Currency: RMB

Item	2022	2021	Change in percentage (%)
Revenue	68,516,075,963.26	55,299,654,770.21	23.90
COGS	61,327,074,531.73	49,981,479,197.84	22.70
Sales expense	323,833,862.87	311,480,902.10	3.97
Administrative expense	1,421,848,997.88	1,169,173,384.77	21.61
Financial expenses	18,865,406.63	203,398,590.62	-90.72
R&D expenses	2,034,461,775.71	1,641,398,512.61	23.95
Net cash flow from operating activities	3,435,196,255.50	-1,102,446,978.90	Not applicable
Net cash flow from investing activities	-1,524,248,331.61	-1,486,554,540.33	Not applicable
Net cash flow from financing activities	-502,415,196.59	2,391,384,303.44	-121.01

Reasons for changes in financial expenses: mainly due to the increase in gains from realized foreign currency exchange, resulting in a decrease in financial expenses.

Reasons for the change in net cash flow from operating activities: the significant YoY increase in 2022 was mainly due to the increase in revenue and gross profit margin and the normal collection of receivables.

Reasons for changes in net cash flow from investing activities: Net outflow was maintained in 2022, mainly due to investment in fixed assets.

Reasons for changes in net cash flow from financing activities: significant decrease from 2021 to a net outflow, mainly due to dividend distribution, repurchase of treasury shares in 2022 and issuance of convertible corporate bonds in the first quarter of 2021.

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 23.92% over the same period last year, and COGS increased by 22.70% over the same period last year. The detailed 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	COGS	Gross profit margin (%)	Revenue YoY (%)	COGS YoY (%)	Gross profit margin YoY (%)
Communication electronics	25,520,857,428.25	23,213,641,775.47	9.04	21.69	18.65	Up 2.33 pct.
Consumer electronics	21,898,114,544.44	19,960,343,272.38	8.85	18.28	18.52	Down 0.18 pct.
Industrial products	8,767,396,642.14	7,350,004,279.64	16.17	17.45	17.62	Down 0.13 pct.
Cloud and storage products	6,989,468,417.07	5,919,995,989.47	15.30	41.08	39.95	Up 0.68 pct.
Automotive electronics	4,551,947,156.28	4,167,640,175.20	8.44	72.24	70.48	Up 0.95 pct.
Medical electronics	137,139,250.98	120,908,484.94	11.84	-27.93	-32.15	Up 5.48 pct.
Others	605,170,421.43	591,232,816.89	2.30	17.47	25.93	Down 6.57 pct.
Total	68,470,093,860.59	61,323,766,793.99	10.44	23.92	22.70	Up 0.89 pct.
Main business by region						
Region	Revenue	COGS	Gross profit margin (%)	Revenue YoY (%)	COGS YoY (%)	Gross profit margin YoY (%)
Chinese Mainland	45,258,700,717.39	40,624,437,219.50	10.24	18.17	17.76	Up 0.31 pct.
APAC (excluding Chinese Mainland)	22,910,938,044.81	20,744,213,071.31	9.46	30.41	28.34	Up 1.46 pct.
Europe	3,685,983,088.14	3,317,008,855.38	10.01	31.49	30.46	Up 0.71 pct.
Others	4,202,541,904.39	3,947,059,004.57	6.08	65.24	58.76	Up 3.84 pct.
Tradeoff	-7,588,069,894.14	-7,308,951,356.76	3.68	27.30	27.94	Up 0.49 pct.
Total	68,470,093,860.59	61,323,766,793.99	10.44	23.92	22.70	Up 0.89 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	Production volume	Sales volume	Inventory	Production YoY(%)	Sales volume YoY (%)	Inventory YoY (%)
Communication electronics	673,410,591.00	672,264,234.00	30,275,124.00	13.94	11.70	3.94
Consumer electronics	291,088,670.00	294,832,926.00	8,223,884.00	10.20	14.33	-31.29
Industrial products	42,965,000.00	42,721,365.00	862,485.00	13.32	0.88	39.37
Cloud and storage products	20,565,656.00	20,411,915.00	916,353.00	3.82	3.70	20.16
Automotive electronics	56,958,300.00	57,220,736.00	3,198,606.00	10.67	3.10	-7.58
Medical electronics	935,427.00	955,013.00	25,329.00	-	-94.21	-43.61
Others	5,755,546.00	5,752,393.00	55,464.00	-15.19	-15.89	6.03
Total	1,091,679,190.00	1,094,158,582.00	43,557,245.00	12.41	9.35	-5.39

Explanation of production and sales volume

Due to changes in medical customers in 2022, the sales of low-unit-price products have dropped significantly, resulting in significant changes in sales and inventory of medical products.

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

☐ Applicable ☒ Not Applicable

(4). Cost analysis

Unit: yuan

Cost analysis by product							
Product	Cost item	2022	Percentage in total cost (%)	2021	Percentage in total cost (%)	YoY (%)	Note
Communication electronics	Raw materials	21,143,709,312.12	91.08	17,563,315,933.47	86.21	20.39	
Consumer electronics	Raw materials	18,493,279,012.23	92.65	15,480,396,654.47	93.08	19.46	
Industrial products	Raw materials	6,251,468,184.63	85.05	5,081,919,122.30	86.60	23.01	
Cloud and storage products	Raw materials	5,031,207,050.30	84.99	3,463,510,159.58	88.04	45.26	
Automotive electronics	Raw materials	3,417,746,384.46	82.01	1,793,876,098.35	73.50	90.52	
Medical electronics	Raw materials	93,155,828.61	77.05	195,058,601.05	78.88	-52.24	
Others	Raw materials	339,113,565.60	57.36	355,017,372.12	91.46	-4.48	
Total	Raw materials	54,769,679,337.96	89.31	43,933,093,941.35	88.42	24.67	

Explanation of other aspects of cost analysis

In 2022, the revenue from cloud and storage products and automotive electronics products grew by 41.08% and 72.24% respectively. Therefore, the cost of raw materials in this period increased correspondingly YoY along with increase in revenue; the revenue of medical products dropped by 27.93% in 2022 with the sales of low-margin products decreasing significantly, so the YoY decrease in raw material costs was greater than the decrease in revenue.

(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**

☒ Applicable ☐ Not Applicable

The sales to the top five customers amounted to RMB 32.71 billion, accounting for 47.75% of the total annual sales; among the top five customers, the sales to related parties amounted to 0 RMB, 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

√Applicable □ Not Applicable

The purchase amount from the top five suppliers was RMB 27.18 billion, accounting for 48.38% 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 to the Company's top five customers are as follows:

Unit: 10,000 yuan Currency: RMB

No.	Customer name	2022	Proportion to total annual sales (%)
1	Customer A	1,735,264.25	25.33
2	Customer B	900,319.22	13.14
3	Customer C	270,958.42	3.95
4	Customer D	223,482.07	3.26
5	Customer E	141,444.01	2.06
Total		3,271,467.97	47.75

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

Unit: 10,000 yuan Currency: RMB

No.	Supplier name	2022	Proportion to total annual sales (%)
1	Supplier A	1,275,590.38	22.70
2	Supplier B	1,166,605.60	20.76
3	Supplier C	103,818.62	1.85
4	Supplier D	94,112.80	1.68
5	Supplier E	78,092.44	1.39
Total		2,718,219.84	48.38

3. Expenses

√Applicable □ Not Applicable

Item	2022	2021	Change	YoY (%)	Remark
Financial expenses	18,865,406.63	203,398,590.62	-184,533,183.99	-90.72	Mainly due to the increase in gains from realized foreign currency exchange, resulting in a decrease in financial expenses
Loss on assets impairment	-98,869,591.53	-18,746,153.38	-80,123,438.15	Not applicable	Mainly due to the provision for impairment of factory buildings and inventory in accordance with accounting standards for the relocation of the subsidiary's factory in the current period.
Loss on credit impairment	-10,116,849.95	-1,706,888.48	-8,409,961.47	Not applicable	Mainly due to the provisions for credit impairment in accordance with accounting policies in the current period
Gain from disposal of assets (losses)	8,615,113.60	2,414,697.02	6,200,416.58	256.78	Mainly due to the increase in income from fixed asset disposal in the reporting

are represented by (-)					period.
Income tax expense	417,205,449.46	282,165,880.75	135,039,568.71	47.86	Mainly due to the increase in income tax provision for the increase in profit in the current period

4. R&D investment

(1). Particulars of R&D investment

√Applicable □ Not Applicable

Unit: yuan

Expensed R&D investment in the current period	2,034,461,775.71
Total R&D investment	0
Total R&D investment	2,034,461,775.71
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	2,728
Proportion of R&D personnel in the total number of employees of the Company (%)	11.47%
Breakdown by educational background	
Educational background	Number of personnel
Doctor's degree	11
Master's degree	1,026
Bachelor's degree	1,351
Junior college	265
Senior high school and under	75
Breakdown by age	
Age	Number of personnel
Under 30 years old (excluding 30 years old)	435
30-40 years old (including 30 years old and excluding 40 years old)	1,120
40-50 years old (including 40 years old and excluding 50 years old)	875
50-60 years old (including 50 years old and excluding 60 years old)	290
60 years old and above	8

(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	2022	2021	Reasons for changes
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Net cash flow from operating activities	3,435,196,255.50	-1,102,446,978.90	A significant YoY increase in 2022 was mainly due to the increase in revenue and gross profit margin and the normal collection of receivables.
Net cash flow from investing activities	-1,524,248,331.61	-1,486,554,540.33	Net outflow was maintained in 2022, mainly due to investment in fixed assets.
Net cash flow from financing activities	-502,415,196.59	2,391,384,303.44	A significant decrease from 2021 to a net outflow, mainly due to dividend distribution, repurchase of treasury shares in 2022 and issuance of convertible corporate bonds in the first quarter of 2021.

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

☐ Applicable ☒ Not Applicable

(III) Analysis of assets and liabilities

☒ Applicable ☐ Not Applicable

1. Assets and Liabilities

Unit: yuan

Item	End of 2022	Proportion to total assets (%) by June 30, 2022	End of 2021	Proportion to total assets (%) December 31, 2020	YoY	Remark
Held-for-trading financial assets	271,243,519.53	0.70	96,480,087.56	0.27	181.14	Mainly due to the transfer of financial assets - contingent consideration from other non-current financial assets to current assets in the current period.
Accounts receivable	11,119,120,760.11	28.83	12,459,388,852.15	34.75	-10.76	Mainly due to the shortened turnover days of accounts receivable and faster collections of receivables in the current period
Prepayments	73,390,129.45	0.19	51,467,608.39	0.14	42.59	Mainly due to the increase in advance payment for materials
Inventory	10,909,893,675.82	28.28	9,037,562,662.64	25.20	20.72	Mainly due to preparation of materials for production according to operational needs. Although the inventory balance has increased YoY, it is still on normal level
Non-current assets due within one year	322,815.55	0.00	991,195.08	0.00	-67.43	Mainly due to cash received for lease receivables in the current period

Other equity instrument investments	38,420,782.40	0.10	75,957,194.28	0.21	-49.42	Mainly due to the changes in the fair value of industrial fund investment in the current period
Fixed assets	4,456,780,136.30	11.55	3,442,205,758.01	9.60	29.47	Mainly due to transfer of completed production lines to fixed assets and investment in new equipment
Construction in progress	303,432,536.69	0.79	798,015,703.22	2.23	-61.98	Mainly due to the transfer to fixed assets in the current period
Short-term borrowings	4,499,463,404.21	11.66	2,480,500,031.68	6.92	81.39	Mainly due to the cash demand for operating activities, the repayment of long-term loans, and the increase in short-term bank loans in the current period
Accounts payable	11,056,190,855.43	28.66	12,558,598,243.17	35.02	-11.96	Mainly due to shortened turnover days of accounts payable in the current period
Employee benefits payable	1,161,885,093.89	3.01	831,186,986.48	2.32	39.79	It is mainly due to the increase in salary expenditure and the accrual of bonuses based on operating performance in the current period
Taxes payable	388,090,724.55	1.01	238,676,479.75	0.67	62.60	Mainly due to the increase in profits and the accrual of income tax in the current period
Other payables	716,932,703.77	1.86	423,509,465.51	1.18	69.28	Mainly due to deposits for raw material received from customers in the current period
Non-current liabilities due within one year	506,820,025.23	1.31	720,507,781.49	2.01	-29.66	Mainly due to repayment of long-term borrowings from banks
Derivative financial liabilities	3,118,891.32	0.01	976,413.16	0.00	219.42	Mainly resulted from the changes in fair value caused by derivative financial products
Other current liabilities	3,661,569.01	0.01	-	-		Mainly due to the relocation expenses of Shenzhen factory in the current period
Long-term borrowings	59,427,538.88	0.15	1,101,220,467.55	3.07	-94.60	Mainly due to repayment of long-

						term borrowings from banks
Long-term employee benefits payable	199,342,510.02	0.52	297,331,160.14	0.83	-32.96	Due to the adjustment of the amount of the pension account in accordance with the pension actuarial report and relevant regulations
Long-term payables	31,113,295.71	0.08	45,581,055.62	0.13	-31.74	Mainly due to the transfer of payables expected to be paid within one year to current liabilities
Other non-current liabilities	3,692,335.61	0.01	5,642,575.13	0.02	-34.56	Mainly due to transfer of deposits to be repaid within one year to current liabilities
Other comprehensive income	111,850,168.58	0.29	-83,600,398.95	- 0.23	Not applicable	Mainly due to the gains on foreign currency statement translation caused by changes in foreign exchange rate in the current period

Other explanations

None

2. Overseas assets

☒ Applicable ☐ Not Applicable

(1) Asset size

Including: overseas assets 18,098,362,925.16 (unit: yuan; currency: RMB), accounting for 46.92% of the total assets.

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

☐ Applicable ☒ Not Applicable

3. Restrictions on major assets at 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 19% of the global smart phone market in 2021, with sales volume reaching 223 million units, a decrease of 2% over that of 2021.

WW Smart Phone Estimated Market Share

	2021		2022		21'22
	Shipments (M units)	Market Share	Shipments (M units)	Market Share	YoY
Worldwide	1,319	-	1,176	-	-11%

Total					
Samsung	265	20%	259	22%	-2.4%
Apple	228	17%	223	19%	-2.0%
Xiaomi	180	14%	153	13%	-15%
OPPO	132	10%	107	9.1%	-19%
Vivo	124	9%	105	8.9%	-16%
Others	391	30%	329	28%	-16%

Source: USI, Feb. 2023

2. In terms of consumer electronics products, according to the market research report compiled by USI, the wearable product shipments grew by 13% overall, 15% for earphones and 17% for watches.

WW Wearable Market Forecast

Product	2021	2022	2023	2024	2025	21/22 YoY	21-25 CAGR
Total Shipment (M Units)	503	569	626	667	701	13%	8.6%
Earwear	310	357	392	417	438	15%	9.0%
Watch	137	160	182	199	212	17%	12%
Wrist Band	55	51	50	49	48	-7.3%	-3.3%
Other	2.0	2.1	2.5	3.0	3.4	3.2%	14%
Market Share							
Earwear	61%	63%	63%	62%	62%		
Watch	27%	28%	29%	30%	30%		
Wrist Band	11%	9.0%	8.0%	7.3%	6.8%		
Other	0.4%	0.4%	0.4%	0.5%	0.5%		

Source: USI, Feb. 2023

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

3.1 WW Server Shipment Forecast

	2021	2022	2023	2024	2025	21-25 CAGR
Shipments (thousand units)	17,008	18,045	18,821	19,762	21,244	5.7%
YoY	4.6%	6.1%	4.3%	5.0%	7.5%	

Source: USI, Feb. 2023

3.2 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 2022 was 9.6%. The compound growth rate of SSD market from 2021 to 2025 is about 10.5%. While actively maintaining existing customers, the Company is striving to develop new customers and focus on developing enterprise-level products.

	2021	2022	2023	2024	2025	21'22 YoY	21-25 CAGR
Total SSD revenue (\$B)	38.4	42.1	46.7	51.2	57.3	9.6%	10.5%

Source: USI, Feb. 2023

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 9.0% in 2021 due to the growth of logistics and warehousing demand and the recovery of retail industry.

	2021	2022	2023	2024	2025	21'22 YoY	21-25 CAGR
Total POS revenue (\$B)	74	80	88	95	104	9.0%	9.1%

Source: USI, Feb. 2023

5. In terms of automotive products, according to the information compiled by the Company, the automotive electronics industry has resumed growth under the slowdown of the epidemic and the improvement of material shortages. The overall market growth rate in 2022 is 8.3%, and the compound growth rate in 2021-2025 is 7.4%. At the same time, the electric vehicle market is showing rapid growth, and the sales volume will increase by 53% in 2022.

5.1 Global Automotive Electronics Market Forecast

	2021	2022	2023	2024	2025	21'22 YoY	21-25 CAGR
Total AE revenue (\$B)	272	295	316	338	362	8.3%	7.4%

Source: USI, Feb. 2023

5.2 Global Energy Car Sales Forecast

K units	2021	2022	2023	2024	2025	21'22 YoY	21-25 CAGR
Total	10,080	15,407	21,080	28,877	34,453	53%	36%
HEV	3,333	4,667	7,000	10,110	13,333	40%	41%
BEV	4,667	8,000	10,000	13,667	14,667	71%	33%
PHEV	2,010	2,667	4,000	5,000	6,333	33%	33%
FCY	70	73	80	100	120	4%	14%

Source: USI, Feb. 2023

5.3 Total Auto Power Module

Unit: \$M

	2021	2022	2023	2024	2025	21'22 YoY	21-25 CAGR
Total Auto Power Module	1,728	2,119	2,534	3,056	3,955	22.6%	23.0%
IGBT Power Module	1,490	1,874	2,245	2,645	3,112	26%	20%
MOSFET Power Module	225	227	251	268	278	0.9%	5.4%
Wide Bandgap Power Module	13	18	38	143	565	38%	157%

Source: USI, Feb. 2023

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, 2021-2025

Medical Product Assembly Value (\$M)	2021	2022	2023	2024	2025	21'22	21-25
						YoY	CAGR
Total	50,303	52,827	55,498	58,240	61,029	5.0%	5.0%
Medical Diagnostics	19,820	20,871	21,977	23,120	24,276	5.3%	5.2%
Therapeutic	11,603	12,113	12,646	13,202	13,783	4.4%	4.4%
Monitoring & Surgical	18,880	19,843	20,875	21,918	22,970	5.1%	5.0%

Source: USI, Feb. 2023

(V) Analysis of investment**Overall analysis of foreign equity investment**

√Applicable □ Not Applicable

The investment project of the Company's raised funds involves capital contribution to the Huizhou factory and the Vietnam factory. For details of the investment, please refer to the "Special Report on the Deposit and Use of Raised Funds in 2022" disclosed by the Company on the same day (announcement number: Lin 2023-032).

1. Significant equity investment

□ Applicable √Not Applicable

2. Significant non-equity investment

□ Applicable √Not Applicable

3. Financial assets measured at fair value

√Applicable □ Not Applicable

Unit: yuan Currency: RMB

Category of assets	Opening balance	Gain or loss from change in fair value	Cumulative changes in fair value included in equity	Impairment provision in 2022	Purchase amount in 2022	Sales/redemption amount in 2022	Other changes	Ending balance
Stocks	127,835,659.60	2,963,517.43	-35,929,801.41	0.00	0.00	0.00	1,326,600.49	96,195,976.11
Private equity funds	94,130,696.47	2,310,884.24	0.00	0.00	37,169,261.04	-35,982,785.94	14,723,029.34	112,351,085.15
Derivatives	-360,243.78	30,257,247.19	0.00	0.00	0.00	-11,663,859.38	14,706,450.25	32,939,594.28
Others	186,833,577.07	-3,692,451.36	0.00	0.00	983,897,925.66	-968,304,400.05	36,450,382.61	235,185,033.93
Financial products	0.00	0.00	0.00	0.00	0.00	-28,337,773.05	28,337,773.05	0.00
-Accounts receivable factoring	87,238,983.18	0.00	0.00	0.00	983,897,925.66	-939,966,627.00	4,642,559.87	135,812,841.71
- Contingent consideration	90,969,658.89	4,932,483.64	0.00	0.00	0.00	0.00	3,470,049.69	99,372,192.22
- Convertible bond option	8,624,935.00	-8,624,935.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	408,439,689.36	31,839,197.50	-35,929,801.41	0.00	1,021,067,186.70	-1,015,951,045.37	67,206,462.69	476,671,689.47

Note:

1. Stocks: equity investment in TriKnight Capital Corporation, GaN System Inc, Senscomm Semiconductor Co., Ltd.
2. Private-equity fund: PHI FUND, L.P. and Suzhou Yaotu Equity Investment Partnership
3. Derivatives: Forward exchange contract
4. Other changes include realized income and foreign currency translation in the current period

Investment in securities

☐ Applicable ☒ Not Applicable

Investment in private equity funds

☒ Applicable ☐ Not Applicable

The Company signed the Suzhou Yaotu Equity Investment Partnership (Limited Partnership) Agreement with Shanghai Glory Ventures Investment Management Co.,LTD and 21 other limited partners (LP). USI invested in Suzhou Yaotu Equity Investment Partnership as an LP. The target total capital contribution of the partnership shall not exceed RMB 1.5 billion, raised in series of closings. A total of RMB 793 million and RMB 1.128 billion was raised in the first and second closing. USI has subscribed and contributed RMB 30 million. As of December 31, 2022, the Company has paid in capital of RMB 12 million.

According to the partnership agreement signed by UGE and the investee PHI FUND, L.P., UGE shall pay is a total of USD 25,000,000.00 for subscription, and USD 3,754,206.00 was paid in this period, equivalent to RMB 26,169,261.04. As of December 31, 2022, the Group has accumulatively paid USD 18,754,206.00, equivalent to RMB 130,615,543.11, and the remaining USD 6,245,794.00, equivalent to RMB 43,499,456.89, has not yet been paid.

Investment in derivatives

☒ Applicable ☐ Not Applicable

The Fifteenth Meeting of the Fifth Session of the Board of Directors and the Thirteenth Meeting of the Fifth Session of the Board of Supervisors reviewed and approved the Proposal on the Amount of Financial Derivatives Trading for 2022, which allowed the Company to carry out financial derivatives transactions within the amount of USD 2 billion or equivalents in other currencies (the transaction in extension is calculated once) in 2022. In 2022, the actual amount of transactions was USD 1.705 billion, with the realized gains of RMB 14.71 million and the unrealized gains of RMB 30.26 million.

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

☐ Applicable ☒ Not Applicable

(VI) Sale of material assets and equity

☒ Applicable ☐ Not Applicable

On January 19, 2023, the Company's Kunshan subsidiary signed the Agreement on the Equity Transfer of SUMA-USI Electronics Co., Ltd (SUMA-USI) with SUMA to transfer 49% equity of SUMA-USI to SUMA at a transfer price of RMB 110.88 million. As of March 8, 2023, the equity transfer has been completed, and Kunshan Facility no longer holds equity in SUMA-USI.

(VII) Analysis of major holding and joint stock companies

☒ Applicable ☐ Not Applicable

1. Holding subsidiaries

Unit: RMB 10,000 yuan

Company Name	Main business	Currency of registered capital	Registered capital (RMB)	Total assets	Net assets	Net profit
Universal Global Scientific Industrial Co., Ltd.	Production and sales, product design and research and development	NTD	1,980,000,000	684,854	209,551	58,246
UNIVERSAL GLOBAL TECHNOLOGY(KUNSHAN)CO., LTD.	Production and sales	RMB	550,000,000	367,275	184,542	41,492
Universal Global Technology Co., Limited	trade and investment	USD	410,000,000	753,725	394,778	-2,278
Universal Global Technology (Shanghai) Co., Ltd.	Production and sales, product design and research and development	RMB	1,330,000,000	362,972	204,092	43,966
Universal Global Technology (Huizhou) Co., Ltd	Production and sales	RMB	800,000,000	261,857	79,130	472
USI Electronics (Shenzhen) Co., Ltd.	Production and sales	USD	75,000,000	182,447	157,642	18,679
Universal Global Industrial Co., Limited	trade and investment	USD	11,000,000	185,911	10,818	847
Universal Scientific Industrial De México S.A. De C.V.	Contract Manufacturing, Product Repair and Related Services	MXN	1,258,077,326	241,274	52,816	3,630
UNIVERSAL SCIENTIFIC INDUSTRIAL VIETNAM COMPANY LIMITED	Production and sales, product design and research and development	USD	100,000,000	147,835	69,238	4,433
Universal Scientific Industrial (France)	Investment	EUR	321,374,822	265,994	243,891	703
Universal Scientific Industrial Co., Ltd.	Production and sales, product maintenance	NTD	1,399,727,400	168,314	88,836	7,037
Universal Scientific Industrial Poland Sp. z o.o.	Production and sales	PLN	80,852,300	31,392	28,539	5,036
Asteelflash(Suzhou)Co.,Ltd.	Production and sales	USD	18,000,000	177,075	133,037	13,238

Note 1: 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, not including subsidiaries.

Note 2: the above are subsidiaries within the scope of the consolidated statements that meet the conditions that one of the indicators of total assets, operating income, and net profit accounts for more than 5% of the corresponding amount in the consolidated statements.

2. Affiliates

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	78,920	22,621	4,859
M-Universe Investments PTE.LTD.	42.23	USD	138,969,126	164,448	112,428	11,321

Note: the above are affiliates that meet the conditions that one of their indicators of net assets and net profit accounts for more than 1% of the corresponding amount in the consolidated statement.

3. Subsidiaries or affiliates 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 Co., Limited	1,565,977	71,543	58,246	19.03%
Universal Global Technology (Shanghai) Co., Ltd.	908,175	48,590	43,966	14.37%
UNIVERSAL GLOBAL TECHNOLOGY(KUNSHAN)CO., LTD.	667,712	47,630	41,492	13.56%

(VIII) Structured entities controlled by the Company

☐ Applicable ☒ Not Applicable

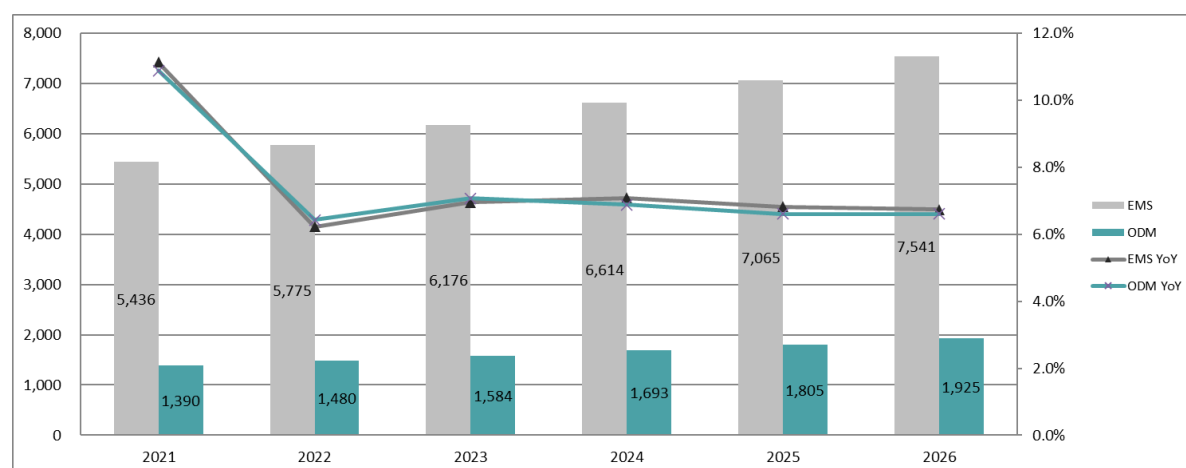
VI. Discussion and Analysis of Corporate Development in the Future

(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 revenue of global EMS industry exceeded USD 720 billion in 2022, and is expected to reach USD 940 billion in 2026, growing at an average CAGR of 6.8% from 2021 to 2026. The overall market shows a steady growth trend, and the Asia-Pacific region will maintain a leading growth rate.



Source: USI, Feb. 2023

The Worldwide CM, EMS and ODM Market by Region, 2021-2026

Unit: USD 100 million

The Worldwide CM, EMS and ODM Market by Region (2021-2026)							
	2021	2022	2023	2024	2025	2026	CAGR
CM Revenue							
Americas	1,137	1,176	1,225	1,280	1,337	1,397	4.30%
EMEA	803	874	909	945	982	1,018	4.00%
APAC	4,887	5,205	5,626	6,083	6,552	7,050	7.70%
Total	6,827	7,255	7,761	8,308	8,870	9,465	6.80%
EMS Revenue							
Americas	1,096	1,135	1,182	1,235	1,291	1,349	4.40%
EMEA	762	823	856	890	924	959	4.00%
APAC	3,578	3,818	4,138	4,489	4,850	5,233	8.00%
Total	5,436	5,775	6,176	6,614	7,065	7,541	6.80%
ODM Revenue							
Americas	40.1	41.2	42.6	44.1	45.9	48.1	3.90%
EMEA	41.5	51.4	53.4	55.3	57.3	59.4	3.90%
APAC	1,309	1,387	1,489	1,594	1,702	1,817	6.90%
Total	1,390	1,480	1,584	1,693	1,805	1,925	6.70%

Source: USI, Feb. 2023

2. Global competitive landscape and industry ranking

According to the latest ranking of global EMS providers (2021), USI ranked 12th.

Rank	Name of manufacturer	Operating income (USD 100 million)	Operating income (USD 100 million)	Annual growth rate	Net operating margin
	Year	2020	2021	20'21	2021
1	Honghai	1,823	2,144	18%	2.3%
2	PEGATRON	475	453	-4.6%	2.0%
3	COMPAL	353	443	25%	1.1%
4	Quanta	371	404	8.9%	3.0%
5	BYD	228	335	47%	1.8%
6	Wistron	286	309	7.9%	1.7%
7	Jabil Circuit, Inc.	276	300	8.8%	2.5%
8	Flextronics	233	255	9.1%	4.0%
9	INVENTEC	173	186	8.0%	1.1%
10	Delta	99	113	14%	8.9%
11	TPV	92	109	19%	1.7%
12	USI	70	86	23%	3.4%
	Whole Industry	5,647	6,827	21%	2.6%

Source: USI, Feb. 2023

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

The Company's operating net profit margin was 3.4% in 2021, above the average level of the world's top ten EMS providers, and 5.1% in 2022, a significant YoY growth.

The reasons for a higher net profit margin than the industry average are as follows:

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

(2) Industry-leading automated high-quality manufacturing and cost control. By introducing intelligent automation into its self-developed intelligent manufacturing system, the Company optimizes existing processes and builds intelligent factories, transforming labor-intensive manufacturing into high-productivity intelligent manufacturing, improving yield, process techniques and stability, enhancing on-time delivery capabilities, and maximizing cost-effectiveness.

(3) Benefits from economies of scale and gains from changes in foreign exchange. In 2022 the Company's revenue was RMB 68.52 billion, an increase of 23.90% YoY, and the proportion of period costs to revenue was 5.54%, a YoY decrease of 0.47 percentage points, showing the benefits from economies of scale; Meanwhile, the depreciation of RMB against USD had a positive impact on its revenue.

(4) Strengthening R&D and design capabilities, and moving towards the high-value added end of the smiling curve The Company provides R&D and manufacturing services for key customers in EMS+/JDM model, and creates more value for customers and improves profitability through technology and product innovation.

4. Industry landscape

(1) Consumer electronics will enter an era of “intelligence”

PCs and mobile phones, which once drove the rapid growth of the electronics industry, have entered the maturity stage. The slight innovations in product technology cannot effectively entice buyers for consumption, resulting in prolonged replacement cycles for traditional consumer electronics products, slowing down the growth rate of incremental demand, and featuring the competition over existing customers.

Since the beginning of 2023, ChatGPT has quickly become a hot topic. The core of ChatGPT is artificial intelligence generated content (AIGC), which shows powerful intelligence through deep learning neural network model and massive data set training. After the API of the ChatGPT model is opened, more and more applications will be equipped with AI technology, and the huge demand for computing power will be stimulated, requiring complete supporting systems such as data centers, GPU servers, and low-latency networks. With the further evolution of the GPT algorithm and the diversification of application scenarios, the development potential of “AI+” will continue to be demonstrated, and the iteration towards intelligence of traditional CPU, operating system, database and other products will be accelerated. New AI chips, efficient cloud services, deep learning frameworks, advanced AI algorithms, etc. will become the core areas of technological development, bringing the consumer electronics into the era of “intelligence” and stimulating a huge increase in demand for comprehensive upgrades and iterations.

(2) Development opportunities brought by 5G and construction of a digital China

With the accelerated integration of 5G with Industrial Internet, cloud computing, big data, 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 devices, communication and storage.

China has built the largest and most advanced 5G network, and the R&D of 6G technology has begun. A very important change in the 6G network architecture is its transformation from traditional ground access to all-dimensional and multi-dimensional access in space, land and sea. Satellite Internet will be an important part of the 6G network architecture, which is an emerging information communication infrastructure after fixed communication networks and mobile communication networks, and is one of the key directions for the future development of global information communication networks.

The construction of a digital China and the AI computing power revolution will reinforce each other. During China's 14th Five-Year Plan period, the development of digitization, connectivity, and intelligence of the whole society will reach a new high. China is implementing the “strategy to channel

more computing resources from the eastern areas to the less developed western region” from 2022 to 2025. As the data center industry has a long industrial chain, wide coverage and great influence, many core industries in digital economy including electronic information manufacturing, software and information technology services will be stimulated in terms of transformation, upgrading and innovative development.

(3) Accelerated growth of automotive electronics driven by new energy vehicles

The automotive industry is undergoing a transformation of “electrification, intelligence, and connectivity”. New energy vehicles control the vehicle's power system through electronic control, electric drive, and batteries, with higher efficiency and precision than traditional gas vehicles. The technologies of electronic control, electric drive, and batteries make it easier to realize autonomous driving, and intelligent driving will see long-term growth. The evolution of technology has given rise to new application scenarios and business models. The smart cockpit are integrated with more intelligent and digital functions, which greatly increases the value of vehicles.

With the increase in the penetration rate of high-end automotive systems and the development of intelligent vehicles, the scale of the automotive electronics industry is expected to expand continuously, and growth of related fields such as smart cockpits, smart driving, power electronics, electronic control, and energy storage will speed up.

(II) Corporate Development Strategy

☒ Applicable ☐ Not Applicable

1. Industry development trend

The demand for “glocalization” in the current EMS industry chain has grown significantly. The supply chain is shifting from efficiency-oriented offshoring in the past to near-shoring or friendshoring in order to make sure supply chain security. EMS providers are generally more concerned about the changes in the global industrial chain. The demand for some consumer products and communication products will be partially transferred to India or Vietnam; servers and automotive electronic products will be partially transferred to Mexico close to US market; A similar situation exists in Eastern Europe as well.

The global EMS outsourcing demand will continue to grow. According to the market analysis report and the data compiled by the Company, the global EMS/ODM market maintains a steady growth trend, with an average growth rate of about 6.8% from 2021 to 2026.

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 electronics manufacturing industry are relatively stable, and the top three segments also 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 EMS 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 EMS industry. From 2019 to 2025, the three categories will grow at a CAGR of 6.7%, 5.8%, 1.8% respectively.

Based on the technology and resources accumulated in the EMS industry, following trend of electrification and intelligence of automobiles, the demand for automotive electronic products related to electric vehicles has surged, the upgrading of technologies such as smart cockpits and ADAS has accelerated, and the proportion of manufacturing service outsourcing has increased. Leading electronics manufacturers are extending their businesses to the field of automotive electronics.

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.

(4) The company has become an international company with multinational operations. Facing the operating environment with varied cultural backgrounds, languages, ethnicities, and time zones, the Company needs to communicate and learn from each other openly and inclusively in terms of management model, team building, strategy execution, operation system, employee ability improvement

and incentive system, so as to achieve inclusiveness and common improvement. These are the difficulties for the Company to build a glocalized operation system.

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) Considering the Company's development strategy, USI will create a more competitive remuneration and incentive system, recruit professionals with experience in world-renowned companies, strengthen job skills training for employees, develop internal talent training mechanisms, and improve coordination in operations with global sites.

(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)2 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: The Company adheres to the strategy of “modularization, diversification, and globalization”, focusing on the five major fields of communication electronics, consumer electronics, cloud and storage, industrial and medical electronics, and automotive electronics, based on a diversified and balanced product line with miniaturization solutions as its core technology, develops its business blueprint with a global vision, and strives to create value for customers through technological innovation.

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, smart wearables 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, technologies and manufacturing sites 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 accumulated more than 40 years of experience in the automotive business. At present, the Company has entered into the assembly, production and testing of power modules of international power semiconductor manufacturers, and formally started mass production of IGBT and SiC power modules used in inverter for electric vehicles in 2022. It is expected that by 2025, the proportion of revenue from automotive electronics will rise to more than 10%, of which power system and power module will account for more than half.

Based on the global layout of production capacity, the Company plans to actively develop new customers. On the basis of the localized operation system in North America, Europe, Asia Pacific and North Africa, in the fields of SiP, smart wearable modules, automotive electronics, industrial electronics and other high-growth fields, USI give full play to the differentiated competitive advantages of local manufacturing services and resources, and explore local leading customers in the industry. By 2027, the Company will have about 25 customers with sales revenue exceeding USD 100 million, and more balanced customer structure, revenue distribution and global talent pool.

2. Supply chain plan

As global trade conflicts and geopolitical risks heat up, more and more companies are no longer just pursuing concentrated production at the lowest-cost locations, but are beginning to disperse their supply bases and emphasize regionalization or localization in order to reduce the uncertainties brought by “long chain” as well as transportation costs, and build a more flexible supply chain. At the beginning of 2020, the Covid pandemic spread across the world, causing an unprecedented imbalance between supply and demand in the industry, and accelerating the development of glocalization. The Company began to deploy globalized manufacturing services long before this trend formed. After acquiring FAFG, USI has 28 production site across four continents around the world. The supply chain management unit supports the Company's expansion of manufacturing locations and actively establishes a more resilient supply chain to provide flexible, stable and efficient services that meet customer needs.

The following are the Company's main strategies for the development of supply chain:

- (1) Strategically cooperate with large-scale international original manufacturers or agents, integrate the needs of the whole company to seek support from suppliers, and supply each factory locally in the Company's production area;
- (2) Develop local suppliers in each region to reduce time and costs of transportation, increase supply flexibility and speed up response, including localized manufacturers for large-size materials (such as mechanical parts, packaging materials, wires, etc.) and process materials, chemicals, and consumables that have a limited shelf life or require special delivery; explore printed circuit board manufacturers outside Greater China, especially in Southeast Asia; explore production equipment manufacturers, automation equipment manufacturers, or other localizable non-raw material manufacturers;
- (3) Set up factories near the new base with existing partners and provide services nearby;
- (4) Continue to develop local suppliers in China, and use the advantages of scale and efficiency to meet the needs of products in large quantities or demand of domestic customers;
- (5) Actively assess risks, pre-arrange supply bases and formulate supply chain emergency plans to fully prevent and disperse risks.

3. Production plan

The Company continues to implement the glocalization strategy, and currently has 28 production bases in 10 countries or regions around the world, and has acquired part of the equity of Memtech to strengthen the vertical integration of the industry. In 2022, the Company's Vietnam factory, which was put into operation in 2021, began to make a profit, the second Nankang factory was put into operation, and the construction project of the second Mexican factory started. The synergy from the merger and acquisition of FAFG was appearing with revenue of overseas factories accounting for more than 30% of the total revenue. . In the future, the Company will expand the capacity of manufacturing based on customer demands and development plans.

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 and capital expenditure plan

According to the globalization development strategy, the Company formulates a global human resource plan, which is a prediction and plan for its future manpower demand, talent recruitment and employee training in order to deal with challenges brought by various cultural backgrounds, languages, ethnicities and time zones of the multinational operations. 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.

In 2023, facing slow down in the macroeconomic growth, the Company will more prudently arrange human resources and capital expenditure, balance the annual financial goals and long-term investment plans, and expand digital management according to the needs of business development and global operations to contribute to the intelligent and automatic production. Compared with the upstream of the industrial chain, the Company's industrial chain links are relatively stable, and the Company will continue to track the trend of changes in the supply chain, rationally deploy global production capacity, actively expand new customers, and increase performance growth points.

5. 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. In addition, network and intelligent devices have been developing vigorously, driven by the improved bandwidth of 5G NR network. 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 2023, the Company will continue to study the functional integration of SiP modules and communication antennas, and expand more application functions of SiP modules by introducing more process technologies into SiP module design. The Company will develop a new water washing technology used after laser cutting to avoid the damage to sensitive components in the current dry ice cleaning. In addition, due to the Covid pandemic, the Company have begun to add antibacterial agents or use disinfection-resistant materials in structural parts, especially plastics ones, while enhancing the durability of materials. 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 directions:

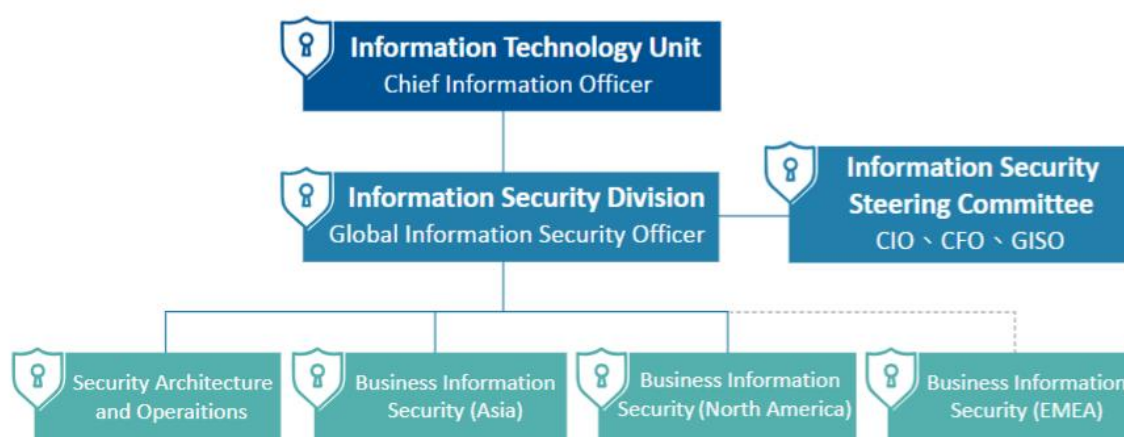
- (1) Develop the design capability of wireless communication modules and 5G new RF products; continue to focus on the development of QUALCOMM's latest 5G IoT platform, upgrade product specifications in line with the mainstream trend of the market, and take into account the product life cycle;
- (2) Automotive electronic products including Power Module, Powertrain, smart cockpit, network access products;
- (3) Continuously expand the application of miniaturized products into the IoT field, and constantly improving manufacturing process;
- (4) Cooperate with other industry-leading technology companies to produce module products with higher integration and more functions, and expand to IoT and other fields;

- (5) Develop 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.

6. Sustainability plan

The Company integrates the corporate core values of “realizing IDEAS together” into the Company's business strategy and management, pursues sustainable development in Environment (E), Society (S) and Governance (G): in terms of the Environment (E), the Company works to reduce environmental impacts, promote resource recycling, and actively seek solutions to climate change governance; In terms of Social (S), the Company continues to care for employees and promote

social participation activities to fulfill corporate responsibility, realizing global partnerships; In terms of Governance (G), the Company protects the rights and interests of investors, strengthen operational risk management, and ensure information security 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. The risk of weak macroeconomic recovery and insufficient demand

The EMS industry chain has shifted from supply chain-driven to demand-driven, and has a strong correlation with the macroeconomic environment. Affected by many unfavorable factors such as the Russia-Ukraine conflict, geopolitics, high inflation, tightening financial environment and repeated Covid pandemics, the global economic growth rate will further decline, which will have a certain impact on terminal demand, which may affect the Company's operating performance. The currently excessive inventory in the upstream of the supply chain will return to a reasonable level in about half a year, which will have a short-term impact on the supply chain. The Company will continue to follow the trend of the industrial chain pattern, maintain close interaction with customers to grasp customer needs, strengthen the collection and analysis of market information to reduce the impact of product demand changes on the Company, participate in product design or cooperative product development of leading customers in the industry, Realize resource sharing and ensure that R&D technology can meet customer product needs.

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 Company's revenue from its top five customers accounted for 47.75% 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. New product development and R&D investment risk

Communication electronics, consumer electronics, cloud and storage products account for more than 80% of its revenue. 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 increase investment reasonably and continuously 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.

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 28 large-scale production bases in 10 countries and regions. Overseas companies need to abide by the laws and regulations of the country and region where they are located when conducting business or establishing institutions abroad. 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, there are differences between operating sites located in various countries or regions and the listed company in terms of accounting and taxation systems, business practices, company management systems, and corporate culture. If the relevant integration plan is not effectively implemented, there may be risks such as a lack of synergy from mergers and acquisitions or newly established companies, loss of core personnel, and decline in financial performance.

6. Exchange rate risk

The Company is a global electronic design and manufacturing service provider, with sales service and manufacturing sites across the four continents of Asia, Europe, America and Africa. The purchase of materials, sales and shipments are mainly settled in foreign currencies (mainly USD). During the reporting period, the appreciation of the USD at the time of material procurement and product shipment as well as gains from exchange-related hedging operations had a positive impact on the Company. With the expansion of the business scale, however, the volume of businesses settled in foreign currencies are expected to rise, and volatilities in exchange rate may affect the Company's gross profit and gains or losses from foreign currency translations, and pose operational risks for the Company. In the face of the complex political and economic landscape and business environment across the world, the Company will pay close attention to the changes in the foreign exchange market according to its own operational needs, adequately carry out foreign exchange hedging, and minimize exchange rate risks.

7. Emerging risks

(1) Geopolitical risks

Influenced by multiple factors such as global trade instability, increased market volatility, and rising protectionism, regional conflicts have led to continued sanctions by various countries, resulting in the continuous rise of commodity and energy prices, fueling inflation in various countries, negatively affecting the post-epidemic economic growth, and posing long-term risks for business operations and investment. The Company continues to evaluate changes in the overall economy, industry trends, and emerging risks, and maintains close interaction with stakeholders including customers, and takes timely action plans to strengthen its core competitiveness and operational resilience. In addition, in response to trade frictions and the regionalization of the supply chain derived from the pandemic, the Company flexibly adjust the allocation of manufacturing sites, and actively strengthen the deployment outside the Greater China region through the strategy of internal growth and external M&A simultaneously, and adjust production sites flexibly with customers, continue to improve the value of products and services, make good use of the unique resources of each region as its own competitive advantages, and enhance global manufacturing service capabilities.

(2) Short-supply chain risk

The global economy and industries are changing rapidly, and the new business operation model has brought about disruptive changes. In 2022, due to the continuous impact of the epidemic and natural disasters, the supply chain was disrupted repeatedly, causing companies to face manpower shortages, global logistics chaos, shortages of key components and even production interruptions. Following the trend of short-supply chain, the Company deploys global manufacturing services and actively develops local suppliers to build a more flexible supply chain. In addition, the Company establishes a dynamic supplier management mechanism, conducts irregular business review meetings, and follow the supplier's market business trends; pays close attention to the suppliers' operating and financial status, and conducts credit checks; keep a close eye on market demand, and takes timely countermeasures.

(V) Others

☐ 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, 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 the Listed Company" in "Section VI Important Events".

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 the General Meetings of Shareholders

Meeting Session	Date	Query index of the designated website on which the resolution is published	Disclosure date when the resolution is published	Proposals and Resolutions
2021 annual general meeting of shareholders	April 19, 2022	www.sse.com.cn (Announcement No.: 2022-044)	April 20, 2022	<p>The following proposals were deliberated and adopted:</p> <ol style="list-style-type: none"> 1. Proposal on the 2021 Work Report of the Board of Directors 2. Proposal on the 2021 Work Report of the Board of Supervisors 3. Proposal on 2021 Annual Report of Final Accounts 4. Proposal on the 2021 Annual Report and its Summary 5. Proposal on 2021 Profit Distribution Plan 6. Proposal on Regular Related Party Transactions in 2021 7. Proposal on Predicted Regular Related Transactions in 2022 8. Proposal on Signing Framework Agreement on Regular Related Party Transactions with ASE Technology Holding Co., Ltd. 9. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2022 10. Proposal on Bank Credit Lines in 2022 11. Proposal on the Amount of Financial Derivative Trading Allowed for 2022 12. Proposal on Guarantee Between Holding Subsidiaries 13. Proposal on Formulating the Administrative Rules of Internal Control within the Group 14. Proposal on Amending the Rules of Decision-making on Related Party Transactions 15. Proposal on Amending the Administrative Rules of Raised Funds 16. Proposal on Amending the Procedures for Loaning of Funds 17. Proposal on Amending the Rules of Investment Management 18. Proposal on Amending the Rules of External Guarantee Management 19. Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives 20. Proposal on Cancellation of Unused Shares Repurchased in 2019
The First Extraordinary General Meeting of Shareholders in 2021	September 16, 2022	www.sse.com.cn (Announcement No.: 2022-088)	September 17, 2022	<ol style="list-style-type: none"> 1. Proposal on Renewing the Contract with the Financial Audit Institution 2. Proposal on Renewing the Contract with the Internal Control Audit Institution 3. Proposal on Guarantee Between Holding Subsidiaries 4. Proposal on Amending the Articles of Association 5. Proposal on Amending Procedural Rules of General Meeting of Shareholders 6. Proposal on Amending Procedural Rules of the Board of Supervisors 7. Proposal on Amending the Rules of Independent Directors

Convening of an extraordinary 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 received remuneration from related parties of the Company
Jeffrey Chen	Chairman of the Board of Directors	Male	59	2018-06-28	2023-04-27	0	93,200	93,200	Exercise of options	> 250	Yes
Jeffrey Chen	Director	Male	59	2016-04-19	2023-04-27						Yes
Chen-Yen Wei	Director and President	Male	69	2008-06-20	2023-04-27	0	80,000	80,000	Exercise of options	> 250	No
Dtuang Wang	Director	Male	64	2018-07-16	2023-04-27	0	0	0	Not applicable	30	Yes
Rutherford Chang	Director	Male	44	2010-03-10	2023-04-27	0	0	0	Not applicable	30	Yes
Neng Chao Chang	Director	Male	45	2017-04-17	2023-04-27	0	0	0	Not applicable	30	Yes
Gilles Baruk Benhamou	Director	Male	69	2021-04-23	2023-04-27	0	0	0	Not applicable	150~250	Yes
Yiyun Chu	Independent Director	Male	59	2017-04-17	2023-04-27	0	0	0	Not applicable	36	No
Yunwei Tang	Independent Director	Male	79	2017-04-17	2023-04-27	0	0	0	Not applicable	36	No
Michael Chung	Independent Director	Male	61	2020-04-28	2023-04-27	0	0	0	Not applicable	36	No
Meng-Kuo Shih	Chairman of the Board of Supervisors	Male	60	2008-06-19	2023-04-27	0	0	0	Not applicable	30	Yes
Andrew Robert Tang	Supervisor	Male	48	2016-04-19	2023-04-27	0	0	0	Not applicable	30	Yes

David Huang	Employee supervisor	Male	51	2020-04-28	2023-04-27	0	0	0	Not applicable	50~100	No
Ta-I Lin	Senior Vice President	Male	60	2011-02-09	2023-04-27	20,700	89,900	69,200	Exercise of options	150~250	No
Feng-Ta Chen	Senior Vice President	Male	61	2008-06-20	2023-04-27	0	69,200	69,200	Stock option incentive exercise	150~250	No
Yuan-Hsin Sheng	Vice President	Male	65	2009-12-09	2023-04-27	0	0	0	Not applicable	50~100	No
Jing Cao	Senior Vice President	Male	64	2017-04-27	2023-04-27	0	0	0	Not applicable	>250	No
Chen-Lung Wei	Senior Vice President	Male	60	2017-04-27	2023-04-27	0	0	0	Not applicable	150~250	No
Jeh-Chang Lee	Senior Vice President	Male	60	2020-04-28	2023-04-27	0	0	0	Not applicable	100~150	No
Yung-Che Fang	Senior Vice President	Male	58	2020-04-28	2023-04-27	0	0	0	Not applicable	100~150	No
Johnson Lien	Senior Vice President (Resigned)	Male	55	2020-04-28	2022-06-24	0	0	0	Not applicable	50~100	No
Chia-Hsiung Yu	Vice President	Male	64	2020-04-28	2023-04-27	0	40,000	40,000	Stock option incentive exercise	100~150	No
Yueh-Ming Lin	Vice President	Male	57	2020-04-28	2023-04-27	0	47,000	47,000	Stock option incentive exercise	150~250	No
Tan-Yang Liu	Vice President and Chief Financial Officer	Male	58	2008-06-20	2023-04-27	20,000	40,000	20,000	Stock option incentive exercise	100~150	No
Jinpeng Shi	Senior Vice President and Secretary to the Board of Directors	Male	47	2018-06-28	2023-04-27	52,000	52,000	0	Stock option incentive exercise	>250	No
Total	/	/	/	/	/	92,700	511,300	418,600	/		/

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 2.31 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. Currently he serves as chairman of the Board of Directors of the Company, director of ASE Technology Holding Co., Ltd. and 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 president 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	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 Ping An Healthcare and Technology Company Limited, China Jushi Co., Ltd., Maitrox Enterprise Services Inc. (not listed) and Shanghai Lujiazui International Financial Asset Exchange Co.,Ltd (already resigned).
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 member of the First Session of the Senior Accounting Qualification Review Committee of the National Government Offices Administration, 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 Insurance (Group) Company Of China, Ltd., Bank Of Hebei Co.,Ltd. (not listed), and an external supervisor of Bank Of China Limited.
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 CEO of 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 and deputy CEO. 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.
Chen-Lung Wei	Chen-Lung Wei, 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. Currently, he serves as the senior vice president of the Company.
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	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 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	Jinpeng Shi, Chinese, holds a bachelor's degree from the School of Economics and Management of Tongji University, and an EMBA degree from China Europe International Business School. Mr. Shi 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 China Great Wall Securities. Currently, he 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. Mr. Fang 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, he 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.
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.
Johnson Lien	Johnson Lien, from Taiwan, China, holds an MBA degree from Chung Hsing University. Mr. Lien 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. After June 24, 2022, he resigned from the position of senior vice president of the Company for personal reasons.

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., and ASE (Korea) Inc.; director of Wuxi Tongzhi Microelectronics Co., Ltd., ASE Test Limited (Singapore), ASE Test Holdings Ltd. and Omniquest 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, 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 USI Enterprise Limited.	/	/
Dtuang Wang	ASE Technology Holding Co., Ltd., etc.	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.,Ltd; director and general manager of Hung Chin Hsin Co., Ltd.; director of ASE Cultural and Education Foundation;	/	/

		director and CEO of ASE Environmental Protection and Sustainability Foundation		
Rutherford Chang	ASE Technology Holding Co., Ltd., etc.	Director of ASE Technology 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., etc.	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.	Deputy chairman, director (representative), deputy CEO of Advanced Semiconductor Engineering, Inc.; supervisor (representative) of 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 Protection and 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.	/	/
Tan-Yang Liu	USI Enterprise Limited	Director	/	/
Particulars on employment in shareholders' companies	None			

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
Jeffrey Chen	Mercuries & Associates Holding, LTD	Independent Director	/	/
Chen-Yen Wei	MUtek Electronics Co.,Ltd., etc	Director of MUtek Electronics Co.,Ltd., independent director of Lelon Electronics Corp.	/	/
Dtuang Wang	School of Law	Director and CEO of Zhang Yao Hongying	/	/

	of Ming Chuan University, etc.	Social Welfare and Charity Foundation and Honorary Professor at School of Law of Ming Chuan University		
	Saphir, etc.	CEO of Saphir, director of Decelect, CEO of Retail Evolution, and CEO of ASDI Assistance Direction	/	/
Meng-Kuo Shih	MUtek Electronics Co.,Ltd., etc	Supervisor of MUtek Electronics Co.,Ltd., director of Universal Venture Capital Investment Corporation	/	/
Andrew Robert Tang	Guam Capital Investment	Director	/	/
Yunwei Tang	Ping An Healthcare and Technology Company Limited, etc.	Independent director of Ping An Healthcare and Technology Company Limited, China Jushi Co., Ltd., Maitrox Enterprise Services Inc. (not listed) and Shanghai Lujiazui International Financial Asset Exchange Co.,Ltd (already resigned)	/	/
Yiyun Chu	Shanghai University of Finance and Economics, etc.	Professor and PhD advisor with School of Accounting, SUFE, member of the 1st 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 CEO of LOROM INDUSTRIAL CO., LTD.	/	/
Jinpeng Shi	GJS Capital Co., Ltd., etc.	Director of GJS Capital Co., Ltd. and supervisor of Questyle Audio	/	/
Particulars on employment in other companies	None			

(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	For details, see Section IV-I (I) Shareholding change and

of directors, supervisors and members of the senior management	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 33.84 million

(IV) Changes in directors, supervisors and members of the senior management of the Company

√Applicable □ Not Applicable

Name	Position	Change	Reasons for changes
Johnson Lien	Senior Vice President	Resigned	Personal reasons

(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

Meeting Session	Date	Proposals and Resolutions
The Fifteenth Meeting of the Fifth Session of the Board of Directors	March 25, 2022	<ol style="list-style-type: none"> 1. Proposal on the 2021 Work Report of the Board of Directors 2. Proposal on the 2021 Work Report of the General Manager 3. Proposal on 2021 Annual Report of Final Accounts 4. Proposal on the 2021 Annual Report and its Summary 5. Proposal on 2021 Annual Internal Control Self-Assessment Report 6. Proposal on 2021 Sustainability Report 7. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in 2021 8. Proposal on 2021 Profit Distribution Plan 9. Proposal on Recognition of Loss of Assets Deductible Against Taxable Income in 2021 10. Proposal on the Remuneration of the Company's Senior Management in 2021 11. Proposal on Regular Related Party Transactions in 2021 12. Proposal on Predicted Regular Related Party Transactions in 2022 13. Proposal on Signing Framework Agreement on Regular Related Party Transactions with Major Related Parties 14. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2022 15. Proposal on Bank Credit Lines in 2022 16. Proposal on the Amount of Financial Derivative Trading Allowed for 2022 17. Proposal on Using Idle Raised Funds for Cash Management 18. Proposal on the Company's Provision of Financial Assistance to Subsidiaries 19. Proposal on Guarantee Between Holding Subsidiaries 20. Proposal on Changes in Accounting Policies 21. Proposal on Formulating 2022 Internal Audit Plan 22. Proposal on Formulating the Administrative Rules of Internal Control within the Group 23. Proposal on Formulating ESG Code of Practice 24. Proposal on Amending the Rules of Decision-making on Related Party Transactions 25. Proposal on Amending the Administrative Rules of Raised Funds 26. Proposal on Amending the Procedures for Loaning of Funds 27. Proposal on Amending the Rules of Investment Management 28. Proposal on Amending the Rules of External Guarantee Management 29. Proposal on Amending the Rules for Shareholding by Directors, Supervisors and Senior Executives and Related Changes

		30. Proposal on Amending the Procedures for Loaning of Funds 31. Proposal on Capital Injection to Vietnam Subsidiary 32. Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives 33. Proposal on Cancellation of Unused Shares Repurchased in 2019 34. Proposal on the Plan for Share Buy-back by Centralized Bidding Transactions in 2022 35. Proposal on Holding 2021 Annual General Meeting of Shareholders
The Sixteenth Meeting of the Fifth Session of the Board of Directors	April 26, 2022	1. Proposal on Quarterly Report for Q1 2022 2. Proposal on Amending the Rules of Procedure for the Audit Committee of the Board of Directors 3. Proposal on Amending the Rules of Procedure of General Manager 4. Proposal on Amending the Rules of Secretary of the Board of Directors 5. Proposal on Amending the Rules of Registration and Management of Insiders 6. Proposal on Amending the Internal Reporting Rules for Major Issues 7. Proposal on Amending the Rules of Investor Relations Management
The Seventeenth Meeting of the Fifth Session of the Board of Directors	May 23, 2022	Proposal on Adjusting the Exercise Price of Incentive Stock Option Plan 2019 After Profit Distribution
The Eighteenth Meeting of the Fifth Session of the Board of Directors	August 24, 2022	1. Proposal on the 2022 Semi-Annual Report and its Summary 2. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2022 3. Proposal on Renewing the Contract with the Financial Audit Institution 4. Proposal on Renewing the Contract with the Internal Control Audit Institution 5. Proposal on Applying for Financial Assistance for Kunshan subsidiary 6. Proposal on Guarantee Between Holding Subsidiaries 7. Proposal on Completion and Termination of 2020 Employee Stock Ownership Plan 8. Proposal on Amending the Articles of Association 9. Proposals on Amending Rules of Procedures of General Meeting of Shareholders 10. Proposal on Amending the Rules for Independent Directors 11. Proposal on Formulating the Policy on Diversity of the Board of Directors 12. Proposal on Holding the First Extraordinary General Meeting of Shareholders in 2022
The Nineteenth Meeting of the Fifth Session of the Board of Directors	October 25, 2022	1. Proposal on Quarterly Report for Q3 2022 2. Proposal on Using Raised Funds to Provide Loans for the Electronic Product Project in Huizhou Factory 3. Proposal on Adjustment of Participants and Cancellation of Part of the Options in the Incentive Stock Option Plan 2015 4. Proposal on the Second Exercise Period of Incentive Stock Option Plan 2019 Part I and the Method of Independent Exercise 5. Proposal on the Adjustment of Participants and Cancellation of Part of the Stock Options in the Incentive Stock Option Plan 2019 Part I 6. Proposal on the First Second Period of Incentive Stock Option Plan 2019 Part II and the Method of Independent Exercise 7. Proposal on Confirmation of the Participants and Vesting price of Core Employee Stock Ownership Plan Phase III 8. Proposal on Estimated Amount of Financial Derivatives Trading in Q1 2023
The Twentieth Meeting of the Fifth Session of the Board of Directors	December 5, 2022	1. Proposal on Cancellation of the Expired, Unexercised Shares of the First Exercise Period of the Incentive Stock Option Plan 2019 Part I 2. Proposal on Cancellation of the Expired, Unexercised Shares of the First Exercise Period of the Incentive Stock Option Plan 2019 Part II 3. Proposal on Additional Estimated Amount of Regular Related Party Transactions in 2022

VI. Performance of functions and duties by directors**(I) Attendance of directors at meetings of the Board of Directors and general meetings of shareholders**

Director Name	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	6	6	3	0	0	No	2
Rutherford Chang	No	6	6	3	0	0	No	0
Neng Chao Chang	No	6	6	3	0	0	No	0
Dtuang Wang	No	6	6	3	0	0	No	0
Chen-Yen Wei	No	6	6	3	0	0	No	1
Gilles Baruk Benhamo	No	6	6	3	0	0	No	0
Yiyun Chu	Yes	6	6	3	0	0	No	1
Yunwei Tang	Yes	6	6	3	0	0	No	1
Michael Chung	Yes	6	6	3	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	6
Including: on site	0
by communication	3
on site x by communication	3

(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

Date	Contents	Important comments and suggestions	Other information on performance of functions and duties
March 25, 2022	1. Proposal on Financial Final Accounts Report of 2021 2. Proposal on 2021 Annual Report of Final Accounts 3. Proposal on 2021 Annual Internal Control Self-Assessment Report 4. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in 2021 5. Proposal on 2021 Profit Distribution Plan 6. Proposal on Regular Related Party Transactions in 2021 7. Proposal on Predicted Regular Related Party Transactions in 2022 8. Proposal on Signing Framework Agreement on Regular Related Party Transactions with ASE Technology Holding Co., Ltd. 9. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2022 10. Proposal on Bank Credit Lines in 2022 11. Proposal on the Amount of Financial Derivative Trading Allowed for 2022 12. Proposal on Using Idle Raised Funds of Convertible Bonds for Cash Management 13. Proposal on Changes in Accounting Policies 14. Proposal on Formulating 2022 Internal Audit Plan 15. Proposal on Capital Injection to Vietnam Subsidiary 16. Proposal on 2021 Annual Work Report on Internal Control 17. Proposal on 2021 Performance Report of the Audit Committee	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 Company's internal control complied with the requirements of the corporate governance norms for listed companies issued by the China Securities Regulatory Commission.	Communicated with the management on the Company's operations and development.
April 26, 2022	1. Proposal on Quarterly Report for Q1 2022 2. Proposal on Work Report on Internal Control for Q1 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	None

		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 Company's internal control complied with the requirements of the corporate governance norms for listed companies issued by the China Securities Regulatory Commission.	
August 24, 2022	1. Proposal on the 2021 Semi-Annual Report and its Summary 2. Proposal on Internal Audit Work Report for the First Half of 2022 3. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2022 4. Proposal on Renewing the Contract with the Financial Audit Institution 5. Proposal on Renewing the Contract with the Internal Control Audit Institution	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.	Communicated with the management on the Company's operations and development.
October 25, 2022	1. Proposal on Quarterly Report for Q3 2022 2. Proposal on Work Report on Internal Control for Q3 2022 3. Proposal on Using Raised Funds to Provide Loans for the Electronic Product Project in Huizhou Factory	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.	None
December 5, 2022	1. Proposal on Additional Estimated Amount of Regular Related Party Transactions in 2022		Learned and discussed the situation before the meeting.

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

Date	Contents	Important comments and suggestions	Other information on performance of functions and duties
March 25, 2022	Reviewed the Proposal on the Plan for Share Buy-back by Centralized Bidding Transactions in 2022	Learned and discussed the background and purpose of the 2022 share repurchase plan and agreed to submit the proposal to the Board of Directors for consideration.	Listened to and discussed the 2022 Annual Strategic Plan by Mr. Chen-Yen Wei, president of the Company.

(4).1 meeting held by the Nomination Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on performance of functions and duties
August 24, 2022	Reviewed the Proposal on Formulating the Policy on Diversity of the Board of Directors	The Company regards ESG as an important mission of business operation, and the introduction of this policy is conducive to the diversification of the Company's Board members	None

(5).4 meetings held by the Remuneration Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on performance of functions and duties
March 3, 2022	Reviewed the Proposal on Confirming the Evaluation Results of 2020 Employee Stock Ownership Plan	Confirmed the performance results of ESOP participants	None
March 25, 2022	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on the Remuneration of the Company's Senior Management in 2021 2. Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives	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. Purchasing liability insurance is conducive to protecting the rights and interests of the Company, directors, supervisors, and senior managers, reducing the Company's operational risks, and promoting the full exercise of rights and duties by directors, supervisors, and senior executives	None
October 25, 2022	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on Adjustment of Participants and Cancellation of Part of the Options in the Incentive Stock Option Plan 2015 2. Proposal on the Second Exercise Period of Incentive Stock Option Plan 2019 Part I and the Method of Independent Exercise	The exercise conditions for the second exercise period of the Incentive Stock Option Plan 2019 Part I and Part II, and the Company's implementation of the exercise was in line with the provisions of the Incentive Plan and relevant laws and regulations. The adjustment and cancellation were performed in line with the relevant provisions of the	None

	3. Proposal on the Adjustment of Participants and Cancellation of Part of the Stock Options in the Incentive Stock Option Plan 2019 Part I 4. Proposal on the First Second Period of Incentive Stock Option Plan 2019 Part II and the Method of Independent Exercise 5. Proposal on Confirmation of the Participants and Vesting price of Core Employee Stock Ownership Plan Phase III	Company's Stock Option Incentive Plan (Draft) and Appraisal Administrative Measures for Implementation of the Stock Option Incentive Plan.	
December 5, 2022	The following proposals were deliberated and submitted to the Board of Directors: 1. Proposal on Cancellation of the Expired, Unexercised Shares of the First Exercise Period of the Incentive Stock Option Plan 2019 Part I 2. Proposal on Cancellation of the Expired, Unexercised Shares of the First Exercise Period of the Incentive Stock Option Plan 2019 Part II 3. Proposal on the Accrual of Incentive Funds in 2022	The cancellation of expired, unexercised shares is in line with the Listed Companies' Equity Incentive Management Measures, the Company's Stock Option Incentive Plan (Draft) and other relevant regulations, and the review process is legal and compliant.	None

(6). Specific particulars on matters of objection
☐ Applicable ☒ Not Applicable
VIII. 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	2,260
Number of on-the-job employees of the main subsidiaries	21,514
Total number of on-the-job employees	23,774
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	6
Breakdown by function	
Function	Number
Production	15,373
Sales	788
Technical	4,582
Financial	201
Administrative	2,830
Total	23,774
Breakdown by education background	
Education background	Number
Doctor's degree	15
Master's degree	1,592
Bachelor's degree	6,028
Junior college	2,970

Senior high school and under	13,169
Total	23,774

(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. One 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	8,844,943.00
Total remuneration paid for labor outsourcing	258,094,705.88

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 2021, USI intended 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. The total share capital of the Company on the record date for implementing the plan for 2021 was 2,210,393,238 shares. USI paid out the cash dividends on the basis of 2,179,265,633 shares, excluding 31,127,605 shares in its special buy-back securities account. 2021 profit distribution was completed on June 13, 2022.

Regarding its profit distribution plan for 2022, USI is going to distribute a cash dividend of RMB 4.30 (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 2022 was deliberated and approved at the 22th meeting of the fifth session of the Board of Directors of the Company, and it still needs to be deliberated at the Company's 2022 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 □ No
Whether the dividend standard and ratio are definite and clear	√ Yes □ No
Whether the related procedures and mechanisms for decision-making are complete	√ Yes □ No
Whether independent directors performed their duties responsibly and played their due roles	√ Yes □ 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 □ 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

(IV) Profit distribution and conversion of capital reserve into share capital in the reporting period

☒ Applicable ☐ Not Applicable

Unit: yuan Currency: RMB

Number of bonus shares distributed for every 10 shares held	0
Dividend per 10 shares held (tax included)	2.60
Number of shares transferred from public reserve for every 10 shares held	0
Amount of cash dividend (tax included)	566,609,064.58
Net profits attributable to common shareholders of the listed company in 2021	1,857,968,074.82
Proportion of cash dividend to net profits attributable to common shareholders of the listed company (%)	30.50
Amount of share repurchase included in the cash dividend distribution	230,980,615.06
Total amount of dividend (tax included)	797,589,679.64
Proportion of total dividend distributed to net profits attributable to common shareholders of the listed company (%)	42.93

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 2022, a total of 573,250 shares were exercised and registered for transfer. As of December 31, 2022, a total of 8,554,320 shares were exercised and registered for transfer, accounting for 41.65% of the total number of exercisable stock options.	For details, see the announcement (No.: 2023-002) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on January 5, 2023
Option exercise of the Incentive Stock Option Plan 2019 Part I: In the fourth quarter of 2022, a total of 2,785,155 shares were exercised and registered for transfer. As of December 31, 2022, a total of 5,739,555 shares were exercised and registered for transfer, accounting for 42.71% of the total number of exercisable stock options.	
Option exercise of Incentive Stock Option Plan 2019 Part II: In the fourth quarter of 2022, no option was exercised yet.	
Termination of the 2020 Employee Stock Ownership Plan: As all the underlying stocks held by the Company's 2020 Employee Stock Ownership Plan were sold and the relevant liquidation and distribution was completed, the Company held the second 2020 Employee Stock Ownership Plan Participant Meeting where the	For details, see the announcement (No.: 2022-081) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on August 26, 2022.

holders agreed to terminate the 2020 Employee Stock Ownership Plan and submitted the proposal to the Board of Directors for consideration and approval. The Eighteenth Meeting of the Fifth Session of the Board of Directors and the Sixteenth Meeting of the Fifth Session of the Board of Supervisors held on August 24, 2022 approved the Proposal on Completion and Termination of the 2020 Employee Stock.	
Confirmation of participants and vesting price of Core Employee Stock Ownership Plan Phase III: The company held the Seventeenth Meeting of the Fifth Session of the Board of Directors on October 25, 2022, and reviewed and approved the Proposal on Confirmation of the Participants and Vesting Price of Core Employee Stock Ownership Plan Phase III, confirming that the transfer price was adjusted to RMB 12.405 yuan per share, the number of participants was 12, and a total of 1,715,250 shares were to be vested.	For details, see the announcement (No.: 2022-103) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 27, 2022

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

Equity incentive

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

Employee stock ownership plan

☒ Applicable ☐ Not Applicable

The Core Employee Stock Ownership Plan Phase I held a total of 800,700 shares on December 31, 2021, and as of December 31, 2022, 698,100 shares have been sold, with 102,600 shares remaining; Core Employee Stock Ownership Plan Phase II held a total of 1,780,050 shares on December 31, 2022, and as of December 31, 2022, 509,000 shares had been sold with 1,271,050 shares remaining.

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 Articles of Association, Procedural Rules of the General Meeting of Shareholders, Procedural Rules of the Board of Supervisors, Rules for Independent

Directors, Procedures for Loaning of Funds, and continued to strengthen internal control, and maintained effective internal control in all major aspects of financial reporting 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

The internal control audit report is disclosed on the website of the Shanghai Stock Exchange at www.sse.com.cn.

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

☐ Applicable ☒ Not Applicable

XVI. Others

☐ Applicable ☒ Not Applicable

Section V Environmental and Social Responsibility

I. Environmental information

Whether relevant mechanisms for environmental protection are established	Yes
Investment in environmental protection during the reporting period (unit: RMB 10,000 yuan)	2,991

(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 (not including subsidiaries) in 2022 is as follows:

Information on Wastewater Discharge in 2022			
Number & position of wastewater discharge port	DW001	Monitoring units and methods	Entrust Shanghai Weizheng Test Technology Co.,Ltd. and Shanghai Huihuan Environmental Testing Co., Ltd. to test
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	
		2022/7/25	
pH	6-9	7.2	
Chemical Oxygen Demand (COD) (mg/L)	500	61	
Anionic Surfactant (mg/L)	20	0.26	
Biochemical Oxygen Demand (BOD5) (mg/L)	300	19.4	
Ammonia Nitrogen (NH3-N) (mg/L)	45	1.5	
Total Phosphorus (mg/L)	8	2.58	
Total Nitrogen (mg/L)	70	5.8	
Suspended Solids (SS) (mg/L)	400	37	
Petroleum (mg/L)	15	0.06	
Animal and Vegetable Oils (mg/L)	100	0.07	
Dissolved Solids (mg/L)	2000	179	
Note	/	Qualified	

Information on Solid (Hazardous) Waste Discharge in 2022						
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	63.863	63.863	0	Handed over to a qualified unit for processing
Empty barrels, rags, filter elements and sludge contaminated	Hazardous waste	900-041-49	47.556	47.556	0	Handed over to a qualified unit for processing

with chemicals						
Organic resin	Hazardous waste	900-014-13	41.371	41.371	0	Handed over to a qualified unit for processing
Bromopropane	Hazardous waste	900-404-06	125.772	125.772	0	Handed over to a qualified unit for processing
Waste isopropanol and other solvents	Hazardous waste	900-402-06	22.831	22.831	0	Handed over to a qualified unit for processing
Waste oil	Hazardous waste	900-249-08	0.498	0.498	0	Handed over to a qualified unit for processing
Waste cutting fluid	Hazardous waste	900-006-09	0.12	0.12	0	Handed over to a qualified unit for processing
Waste activated carbon	Hazardous waste	900-039-49	13.391	13.391	0	Handed over to a qualified unit for processing
200L iron drum	Hazardous waste	900-041-49	14	14	0	Handed over to a qualified unit for processing
Waste fluorescent tubes	Hazardous waste	900-023-29	0.055	0.055	0	Handed over to a qualified unit for processing
Lead-acid waste battery	Hazardous waste	900-044-49	0	0	0	Handed over to a qualified unit for processing
Lead-tin paste and tin slag	Hazardous waste	900-025-31	0	0	0	Handed over to a qualified unit for processing
Laboratory waste	Hazardous waste	900-047-49	0.187	0.187	0	Handed over to a qualified unit for processing

(2) The treatment information of industrial waste gas and hazardous waste in Shenzhen Factory in 2022 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 hydrocarbons	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None
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	Organized emission	Emission Limits of Air Pollutants in Guangdong Province DB4427-2001	None	None

	hydrocarbons				
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	Total non-methane 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	13.878	13.878	January to December 2022	1. Zhaoqing Xinrongchang Environmental Protection Co.,Ltd. 2. Shenzhen Yaxin Technology Co.,Ltd. 100% legally handled
Waste circuit board	41.08	41.08	January to December 2022	
Waste fluorescent tubes	0.095	0.095	January to December 2022	
Abandoned packing drums/empty containers	1.695	1.695	January to December 2022	
Waste emulsion	0.35	0.35	January to December 2022	
Waste dry battery	0.325	0.325	January to December 2022	
Waste cloth/paper/sand/cotton swabs/wood chaff/gloves/other wastes containing solvents	14.51	14.51	January to December 2022	
Waste mineral oil	0.07	0.07	January to December 2022	
Waste activated carbon	16.335	16.335	January to December 2022	
waste filter element, filter bag	0.14	0.14	January to December 2022	
Total	88.478	88.478	January to December 2022	

(3) Information on wastewater detection, waste treatment and industrial waste gas emission of Asteelflash Suzhou in 2022 is as follows:

Assteemash Suzhou in 2022 is as follows.

Information on Wastewater Discharge in 2022				
Number & position of wastewater discharge port	Coordinates: x=53452. 745 Y=31496.402		Monitoring units and methods	Suzhou Youlian Checking & Measuring Technology Service Co.,Ltd.
Discharge standard	Water Quality Standard for Sewage Discharged into Urban Sewers > GB/T31962-2015		Discharge mode and destination	It is discharged from the pipe and enters the urban sewage treatment plant
Testing items	Standard value	Test date		
		2022/01/20	2022/06/22	2022/09/20
PH	6.5-9.5	7.3	7.3	7.1
Suspended Solids (SS) (mg/L)	≤400	35	22	28
Chemical Oxygen Demand (COD) (mg/L)	≤500	277	61	179
Biochemical Oxygen Demand (BOD5) (mg/L)	≤350	102	21.2	84.2

Ammonia Nitrogen (NH ₃ -N) (mg/L)	≤45	27.2	9.60	19.7
Total Nitrogen (mg/L)	≤70	45.3	15.1	29
Total Phosphorus (mg/L)	≤8	3.47	1.22	2.38
Animal and Vegetable Oils (mg/L)	≤100	0.24	ND	0.06
Note	/	Qualified	Qualified	Qualified

Information on Solid (Hazardous) Waste Discharge in 2022						
Name	Category	Code	Output (tons)	Transfer amount (tons)	Storage capacity (tons)	Disposal or recovery
Empty barrels for chemicals	Hazardous waste	900-041-49	15.39	15.39	0	Handed over to a qualified unit for processing
Wipes containing chemicals	Hazardous waste	900-041-49	1.051	1.051	0	Handed over to a qualified unit for processing
Waste soldering flux	Hazardous waste	900-402-06	4.661	4.661	0	Handed over to a qualified unit for processing
Waste activated carbon	Hazardous waste	900-039-49	0.224	0.224	0	Handed over to a qualified unit for processing
Waste cleaning agent	Hazardous waste	900-402-06	3.05	3.05	0	Handed over to a qualified unit for processing
Waste circuit board scraps	Hazardous waste	900-045-49	36.7643	36.7643	0	Handed over to a qualified unit for processing

Information on Industrial Exhaust Emission in 2022						
Sampling point position	Standard dry flue gas flow rate	Test result				Remarks:
		Particulate matter		Voc		Reporting date: January 20, 2022
		Emission concentration Mg/m ³	Emission rate Kg/h	Emission concentration Mg/m ³	Emission rate Kg/h	
SMT Vent 1#	1953	1.2	2.34*10 ⁻³	NA	NA	Entrusted third party: Suzhou Youlian Checking & Measuring Technology Service Co.,Ltd.
SMT Vent 2#	3154	1.1	3.47*10 ⁻³	NA	NA	
SMT Vent 3#	1332	1.2	1.6*10 ⁻³	NA	NA	
SMT Vent 4#	1722	1	1.72*10 ⁻³	NA	NA	
SMT Vent 5#	3020	1.1	3.32*10 ⁻³	NA	NA	
SMT Vent 6#	1158	1.3	1.51*10 ⁻³	NA	NA	
SMT Vent 7#	2943	1.2	3.53*10 ⁻³	NA	NA	
Cleaning Room Vent 13#	1161	NA	NA	0.67	7.78*10 ⁻⁴	
Cleaning Room Vent 14#	1601	NA	NA	0.45	7.2*10 ⁻⁴	
Rinsing Machine Vent 18#	3804	NA	NA	0.63	2.4*10 ⁻³	
Coating Vent 20#	4169	NA	NA	0.64	2.67*10 ⁻³	
Coating Vent 19#	2040	NA	NA	0.47	9.59*10 ⁻⁴	
In reference to Integrated Emission Standard of Air		----	----		----	

Pollutants (DB32/4041-2021)					
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2. Construction status: A new sewage treatment station is built in 2021 to treat the wastewater after cleaning with water-based cleaning agent.

√Applicable □ Not Applicable

(1) USI (not including subsidiaries)

Construction status: In 2022, 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.

3 discharge ports in Building A: Water spray + activated carbon adsorption

2 discharge ports in Building B: Activated carbon adsorption

Total emissions: hazardous waste 315.644 tons / VOCs 2.739 tons

Excessive emissions: N/A

Approved total discharge: wastewater CODcr: 11.1341ton/year ammonia nitrogen: 0.5592ton/year; exhaust gas particulate matter: 1.795 ton/year ; SO₂: 0.013 ton/year; NO_x: 1.1098 ton/year; VOCs: 12.1229 ton/year

(2) Shenzhen Factory

Construction status: The pollution treatment facilities remained unchanged in 2022 from 2021. However, since the factory has moved away from Shenzhen in December 2022, the pollution facilities have been approved for demolition and are yet to be demolished.

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 2023, 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: 5.3 tons (according to testing results)

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 2023, 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 61.14 tons / VOCs 0.036 tons

Excessive emissions: N/A

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 (not including subsidiaries)

Name of administrative	Project file name	Production or approval unit	Document No.	Content description
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license				
Pollutant discharge permit	Pollutant discharge permit	Pudong New Area Ecological Environment Bureau	91310000745611834X001U	None
Environmental Impact Report	Display & touch chip module technology R&D and industrialization project	Pudong New Area Ecological Environment Bureau	H.P.H.B.X.P.[2022] No. 145	None

(2) Shenzhen Factory

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, 2022	Permit No.: 91440300723001066L001Q

(3) Asteelflash Suzhou

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	July 7, 2022	Permit No.: 91320509734422894M001Y

4. Emergency plan for environmental emergencies

√Applicable □ Not Applicable

Project file name	Filing Date	Filing Department	Record No.
Environmental Emergency Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	2022.11.30	Pudong New Area Ecological Environment Bureau	02-310115-2022-532-L
Emergency Plan for Environmental Emergencies of USI Electronics (Shenzhen) Co., Ltd.	2020.11.30	Shenzhen Ecological Environment Bureau	440305-2020-0067-L
Environmental Emergency Plan of USI Electronics (Shenzhen) Co., Ltd.	2016-05-20	Wujiang Environment Bureau	SST-WI-FA-009

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 monitor emission sources of various pollutants regularly and routinely. 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.
Total resource consumption in 2022	USI (not including subsidiaries): 221,751 tons of water, 77,051,730 KWH of electricity Shenzhen Factory: 72,277 tons of water, 18,756,956 KWH of electricity Asteelflash Suzhou: 153,205 tons of water, 13,426,930 KWH of electricity
Environmental violations of law in 2022	None
Environmental awards in 2022	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 2022, the recovery rate of waste reached 90%. 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.

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

Whether carbon reduction measures were taken	Yes
Reduction of carbon dioxide equivalent emissions (unit: tons)	99,958
Types of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.)	1. In 2022, USI (not including subsidiaries) and Shenzhen subsidiary used 100% renewable energy certificates to offset greenhouse gas emissions from electricity consumption 2. In December 2022, USI (not including subsidiaries) completed the integration and transformation of the air handling units in the workshop

Detailed introductions

√Applicable □ Not Applicable

1. In 2022, USI (not including subsidiaries) and Shenzhen subsidiary used 100% renewable energy certificates to offset greenhouse gas emissions from electricity consumption, totaling about 99,729 tons of CO₂

2. In December 2022, USI (not including subsidiaries) completed the integration and transformation of air handling units in the workshop, reducing 229 tons of CO₂ through actual operation.

3. Shenzhen subsidiary, which was in the relocation process in 2022, had no carbon reduction projects in 2022.

II. Social Responsibility Work

(I) Whether social responsibility report, sustainability report or ESG report is disclosed separately

√Applicable □ Not Applicable

Since 2013, the Company has issued sustainable development reports annually on the Sustainability section of USI's website (<https://www.usiglobal.com/csr>) for the public.

(II) Social Responsibility Work

√Applicable □ Not Applicable

Donations, public welfare projects	Quantity/Content	Remark
Total investment (Unit: RMB 10,000 yuan)	416.1	

Including funds (Unit: RMB 10,000 yuan)	372.1	
Materials (Unit: RMB 10,000 yuan)	44.0	
Number of beneficiaries	5,161	

Detailed introductions

√Applicable □ Not Applicable

The Company has been adhering to the concept of “Realizing IDEAS together”, actively fulfilling corporate social responsibilities by participating in social welfare, and practicing its commitment of “actively investing in public welfare activities that promote social well-being, and encouraging employees to participate in social welfare activities” in its “Sustainability Policy”, hoping to become an excellent example of corporate citizenship. During the severe pandemic situation, USI gathered internal resources and manpower, and invested RMB 4,160,652 yuan in support of social welfare projects in 2022, and promote social engagement in the four aspects of Education, Contributing to Society, Promoting Arts & Culture, and External Participation to make a positive impact on surrounding communities.

In addition to social welfare activities in poverty alleviation and rural revitalization, USI also continued 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 its efforts in social activities and practice in education, society, environment and arts, USI created more positive energy to society and made our world a better place.

III. Efforts in consolidating the achievements in poverty alleviation and rural revitalization

√Applicable □ Not Applicable

Poverty Alleviation and Rural Revitalization Projects	Quantity/Content	Remark
Total investment (Unit: RMB 10,000 yuan)	81.8	
Including funds (Unit: RMB 10,000 yuan)	71.6	
Materials (Unit: RMB 10,000 yuan)	10.2	
Number of beneficiaries	1,848	
Forms of assistance (such as poverty alleviation by industrial development, poverty alleviation by job creation, poverty alleviation by educational support, etc.)	Poverty alleviation by educational support	

Detailed introductions

√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 2022, USI promoted revitalization activities such as “Rural Science and Technology Education Program”, “Hope for Pearl”, “Love Library”, “Western Student Assistance Plan”, “Safety Package” by Kunshan Charity Federation, with a total investment of RMB 818,000 to help 1,848 poor students.

1. Rural Science and Technology Education Program

USI adheres to the concept of science and technology for good, and attaches great importance to education in poverty-stricken areas. By donating computers and building computer classrooms, USI helps children in remote areas to obtain better educational resources. The program aimed to narrow the gap between urban and rural education development by giving educational support to rural students. On the basis of the previous plan, USI not only upgraded and optimized the educational equipment and infrastructure, but also focused on cultivating rural teachers and talents with scientific and technological knowledge. It provided teachers in 5 schools with customized and step-by-step technological support, by developing video teaching contents and materials on technology applications and designing interesting quizzes and competitions to reinforce students' learning outcome, and helped teachers to achieve the purpose of developing students' scientific and technological knowledge. In 2022, a total of three new computer classrooms in Henan and Gansu were built, and 197 computers were donated by USI, benefiting 1,573 students.

2. 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 six consecutive years. On the occasion of “99 Giving Day”, the Company called on employees to participate in the activity of “Start Again in 2022, Helping Pearls Realize their Dream”. As the result of employees' 5,000 steps per day for a month, the activity was successfully completed on schedule. USI donated RMB 100,000 yuan to Yezhai Middle School in Qianshan, Anhui Province, which helped 40 impoverished students in the “2021 USI Shuijing Pearl Class” complete their studies. In addition to material support, USI also cares for students' mental health. Under the escort of love, 100% students of the “2019 USI Shuijing Pearl Class” were successfully admitted to the their ideal undergraduate school, 94% admitted to key universities.

3. Love Library

Reading is the basis for accumulating innovative research and development capabilities. In order to implement the concept of “promoting education”, the Company built a Love Library in Gaiguo Primary School, Fengtai Town, Jingchuan County, Pingliang City, Gansu Province, which is a targeted county of rural revitalization in China. During the construction of the library, the Company invited employees to participate in the activity of “Donating Books for Children, Passing on Love”, bringing better educational resources to 173 children in remote areas. When the library was completed, USI sent 1,241 books donated by 51 colleagues and 20 speakers loaded with 200 audiobooks to the reading room to enrich the teaching resources of the primary school. By providing practical assistance, USI intended to narrow the gap between urban and rural education development, and promote the balanced development of education in the country. The library was built so that students can gain knowledge and positive energy from books, keep up with the pace of technological development, and develop in an all-round way like children in cities.

4. Western Student Assistance Plan

As the saying goes, “it takes ten years nurture a tree, but a hundred years to train a man”, investment in the education brings pains for the moment, gains for the millennia. USI carried out the Western Student Assistance Plan through China Charity Federation in western rural areas such as Yunnan and Sichuan Province, invested RMB 48,000 yuan 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, so that they can help more people with the knowledge they learned.

5. “Safety Package” for rural revitalization by Kunshan Charity Federation

In the case of epidemic prevention and control, the vulnerable groups are often the first ones to be impacted. This year's Spring Festival Gift Package and Children's Day Wishes activities have been canceled due to the pandemic. Adhering to the concept of “doing small things with great love”, the Company donated “Safety Packages” worth a total of RMB 5,000 that contained school and sports supplies, epidemic prevention supplies, etc.. The packages were sent to 50 primary school students, either migrants or students in need.

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	December 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 USI	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, 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, the listed 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 (2) From the commitment date to the closing date of the transaction, ASDI and FAFG will, in accordance with relevant laws, administrative regulations and rules, and relevant provisions of China Securities Regulatory Commission (CSRC) and Shanghai Stock Exchange, reasonably and timely provide information on this transaction to relevant intermediaries and ensure that such information is true, accurate and complete, and contains no false records, misleading representations or material omissions. (3) If ASDI is placed on file for investigation by the judicial authority or by the CSRC since the information provided 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 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 of the listed company 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 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 agreed that the stock exchange and the registration and clearing company shall be authorized to directly lock the relevant shares. If the official investigation of the judicial authority or the CSRC 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 listed company or any of its related parties 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. (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 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 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.

(3) As of the date of issuance of this letter of commitment, 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 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 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.

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 other enterprises controlled by the person making the commitment have 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 produced or operated such expanded business, the person making the commitment shall ensure that the enterprise under their control does not engage in new business that competes 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. (5) 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

☐ Applicable ☒Not Applicable

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

☐ Applicable ☒Not Applicable

(II) The Company's analysis and explanation for the effects and correction of major 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 yuan Currency: RMB

	Current accounting firm
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Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic accounting firm	457
Number of years of audit services by the domestic accounting firm	12
Name of CPAs from domestic accounting firm	Yuan Shouqing, and Hu Ke
Number of consecutive years of audit services of CPAs in domestic accounting firms	12

	Name	Remuneration
Internal control audit accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	68.3
Sponsor	Haitong Securities Co., Ltd.	0

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.

☒ Applicable ☐ Not Applicable

The Company's 2022 First Extraordinary Meeting of Shareholders was held on September 16, 2022, and this meeting deliberated and approved the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's 2022 financial and internal control audit institution.

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) Circumstances and reasons for termination of listing

☐ Applicable ☒ Not Applicable

VIII. Material litigation and arbitration

☐ 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 Party Transactions	For details, see the announcement (No.: 2022-022) on the website of the Shanghai Stock Exchange (www.sse.com.cn)
Announcement on Additional Estimated Amount of Regular Related Party Transactions in 2022	For details, see the announcement (No.: 2022-118) 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: 10,000 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								20,784.12						
Total balance of guarantees to subsidiaries at the end of the reporting period (B)								14,115.87						
Total amount of the Company's guarantees (including guarantees to subsidiaries)														
Total amount of guarantees (A+B)								14,115.87						
Proportion of the total amount of guarantees in the Company's net assets (%)								0.90						
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)								17,814.96						
Amount of the total guarantee exceeding 50% of the net assets (E)								0						
Total amount of the above three guarantees (C+D+E)								17,814.96						
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-owned 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.						

(III) Entrusting others to manage cash assets**1. Entrusted wealth management****(1) Overall condition of entrusted wealth management**√Applicable ☐ Not Applicable

Unit: 10,000 yuan Currency: RMB

Type	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Bank wealth management products	Self-owned funds	288,200	0	0
Bank wealth management products	Raised funds	215,300	0	0

Others

☐ Applicable √Not Applicable

(2) Individual entrusted wealth management

√Applicable □ Not Applicable

Unit: 10,000 yuan 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)
China Merchants Bank Shanghai the Bund Branch	Bank wealth management products	22,300.00	2022/1/5	2022/3/31	Raised funds	Money market: cash&deposit	Principal protected, floating rate	2.9200%	155.79	151.64	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000.00	2022/1/5	2022/3/31	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3200%	156.78	156.78	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	16,600.00	2022/1/5	2022/3/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.2900%	124.19	124.19	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000.00	2022/4/8	2022/6/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.4000%	156.78	156.78	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	16,600.00	2022/4/8	2022/6/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.2900%	124.19	124.19	All repaid	Yes	No	
China Merchants Bank Shanghai the Bund Branch	Bank wealth management products	13,300.00	2022/4/12	2022/6/13	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.0000%	67.78	67.78	All repaid	Yes	No	
China Merchants Bank Shanghai the Bund Branch	Bank wealth management products	9,000.00	2022/4/12	2022/6/30	Raised funds	Money market: cash&deposit	Principal protected, floating	3.2000%	58.44	62.33	All repaid	Yes	No	

							rate							
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000.00	2022/7/4	2022/9/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3500%	161.92	161.92	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	18,000.00	2022/7/4	2022/9/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3900%	145.44	145.44	All repaid	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	8,500.00	2022/7/4	2022/9/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3900%	68.68	68.68	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	10,000.00	2022/10/11	2022/11/9	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	26.58	26.58	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	8,000.00	2022/10/11	2022/12/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3200%	58.28	58.28	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	8,000.00	2022/10/11	2022/12/29	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.3200%	58.28	58.28	All repaid	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	20,000.00	2022/10/10	2022/12/30	Raised funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	133.15	142.03	All repaid	Yes	No	
China Merchants Bank Daya Bay Branch	Bank wealth management products	5,000.00	2022/2/11	2022/2/28	Raised funds	Money market: cash&deposit	Principal protected, floating rate	2.8300%	3.84	6.59	All repaid	Yes	No	
Bank of Communications	Bank wealth management	20,000.00	2022/1/12	2022/3/31	Self-owned	Money market:	Principal protected,	2.9600%	132.49	126.51	All repaid	Yes	No	

Shanghai Branch	products				funds	cash&deposit	floating rate							
Bank of Communications Shanghai Branch	Bank wealth management products	20,000.00	2022/4/8	2022/6/7	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2900%	111.12	108.16	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	5,000.00	2022/1/5	2022/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3400%	39.43	39.43	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	5,000.00	2022/4/8	2022/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.4000%	39.19	39.19	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,600.00	2022/7/4	2022/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	36.69	36.69	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	500.00	2022/10/11	2022/12/20	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.4200%	3.23	3.33	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,100.00	2022/10/11	2022/12/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3200%	29.87	29.87	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	3,000.00	2022/1/5	2022/2/7	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6000%	9.76	9.76	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2022/1/7	2022/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.7000%	42.65	42.65	All repaid	Yes	No	

Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	3,000.00	2022/1/14	2022/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6000%	22.19	22.19	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	3,000.00	2022/2/8	2022/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6000%	14.79	14.79	All repaid	Yes	No	
Bank of China Kunshan Qiangdeng Branch	Bank wealth management products	980.00	2022/2/17	2022/2/28	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	1.4900%	0.89	0.44	All repaid	Yes	No	
Bank of China Kunshan Qiangdeng Branch	Bank wealth management products	1,020.00	2022/2/17	2022/2/28	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	4.5167%	0.92	1.39	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	5,000.00	2022/4/7	2022/5/4	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6000%	13.32	13.50	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000.00	2022/5/31	2022/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6500%	15.00	15.00	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	5,000.00	2022/6/2	2022/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.6000%	14.00	14.00	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	5,000.00	2022/7/6	2022/8/2	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.5900%	13.46	13.46	All repaid	Yes	No	

Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	3,000.00	2022/8/5	2022/9/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.5500%	7.99	7.99	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2022/8/16	2022/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3600%	20.07	20.07	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	3,000.00	2022/8/25	2022/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3500%	9.49	9.49	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2022/9/5	2022/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	11.00	11.00	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	3,000.00	2022/9/5	2022/9/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	6.60	6.60	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiandeng Branch	Bank wealth management products	5,000.00	2022/10/11	2022/11/2	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	9.78	9.78	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000.00	2022/10/13	2022/11/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	8.71	8.59	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000.00	2022/11/2	2022/12/26	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	47.34	47.34	All repaid	Yes	No	
Kunshan Rural	Bank wealth	10,000.00	2022/11/3	2022/12/26	Self-	Money	Principal	3.3000%	47.92	47.92	All repaid	Yes	No	

Commercial Bank Development Zone Branch	management products				owned funds	market: cash&deposit	protected, floating rate							
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	5,000.00	2022/11/3	2022/12/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	12.06	12.44	All repaid	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	5,000.00	2022/11/3	2022/12/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	12.06	12.44	All repaid	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000.00	2022/11/24	2022/12/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.0000%	14.38	14.38	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	5,000.00	2022/1/5	2022/3/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3900%	40.02	40.02	All repaid	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	5,000.00	2022/4/8	2022/5/31	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.4000%	25.03	25.03	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000.00	2022/1/4	2022/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3000%	76.85	76.85	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2022/1/6	2022/3/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.4000%	77.32	77.32	All repaid	Yes	No	
Bank of Communications	Bank wealth management	2,000.00	2022/1/21	2022/2/22	Self-owned	Money market:	Principal protected,	3.1000%	5.44	5.44	All repaid	Yes	No	

	products				funds	cash&deposit	floating rate							
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000.00	2022/4/1	2022/6/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2170%	86.30	79.32	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	7,000.00	2022/4/2	2022/6/2	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.2000%	37.44	37.44	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000.00	2022/7/1	2022/9/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.3670%	84.77	83.02	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	5,000.00	2022/7/6	2022/9/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	3.4000%	40.05	40.05	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2022/10/10	2022/12/9	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	2.7100%	50.96	44.55	All repaid	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000.00	2022/10/11	2022/12/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	2.7115%	71.42	58.69	All repaid	Yes	No	
Industrial Bank Shenzhen Bank	Bank wealth management products	10,000.00	2022/10/18	2022/12/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	2.9200%	58.40	58.40	All repaid	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2022/10/21	2022/12/29	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	2.5536%	58.60	48.27	All repaid	Yes	No	
Industrial Bank	Bank wealth	10,000.00	2022/10/26	2022/12/30	Self-	Money	Principal	2.7000%	51.82	48.08	All repaid	Yes	No	

Shenzhen Bank	management products				owned funds	market: cash&deposit	protected, floating rate							
Bank SinoPac Guangzhou Branch	Bank wealth management products	10,000.00	2022/11/2	2022/12/1	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	2.1034%	23.84	16.71	All repaid	Yes	No	
China Merchants Bank Daya Bay Branch	Bank wealth management products	5,000.00	2022/11/2	2022/12/30	Self-owned funds	Money market: cash&deposit	Principal protected, floating rate	1.8500%	22.25	14.70	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. (I) Table of changes in shares

	Before the change		Change					After the change	
	Number	%	New Issue	Bonus Issue	Stock converted from housing accumulation fund	Others	Subtotal	Number	%
I. Shares subject to selling restrictions	25,939,972	1.17	0	0	0	0	0	25,939,972	1.18
1. Shares held by the foreign capital	25,939,972	1.17	0	0	0	0	0	25,939,972	1.18
Including: Shares held by the foreign legal person	25,939,972	1.17	0	0	0	0	0	25,939,972	1.18
II. Tradable shares held subject to selling restrictions	2,184,232,810	98.83	5,988,084	0	0	-9,296,627	-3,308,543	2,180,924,267	98.82
1. RMB ordinary shares	2,184,232,810	98.83	5,988,084	0	0	-9,296,627	-3,308,543	2,180,924,267	98.82
III. Total number of shares	2,210,172,782	100	5,988,084	0	0	-9,296,627	-3,308,543	2,206,864,239	100

2. Particulars on changes in ordinary shares

√Applicable ☐ Not Applicable

During the reporting period, the total share capital of the Company was increased by 5,988,084 shares due to exercise of stock options and conversion of convertible bond, and decreased by 9,296,627 shares due to cancellation of unused repurchased shares, resulting in a total decrease of 3,308,543 shares to 2,206,864,239 shares from 2,210,172,782 shares.

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

During the total reporting period, the Company's total shares were reduced by 3,308,543 shares due to exercise of stock options and conversion of convertible bond, and cancellation of unused repurchased shares, accounting for 0.15% of its total share capital after these changes, with little impact on financial indicators such as earnings per share and net asset value per share.

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 at the reporting period**

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(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 total reporting period, the Company's total shares were reduced by 3,308,543 shares due to exercise of stock options and conversion of convertible bond, and cancellation of unused repurchased shares.

2. Changes in shareholder structure

The controlling shareholder and actual controller of the Company remained unchanged. The controlling shareholder of the Company was still USI Enterprise Limited, and its shareholding ratio was passively increased from 76.18% to 76.30% due to the above changes in shares. Except for the controlling shareholder, the Company had no other 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 35.86 billion and total liabilities of RMB 22.77 billion, with the asset-liability ratio of 63.51%; at the end of the reporting period, the Company had total assets of RMB 38.57 billion and total liabilities of RMB 22.83 billion, with the asset-liability ratio of 59.17%. The Company's asset-liability ratio decreased YoY by 4.34 percentage points.

(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 at the end of the reporting period	33,535
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	40,272
Total number of preferred shareholders whose voting rights have been restored as of the end of the reporting period	0
Total number of preferred shareholders at the end of the previous month prior to the disclosure date of the annual report	0

(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) at the end of the reporting period

Shareholdings of the top ten shareholders							
Name of shareholder (Full name)	Change during the reporting period	Shares held by the end of the reporting period	%	Restricted shares held	Pledge, marking or freezing		Nature of shareholder
					Share status	Number	
USI Enterprise Limited	0	1,683,749,126	76.30	0	None	0	Foreign legal person
Hong Kong Securities Clearing Company Ltd.	152,919	63,274,743	2.87	0	Unknown		Foreign legal person
China Securities Finance Co., Ltd.	-5,224,396	31,525,673	1.43	0	Unknown		State-owned legal person
ASDI ASSISTANCE DIRECTION	0	25,939,972	1.18	25,939,972	Pledged	25,939,972	Foreign legal person
ASE (Shanghai) Inc.	0	18,098,476	0.82	0	None	0	Domestic non-state-owned legal person
Abu Dhabi Investment Authority	5,420,833	5,770,633	0.26	0	Unknown		Foreign legal person
CSI 500 Exchange Traded fund - Agricultural Bank of China		5,296,900	0.24	0	Unknown		Others
Wanjia CSI 300 Index enhanced securities investment fund - Bank of Ningbo		4,544,924	0.21	0	Unknown		Others
All China Bond - Ninety One Global Strategy Fund - Ninety One UK Ltd. - RQFII		4,326,785	0.20	0	Unknown		Others
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	452,700	4,251,769	0.19	0	Unknown		Others
Shareholding of top 10 shareholders subject to no selling restrictions							
Name of shareholder	Number of tradable shares not subject to selling restrictions held		Type and number of shares				
			Species	Number			
USI Enterprise Limited	1,683,749,126		RMB ordinary shares	1,683,749,126			
Hong Kong Securities Clearing Company Ltd.	63,274,743		RMB ordinary shares	63,274,743			
China Securities Finance Co., Ltd.	31,525,673		RMB ordinary shares	31,525,673			
ASE (Shanghai) Inc.	18,098,476		RMB ordinary shares	18,098,476			

Abu Dhabi Investment Authority	5,770,633	RMB ordinary shares	5,770,633
CSI 500 Exchange Traded fund - Agricultural Bank of China	5,296,900	RMB ordinary shares	5,296,900
Wanjia CSI 300 Index enhanced securities investment fund - Bank of Ningbo	4,544,924	RMB ordinary shares	4,544,924
All China Bond - Ninety One Global Strategy Fund - Ninety One UK Ltd. - RQFII	4,326,785	RMB ordinary shares	4,326,785
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	4,251,769	RMB ordinary shares	4,251,769
China Merchants Securities Co.,Ltd. - CCB small-cap pioneer stock securities investment fund	3,980,000	RMB ordinary shares	3,980,000
Particulars on the special buy-back securities account of the top ten shareholders	At the end of the reporting period, there were 25,402,195 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, 2021, there were 25,313,205 tradable shares not subject to selling restrictions in the Company's special buy-back securities account; 2. From February to June 2022, the Company's special buy-back securities account increased its holdings by 9,356,317 shares due to the repurchase of shares in the secondary market; 3. On June 29, 2022, 29,300 shares held by the 2020 Employee Stock Ownership Plan were transferred back to the special securities account for buyback as a result of underperformance or resignation of some participants; 4. On July 18, 2022, the Company cancelled 9,296,627 repurchased shares on the account.		
Particulars on the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from voting rights	None		
Related or 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

No.	Name of shareholders subject to selling restrictions	Number of shares held	Listing and trading of shares subject to selling restrictions	Selling restrictions
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		subject to 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
Related or concert parties among the shareholders above		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 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

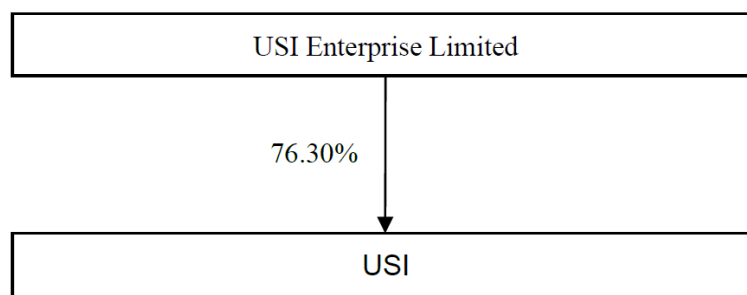
☐ Applicable ☒ Not Applicable

4. Changes in controlling shareholders during the reporting period

☐ Applicable ☒ Not Applicable

5. The Ownership Structure of USI and its Controlling Shareholder

☒ 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 21.75% 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 2350, which was terminated from listing on June 17, 2010.
Name	Richard H.P. Chang
Nationality	Hong Kong, China
Acquire right of residence in other countries or regions or not	Yes
Main job and title	Since 2018, has been serving as vice chairman and general manager 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 2.84% 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

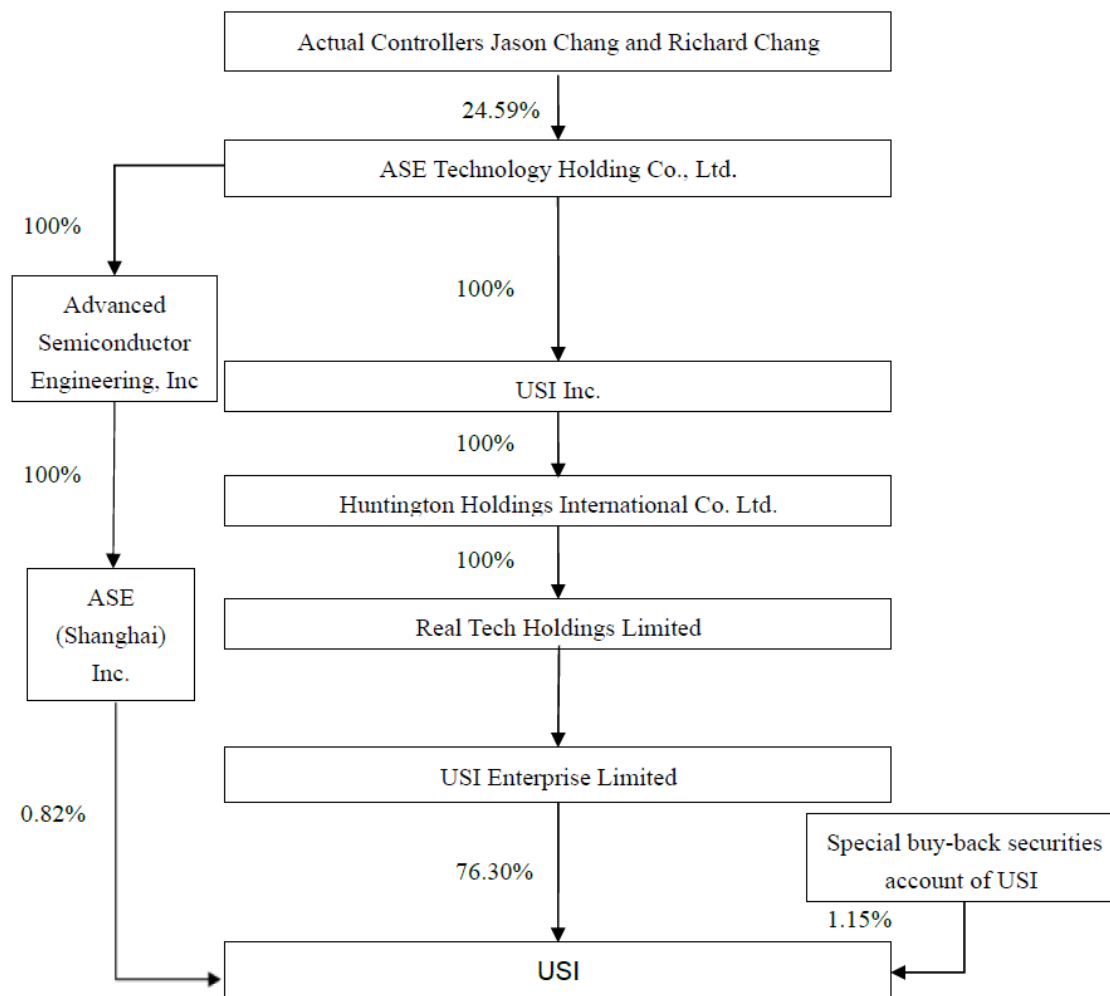
☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

5. The Ownership Structure of USI and its Actual Controller

☐ Applicable ☒ Not Applicable

**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)	17,223,278
Proportion of repurchased shares in the target shares involved in the equity incentive plan (if any)	Not applicable
Progress of reducing shares repurchased by the Company through centralized bidding	Not applicable

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.

Name of the share repurchase plan	2022 Plan for Repurchasing Shares through Centralized Bidding
Disclosure time of share repurchase plan	29 March 2022
Proportion (%) of proposed repurchase shares in total share capital	0.42
Proposed repurchase amount	RMB 100 million - RMB 150 million
Proposed repurchase period	March 25, 2022 – March 24, 2023
Repurchase purpose	Employee stock ownership plan
Number of repurchased shares (share)	8,175,317
Proportion of repurchased shares in the target shares involved in the equity incentive plan (if any)	Not applicable
Progress of reducing shares repurchased by the Company through centralized bidding	Not applicable

Note: The proposed repurchase amount is calculated based on the upper limit of the total repurchase funds of RMB 150 million and the upper limit of the price of RMB 16 per share.

As of March 24, 2022, this share repurchase plan was completed, and the Company repurchased a total of 8,175,317 shares of the Company, accounting for about 0.37% of the Company's current total share capital.

The shares repurchased during the reporting period for the above-mentioned 2021 and 2022 repurchase plan totaled 9,356,317 shares.

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

Name of convertible corporate bonds	Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021	
Number of convertible bond holders at the end of the period	8,593	
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 at the end of the period	Holding ratio (%)
USI Enterprise Limited	1,444,608,000	41.87
Northwest Feilong Fund Limited - Northwest Investment Management (Hong Kong) Limited	132,412,000	3.84
Aegon Convertible Bond Hybrid Securities Fund - Commercial Bank Of China Limited	66,412,000	1.93
E Fund Stable Income Bond Securities Investment Fund - Bank of China	62,889,000	1.82
Tianhong Yongli Convertible Bond Securities Investment Fund - Industrial Bank Co.,Ltd.	58,924,000	1.71
UBS AG	55,786,000	1.62
CSC Financial Co., Ltd.	42,736,000	1.24
China Foreign Economy And Trade Trust Co.,Ltd. - FOTIC - Wisdomshire Private Convertible Bond No. 1 Securities Investment Aggregate Fund Trust	40,575,000	1.18
Penghua Double Bond Securities Investment Fund - Bank of Beijing Co.,Ltd.	40,314,000	1.17

Everbright Prudential Financial Credit Bond Securities Investment Fund - China Minsheng Banking Corp., Ltd.	35,779,000	1.04
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(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	3,449,974,000	42,000	0	0	3,449,932,000

Cumulative conversion of convertible bonds during the reporting period

√Applicable □ Not Applicable

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	42,000
Number of shares converted during the reporting period	2,129
Cumulative number of converted shares	3,439
Proportion of cumulative number of converted shares to the total number of issued shares of the Company before the conversion (%)	0.0002
Unconverted amount (RMB)	3,449,932,000
Proportion of unconverted convertible bonds to the total convertible bonds issued (%)	99.9980

(IV) Historical adjustments of conversion price

√Applicable □ Not Applicable

Unit: yuan Currency: RMB

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 Note
June 3, 2021	19.75	June 1, 2021	Shanghai Securities News, China Securities Journal, Securities Times, and Securities Daily	2020 profit distribution
June 13, 2022	19.49	June 7, 2022		2021 profit distribution
July 21, 2022	19.52	July 20, 2022		Cancellation of repurchased shares
December 9, 2022	19.50	December 8, 2022		The accumulative exercise of stock options reached the degree of adjusting the conversion price
The latest conversion price as of the end of the reporting period		19.50		

(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 35.86 billion and total liabilities of RMB 22.77 billion, with the asset-liability ratio of 63.51%; at the end of the reporting period, the Company had total assets of RMB 38.57 billion and total liabilities of RMB 22.83 billion, with the asset-liability ratio of 59.17%. The Company's asset-liability ratio decreased YoY by 4.34 percentage points.

On May 24, 2022, 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 (2022): The Company's main credit rating remained 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.

Universal Scientific Industrial (Shanghai) Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2022

Universal Scientific Industrial (Shanghai) Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2022

<u>Contents</u>	<u>Page(s)</u>
Auditor's report	119 - 123
Consolidated balance sheet	124 - 125
Balance sheet of the Company	126 - 127
Consolidated income statement	128
Income statement of the Company	129
Consolidated cash flow statement	130
Cash flow statement of the Company	131
Consolidated statement of changes in shareholders' equity	132 - 133
Statement of changes in shareholders' equity of the Company	134 - 135
Notes to the financial statements	136 - 264

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (23) No. P03041
(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 2022, 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 2022, 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 (23) No. P03041
(Page 2 of 5)

3. Key Audit Matters

Cut-off of Revenue Recognition

Matter Description

As set out in Notes (V), 46 to the financial statements, the Company's operating income in 2022 in the consolidated financial statements is RMB 68,516,075,963.26, which is significant. The Company's sales mainly include revenue from sale of goods, and the revenue is recognized at the time point when the customer obtains the control over the commodity. Under different terms of sales contracts and trades, 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 time point for the transfer of control is different for various transaction modes in relation to revenue recognition, 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 conditions 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 (23) No. P03041
(Page 3 of 5)

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 2022, 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 (23) No. P03041
(Page 4 of 5)

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 (23) No. P03041
(Page 5 of 5)

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

31 March 2023

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

At 31 December 2022

Consolidated Balance Sheet

Unit: RMB

ITEM	Notes	31/12/2022	31/12/2021
Current Assets:			
Cash and bank balances	(V)1	7,695,016,173.40	6,034,204,042.25
Held-for-trading financial assets	(V)2	271,243,519.53	96,480,087.56
Notes receivable	(V)3	45,627,553.57	78,960,907.84
Accounts receivable	(V)4	11,119,120,760.11	12,459,388,852.15
Prepayments	(V)5	73,390,129.45	51,467,608.39
Other receivables	(V)6	137,008,284.72	129,254,194.21
Inventories	(V)7	10,909,893,675.82	9,037,562,662.64
Non-current assets due within one year	(V)8	322,815.55	991,195.08
Other current assets	(V)9	599,581,332.72	606,392,327.15
Total Current Assets		30,851,204,244.87	28,494,701,877.27
Non-current Assets:			
Long-term receivables	(V)10	12,385,894.30	11,164,116.06
Long-term equity investments	(V)11	611,007,676.15	542,549,818.63
Other equity instrument investments	(V)12	38,420,782.40	75,957,194.28
Other non-current financial assets	(V)13	170,126,278.86	236,978,820.68
Fixed assets	(V)14	4,456,780,136.30	3,442,205,758.01
Construction in progress	(V)15	303,432,536.69	798,015,703.22
Right-of-use assets	(V)16	479,869,246.55	562,990,794.23
Intangible assets	(V)17	415,104,934.14	453,460,831.12
Goodwill	(V)18	576,729,182.74	559,021,157.88
Long-term prepaid expenses	(V)19	175,835,331.45	227,576,284.98
Deferred tax assets	(V)20	358,956,591.39	315,295,836.27
Other non-current assets	(V)21	124,611,895.32	136,815,311.18
Total Non-current Assets		7,723,260,486.29	7,362,031,626.54
TOTAL ASSETS		38,574,464,731.16	35,856,733,503.81

At 31 December 2022

Consolidated Balance Sheet – continued

Unit: RMB

ITEM	Notes	31/12/2022	31/12/2021
Current Liabilities:			
Short-term borrowings	(V)22	4,499,463,404.21	2,480,500,031.68
Derivative financial liabilities	(V)23	3,118,891.32	976,413.16
Accounts payable	(V)24	11,056,190,855.43	12,558,598,243.17
Contract liabilities	(V)25	411,898,442.43	311,988,551.56
Employee benefits payable	(V)26	1,161,885,093.89	831,186,986.48
Taxes payable	(V)27	388,090,724.55	238,676,479.75
Other payables	(V)28	716,932,703.77	423,509,465.51
Non-current liabilities due within one year	(V)29	506,820,025.23	720,507,781.49
Other current liabilities	(V)30	3,661,569.01	-
Total Current Liabilities		18,748,061,709.84	17,565,943,952.80
Non-current Liabilities:			
Long-term borrowings	(V)31	59,427,538.88	1,101,220,467.55
Bonds payable	(V)32	3,243,085,241.27	3,115,505,143.28
Lease liabilities	(V)33	381,725,722.17	475,125,597.24
Long-term payables	(V)34	31,113,295.71	45,581,055.62
Long-term employee benefits payable	(V)35	199,342,510.02	297,331,160.14
Provisions	(V)36	7,350,296.14	10,046,914.77
Deferred income	(V)37	63,195,209.30	59,791,942.70
Deferred tax liabilities	(V)20	87,631,726.67	98,179,611.96
Other non-current liabilities	(V)38	3,692,335.61	5,642,575.13
Total Non-current Liabilities		4,076,563,875.77	5,208,424,468.39
TOTAL LIABILITIES		22,824,625,585.61	22,774,368,421.19
SHAREHOLDERS' EQUITY:			
Share capital	(V)39	2,206,864,239.00	2,210,172,782.00
Other equity instruments	(V)40	409,897,126.04	409,902,116.17
Capital reserve	(V)41	2,234,529,885.62	2,242,456,606.22
Less: Treasury shares	(V)42	351,392,965.86	341,236,339.88
Other comprehensive income	(V)43	111,850,168.58	(83,600,398.95)
Surplus reserve	(V)44	862,080,832.26	738,004,669.96
Retained profits	(V)45	10,275,564,894.22	7,906,260,771.90
Total owners' equity attributable to equity holders of the Company		15,749,394,179.86	13,081,960,207.42
Minority interests		444,965.69	404,875.20
TOTAL SHAREHOLDERS' EQUITY		15,749,839,145.55	13,082,365,082.62
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		38,574,464,731.16	35,856,733,503.81

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

The financial statements on pages 119 to 264 were signed by the following:

Jeffrey Chen
Legal Representative

Tan-Yang Liu
Chief Financial Officer

Yuh-Huah Chern
Head of Accounting Department

At 31 December 2022

Balance Sheet of the Company

Unit: RMB

ITEM	Notes	31/12/2022	31/12/2021
Current Assets:			
Cash and bank balances		2,382,458,769.33	2,490,051,993.72
Held-for-trading financial assets		16,418,892.46	8,624,935.00
Notes receivable	(XIV)1	39,485,239.31	66,256,985.55
Accounts receivable	(XIV)2	2,821,443,968.15	3,902,440,554.02
Prepayments		8,633,332.74	4,622,731.01
Other receivables	(XIV)3	1,060,187,690.24	635,383,876.68
Inventories		2,397,469,138.27	1,922,768,039.29
Other current assets		71,354,221.23	133,024,889.75
Total Current Assets		8,797,451,251.73	9,163,174,005.02
Non-current Assets:			
Long-term equity investments	(XIV)4	6,211,289,445.49	5,227,065,594.74
Other non-current financial assets		36,593,525.36	21,000,000.00
Fixed assets		1,359,118,713.20	1,277,668,269.11
Construction in progress		40,679,185.87	289,944,861.14
Right-of-use assets		50,972,562.94	63,430,169.07
Intangible assets		10,560,811.31	10,937,758.57
Long-term prepaid expenses		56,986,536.23	67,180,541.49
Deferred tax assets		66,972,703.95	48,694,006.86
Other non-current assets		6,417,503.72	20,979,926.13
Total Non-current Assets		7,839,590,988.07	7,026,901,127.11
TOTAL ASSETS		16,637,042,239.80	16,190,075,132.13

At 31 December 2022

Balance Sheet of the Company – continued

Unit: RMB

ITEM	Notes	31/12/2022	31/12/2021
Current Liabilities:			
Short Loan		210,000,000.00	-
Derivative financial liabilities		-	43,425.46
Accounts payable		3,338,643,535.03	4,298,264,852.06
Contract liabilities		72,651,784.47	51,371,004.77
Employee benefits payable		170,460,131.98	108,433,802.08
Taxes payable		40,877,633.86	65,202,444.73
Other payables		56,141,755.46	42,476,124.59
Non-current liabilities due within one year		364,938,654.98	14,159,853.97
Total Current Liabilities		4,253,713,495.78	4,579,951,507.66
Non-current Liabilities:			
Bonds payable		3,243,085,241.27	3,115,505,143.28
Lease liabilities		43,636,944.67	56,699,264.24
Deferred income		32,434,642.39	26,066,087.94
Other non-current liabilities		576,266.50	1,035,426.50
Total Non-current Liabilities		3,319,733,094.83	3,199,305,921.96
TOTAL LIABILITIES		7,573,446,590.61	7,779,257,429.62
SHAREHOLDERS' EQUITY:			
Share capital	(V)39	2,206,864,239.00	2,210,172,782.00
Other equity instruments	(V)40	409,897,126.04	409,902,116.17
Capital reserve		2,294,431,282.90	2,302,358,003.50
Less: Treasury shares	(V)42	351,392,965.86	341,236,339.88
Surplus reserve	(V)44	862,080,832.26	738,004,669.96
Retained profits		3,641,715,134.85	3,091,616,470.76
TOTAL SHAREHOLDERS' EQUITY		9,063,595,649.19	8,410,817,702.51
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,637,042,239.80	16,190,075,132.13

For the year ended 31 December 2022

Consolidated Income Statement

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
I. Operating income	(V)46	68,516,075,963.26	55,299,654,770.21
Less: Operating costs	(V)46	61,327,074,531.73	49,981,479,197.84
Taxes and levies	(V)47	55,429,927.51	49,817,665.75
Selling expenses	(V)48	323,833,862.87	311,480,902.10
Administrative expenses	(V)49	1,421,848,997.88	1,169,173,384.77
Research and development expenses	(V)50	2,034,461,775.71	1,641,398,512.61
Financial expenses	(V)51	18,865,406.63	203,398,590.62
Including: Interest expenses		234,999,925.44	201,328,552.68
Interest income		87,996,958.46	67,779,611.82
Add: Other income	(V)52	56,144,655.78	50,678,106.85
Investment income	(V)53	138,630,023.72	111,678,979.96
Including: Income from investments in associates and joint ventures		73,531,247.72	22,116,497.85
Gains (losses) from changes in fair values	(V)54	31,839,197.50	44,588,222.60
Impairment gains (losses) of credit	(V)55	(10,116,849.95)	(1,706,888.48)
Impairment gains (losses) of assets	(V)56	(98,869,591.53)	(18,746,153.38)
Gains (losses) from disposal of assets	(V)57	8,615,113.60	2,414,697.02
II. Operating profit		3,460,804,010.05	2,131,813,481.09
Add: Non-operating income	(V)58	25,331,702.16	19,628,576.06
Less: Non-operating expenses	(V)59	8,940,490.96	12,583,134.08
III. Total profit		3,477,195,221.25	2,138,858,923.07
Less: Income tax expenses	(V)60	417,205,449.46	282,165,880.75
IV. Net profit		3,059,989,771.79	1,856,693,042.32
(I) Net profit classified by operating continuity:			
1. Net profit from continuing operations		3,059,989,771.79	1,856,693,042.32
2. Net profit from discontinued operations		-	-
(II) Net profit classified by ownership ascription:			
1. Net profit attributable to owners of the Company		3,059,967,081.20	1,857,968,074.82
2. Profit or loss (net losses) attributable to minority interests		22,690.59	(1,275,032.50)
V. Other comprehensive income, net of tax	(V)43	195,467,967.43	8,909,473.69
Other comprehensive income attributable to owners of the Company, net of tax		195,450,567.53	7,615,578.06
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		15,832,855.55	36,407,012.60
1. Changes from re-measurement of defined benefit plans		51,762,656.96	1,971,353.84
2. Changes in fair values of investments in other equity instruments		(35,929,801.41)	34,435,658.76
(II) Other comprehensive income that will be reclassified to profit or loss		179,617,711.98	(28,791,434.54)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		(35,958,792.78)	7,230,128.54
2. Translation differences of financial statements denominated in foreign currencies		104,279,975.58	(206,339,508.32)
3. Hedging reserves of net investment in foreign operations		111,296,529.18	170,317,945.24
Other comprehensive income attributable to minority interests, net of tax		17,399.90	1,293,895.63
VI. Total comprehensive income		3,255,457,739.22	1,865,602,516.01
Total comprehensive income attributable to owners of the Company		3,255,417,648.73	1,865,583,652.88
Total comprehensive income attributable to minority interests		40,090.49	18,863.13
VII. Earnings per share			
(I) Basic earnings per share	(XV)2	1.40	0.85
(II) Diluted earnings per share	(XV)2	1.35	0.83

For the year ended 31 December 2022

Income Statement of the Company

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
I. Operating income	(XIV)5	21,944,772,780.72	18,335,131,740.71
Less: Operating costs	(XIV)5	19,816,085,335.43	16,637,188,631.60
Taxes and levies		13,964,679.96	11,586,536.18
Selling expenses		71,561,295.65	36,138,632.62
Administrative expenses		221,654,870.72	173,389,504.17
Research and development expenses		751,375,491.00	641,883,187.54
Financial expenses		(13,892,465.55)	89,326,653.62
Including: Interest expenses		146,896,320.84	116,199,066.57
Interest income		59,559,776.94	41,448,876.53
Add: Other income		19,864,804.92	22,684,102.57
Investment income	(XIV)6	183,568,627.78	1,216,843,686.33
Gains (losses) from changes in fair values		12,430,908.18	14,537,089.99
Impairment gains (losses) of credit		(3,658,149.19)	149,203.74
Impairment gains (losses) of assets		5,135,027.84	(3,920,601.29)
Gains (losses) from disposal of assets		865,008.94	277,783.36
II. Operating profit		1,302,229,801.98	1,996,189,859.68
Add: Non-operating income		233,682.62	2,715,835.51
Less: Non-operating expenses		4,830,131.32	93,892.75
III. Total profit		1,297,633,353.28	1,998,811,802.44
Less: Income tax expenses		56,871,730.31	44,867,531.36
IV. Net profit		1,240,761,622.97	1,953,944,271.08
(I) Net profit from continuing operations		1,240,761,622.97	1,953,944,271.08
(II) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income		1,240,761,622.97	1,953,944,271.08

For the year ended 31 December 2022

Consolidated Cash Flow Statement

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		71,431,108,010.54	53,578,337,998.60
Receipts of tax refunds		529,679,759.52	558,689,618.99
Other cash receipts relating to operating activities	(V)61(1)	514,112,449.77	172,788,684.87
Sub-total of cash inflows from operating activities		72,474,900,219.83	54,309,816,302.46
Cash payments for goods purchased and services received		63,752,163,109.99	50,505,722,379.91
Cash payments to and on behalf of employees		4,263,182,237.12	3,856,150,432.44
Payments of various types of taxes		880,937,730.02	419,132,561.12
Other cash payments relating to operating activities	(V)61(2)	143,420,887.20	631,257,907.89
Sub-total of cash outflows from operating activities		69,039,703,964.33	55,412,263,281.36
Net Cash Flow from Operating Activities	(V)62(1)	3,435,196,255.50	(1,102,446,978.90)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		5,049,784,248.93	6,647,452,170.32
Cash receipts from investment income		73,818,863.64	98,129,245.61
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		106,121,293.40	50,849,009.78
Sub-total of cash inflows from investing activities		5,229,724,405.97	6,796,430,425.71
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,671,359,617.44	1,514,592,361.01
Cash payments to acquire investments		5,055,991,050.00	6,723,070,803.21
Net cash payments for acquisitions of subsidiaries and other business units		26,622,070.14	45,321,801.82
Sub-total of cash outflows from investing activities		6,753,972,737.58	8,282,984,966.04
Net Cash Flow from Investing Activities		(1,524,248,331.61)	(1,486,554,540.33)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		76,706,975.16	11,406,983.00
Cash receipts from borrowings		19,947,391,301.87	13,985,813,402.73
Cash receipts from issuing bonds		-	3,427,301,047.72
Other cash receipts relating to financing activities	(V)61(3)	3,506,097.66	39,236,933.03
Sub-total of cash inflows from financing activities		20,027,604,374.69	17,463,758,366.48
Cash repayments of borrowings		19,611,483,701.31	13,530,805,981.18
Cash payments for distribution of dividends or profits or settlement of interest expenses		644,400,298.70	1,172,715,392.19
Other cash payments relating to financing activities	(V)61(4)	274,135,571.27	368,852,689.67
Sub-total of cash outflows from financing activities		20,530,019,571.28	15,072,374,063.04
Net Cash Flow from Financing Activities		(502,415,196.59)	2,391,384,303.44
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		251,318,260.11	(87,413,972.12)
V. Net Increase (Decrease) in Cash and Cash Equivalents		1,659,850,987.41	(285,031,187.91)
Add: Opening Balance of Cash and Cash Equivalents	(V)62(2)	6,018,193,116.59	6,303,224,304.50
VI. Closing Balance of Cash and Cash Equivalents	(V)62(2)	7,678,044,104.00	6,018,193,116.59

For the year ended 31 December 2022

Cash Flow Statement of the Company

Unit: RMB

ITEM	Notes	Amount incurred in the current year	Amount incurred in the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		23,200,305,707.29	17,991,191,683.40
Receipts of tax refunds		134,391,059.60	295,444,045.61
Other cash receipts relating to operating activities		92,137,795.26	84,581,382.97
Sub-total of cash inflows from operating activities		23,426,834,562.15	18,371,217,111.98
Cash payments for goods purchased and services received		20,930,029,096.53	16,905,058,714.58
Cash payments to and on behalf of employees		639,606,738.62	576,858,051.86
Payments of various types of taxes		194,108,063.48	106,103,694.13
Other cash payments relating to operating activities		130,355,417.36	189,144,854.22
Sub-total of cash outflows from operating activities		21,894,099,315.99	17,777,165,314.79
Net Cash Flow from Operating Activities	(XIV)7	1,532,735,246.16	594,051,797.19
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,677,246,400.00	3,927,400,000.00
Cash receipts from investment income		237,513,927.78	1,216,889,084.23
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		135,709,564.48	169,779,958.45
Sub-total of cash inflows from investing activities		4,050,469,892.26	5,314,069,042.68
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		584,130,199.88	635,551,425.24
Cash payments to acquire investments		3,985,803,000.00	4,694,086,300.00
Net cash payments for acquisitions of subsidiaries and other business units		1,115,219,000.00	631,413,000.00
Sub-total of cash outflows from investing activities		5,685,152,199.88	5,961,050,725.24
Net Cash Flow from Investing Activities		(1,634,682,307.62)	(646,981,682.56)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		76,706,975.16	11,406,983.00
Cash receipts from borrowings		2,828,328,085.47	1,989,243,101.73
Cash receipts from issuance of bonds		-	3,427,301,047.72
Other cash receipts relating to financing activities		-	22,515,886.36
Sub-total of cash inflows from financing activities		2,905,035,060.63	5,450,467,018.81
Cash repayments of borrowings		2,268,328,085.47	2,869,866,674.48
Cash payments for distribution of dividends or profits or settlement of interest expenses		579,509,379.54	1,111,561,940.64
Other cash payments relating to financing activities		136,494,552.16	247,108,961.01
Sub-total of cash outflows from financing activities		2,984,332,017.17	4,228,537,576.13
Net Cash Flow from Financing Activities		(79,296,956.54)	1,221,929,442.68
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		73,650,793.61	(26,849,295.64)
V. Net Increase (Decrease) in Cash and Cash Equivalents		(107,593,224.39)	1,142,150,261.67
Add: Opening Balance of Cash and Cash Equivalents		2,490,051,993.72	1,347,901,732.05
VI. Closing Balance of Cash and Cash Equivalents		2,382,458,769.33	2,490,051,993.72

For the year ended 31 December 2022

Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

ITEM	2022								
	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		
I. Opening balance of the current year	2,210,172,782.00	409,902,116.17	2,242,456,606.22	(341,236,339.88)	(83,600,398.95)	738,004,669.96	7,906,260,771.90	404,875.20	13,082,365,082.62
II. Changes for the year									
(I) Total other comprehensive income	-	-	-	-	195,450,567.53	-	3,059,967,081.20	40,090.49	3,255,457,739.22
(II) Owners' contributions and reduction in capital									
1. Ordinary shares contributed by shareholders (Notes V, 39)	5,985,955.00	-	70,721,020.16	-	-	-	-	-	76,706,975.16
2. Capital contribution by owners of other equity instruments (Notes V, 40)	2,129.00	(4,990.13)	41,144.76	-	-	-	-	-	38,283.63
3. Share-based payment recognized in shareholders' equity (Notes V, 41)	-	-	22,177,000.00	-	-	-	-	-	22,177,000.00
4. Treasury stock cancellations (Notes V, 42)	(9,296,627.00)	-	(101,214,178.80)	110,510,805.80	-	-	-	-	-
5. Transfer from treasury shares (Notes V, 42)	-	-	348,293.28	(348,766.28)	-	-	-	-	(473.00)
6. Others (Notes V, 42)	-	-	-	(120,318,665.50)	-	-	-	-	(120,318,665.50)
(III) Profit distribution									
1. Transfer to surplus reserve	-	-	-	-	-	124,076,162.30	(124,076,162.30)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(566,586,796.58)	-	(566,586,796.58)
III. Closing balance of the current year	2,206,864,239.00	409,897,126.04	2,234,529,885.62	(351,392,965.86)	111,850,168.58	862,080,832.26	10,275,564,894.22	444,965.69	15,749,839,145.55

For the year ended 31 December 2022

Consolidated Statement of Changes in Shareholders' Equity - continued

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		
I. Opening balance of the preceding year	2,209,343,372.00	-	2,180,964,177.00	(134,707,206.58)	(91,215,977.01)	542,610,242.85	7,342,825,571.69	(978,434.26)	12,048,841,745.69
Add: Business combinations not involving enterprises under common control	-	-	-	-	-	-	-	1,364,446.33	1,364,446.33
II. Opening balance of the current year (Restated)	2,209,343,372.00	-	2,180,964,177.00	(134,707,206.58)	(91,215,977.01)	542,610,242.85	7,342,825,571.69	386,012.07	12,050,206,192.02
III. Changes for the year									
(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 (Notes V, 39)	828,100.00	-	10,578,883.00	-	-	-	-	-	11,406,983.00
2. Capital contribution by owners of other equity instruments (Notes V, 40)	1,310.00	409,902,116.17	25,033.02	-	-	-	-	-	409,928,459.19
3. Share-based payment recognized in shareholders' equity (Notes V, 41)	-	-	52,875,000.00	-	-	-	-	-	52,875,000.00
4. Transfer from treasury shares (Notes V, 42)	-	-	(1,986,486.80)	24,502,373.16	-	-	-	-	22,515,886.36
5. Others (Notes V, 42)	-	-	-	(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)
IV. Closing balance of the current year	2,210,172,782.00	409,902,116.17	2,242,456,606.22	(341,236,339.88)	(83,600,398.95)	738,004,669.96	7,906,260,771.90	404,875.20	13,082,365,082.62

For the year ended 31 December 2022

Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

ITEM	2022						
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Surplus reserve	Retained profits	Total shareholders' equity
I. Opening balance of the current year	2,210,172,782.00	409,902,116.17	2,302,358,003.50	(341,236,339.88)	738,004,669.96	3,091,616,470.76	8,410,817,702.51
II. Changes for the year							
(I) Total other comprehensive income	-	-	-	-	-	1,240,761,622.97	1,240,761,622.97
(II) Owners' contributions and reduction in capital							
1. Ordinary shares contributed by shareholders	5,985,955.00	-	70,721,020.16	-	-	-	76,706,975.16
2. Capital contribution by owners of other equity instruments	2,129.00	(4,990.13)	41,144.76	-	-	-	38,283.63
3. Share-based payment recognized in shareholders' equity	-	-	22,177,000.00	-	-	-	22,177,000.00
4. Treasury stock cancellations	(9,296,627.00)	-	(101,214,178.80)	110,510,805.80	-	-	-
5. Transfer from treasury shares	-	-	348,293.28	(348,766.28)	-	-	(473.00)
6. Others	-	-	-	(120,318,665.50)	-	-	(120,318,665.50)
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	-	124,076,162.30	(124,076,162.30)	-
2. Distributions to shareholders	-	-	-	-	-	(566,586,796.58)	(566,586,796.58)
III. Closing balance of the current year	2,206,864,239.00	409,897,126.04	2,294,431,282.90	(351,392,965.86)	862,080,832.26	3,641,715,134.85	9,063,595,649.19

For the year ended 31 December 2022

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

Unit: RMB

ITEM	2021						
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Surplus reserve	Retained profits	Total shareholders' equity
I. Opening balance of the current year	2,209,343,372.00	-	2,240,865,574.28	(134,707,206.58)	542,610,242.85	2,432,205,074.29	7,290,317,056.84
II. Changes for the year							
(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)
III. Closing balance of the current year	2,210,172,782.00	409,902,116.17	2,302,358,003.50	(341,236,339.88)	738,004,669.96	3,091,616,470.76	8,410,817,702.51

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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 Area, 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. The Company's registered capital totals RMB 2,206,864,239.00 as at 31 December 2022.

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 (VI), 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 31 March 2023.

The details of scope of the consolidated financial statements for the year are set out in Note (VI) "Interests in Other Entities". The scope of the consolidated financial statements for the year remains unchanged.

(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 2022 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

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 2022

(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 measurements 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 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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 functional currency of the Company is RMB. The Company's domestic subsidiaries choose 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 acquiree. 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 previously 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10 Financial instruments – continued

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.

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 FVTOCI 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 FVTOCI on an individual basis. Such financial assets at FVTOCI are presented as other equity instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.1 Classification, recognition and measurement of financial assets - continued

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

- 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.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.1 Classification, recognition and measurement of financial assets - continued

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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

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:

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. These indicators include the credit spread, the credit swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (4) Significant changes in actual or expected external credit rating for the financial instruments;
- (5) An actual or expected internal credit rating downgrade for the borrower
- (6) 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;
- (7) An actual or expected significant change in the operating results of the debtor;
- (8) Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- (9) Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- (10) Significant changes in the expected performance and behavior of the debtor;
- (11) 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.2 Impairment of financial instruments - continued

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).

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 accounts receivable and notes 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 and 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

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.

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

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.

(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 early 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 early 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 early 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 early 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 early 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 early redemption option derivative components in proportion to their respective fair values. Transaction costs relating to the resale option derivative components and early 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 - continued

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

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

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 2022

(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 2022

(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. An intangible asset with an indefinite useful life is not amortized.

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, and intangible assets with a finite useful life 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.

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.

Once an impairment loss of assets above is recognized, it will not be reversed in any subsequent period.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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, cloud 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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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), 37 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), 52 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022, the balance of the Group's provision for credit losses of accounts receivable was RMB 20,564,388.62 (31 December 2021: RMB 9,974,696.34).

(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 2022, the balance of the Group's provision for the decline in the value of inventories was RMB159,032,019.03 (31 December 2021: RMB 107,428,347.47).

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 2022, the Group had recognized the deferred tax assets of RMB 367,993,139.04 (31 December 2021: RMB 324,056,763.90).

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 flow and discount rate, changes in key assumptions such as the discount rate and long-term growth rate adopted by the Group may have significantly impacts on the present value of the future cash flow used in 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. Both scientific and technological innovation and intense competition within the industry significantly impact 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 No. 15 of the Accounting Standards for Business Enterprises

The *Interpretation No. 15 of the Accounting Standards for Business Enterprises* (the "*Interpretation No. 15*") was issued by the Ministry of Finance on 30 December 2021, which stipulated the accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development, as well as the judgment on onerous contract.

Accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development.

In accordance with the *Interpretation No. 15*, if an enterprise sells products or by-products produced before the fixed assets are ready for intended use or in the process of research and development, it shall, in accordance with the provisions of *Accounting Standards for Business Enterprises No. 14 - Revenue* and *Accounting Standards for Business Enterprises No. 1 - Inventory*, respectively conduct accounting treatment of income and costs related to the trial sale, and include them in profit or loss for the period, but the balance of the related income from trial sale less cost shall not be used to offset against the cost of fixed assets or research and development expenses. Concurrently, an enterprise shall separately disclose in the notes the information including the amount of related income from and cost of trial sale, the specific presenting items, and the significant accounting estimates applied in determining the cost of trial sale. The Interpretation became effective on 1 January 2022, and retroactive adjustments should be made for trial sale that occurred between the beginning of the earliest presentation period of the financial statements and 1 January 2022.

Upon assessment, the Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

Judgment on onerous contracts

The *Interpretation No. 15* clarifies that the "cost to perform the contract" considered by an enterprise in determining whether a contract is an onerous contract shall include the incremental cost to perform the contract and the apportioned amount of other costs directly related to the performance of the contract. The Interpretation became effective on 1 January 2022, and an enterprise shall implement this Interpretation on contracts to which the obligations have not been completely fulfilled by 1 January 2022. The accumulative effect is adjusted for the opening balance of retained earnings for the year when the Interpretation is implemented and other related items to the financial statements, but not adjusted for the comparative data of prior periods.

Upon assessment, the Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

31. Changes in important accounting policies and accounting estimates - continued

31.1 Changes in important accounting policies - continued

Interpretation No. 16 of the Accounting Standards for Business Enterprises

The *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (the "*Interpretation No. 16*") was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning 1) the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer, and 2) the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise.

Accounting treatment concerning the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer

In accordance with the *Interpretation No. 16*, for a financial instrument classified as an equity instrument by an enterprise in accordance with the *Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments* and other applicable provisions, if the relevant dividend payments are deductible before enterprise income tax in accordance with the relevant tax provisions, the enterprise, on recognition of dividends payable, shall include the tax effect of dividends in profit or loss or owners' equity using the same accounting treatment for previous transactions or events that generated distributable profits. The Interpretation became effective on 30 November 2022. Where the recognition of dividends payable by a financial instrument classified as an equity instrument occurs during the period from 1 January 2022 to the effective date of this Interpretation, the enterprise shall adjust the tax effect if such effect exists but is not treated according to the provisions hereinabove. Where the said recognition occurs before 1 January 2022 but the relevant financial instrument has not been derecognized as at 1 January 2022, the enterprise shall adjust the tax effect retrospectively if such effect exists but is not treated according to the provisions hereinabove.

The Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

Accounting treatment concerning the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise

In accordance with the *Interpretation No. 16*, where an enterprise changes the terms and conditions of a cash-settled share-based payment agreement to those of an equity-settled share-based payment agreement, the enterprise shall, on the date of change, measure the equity-settled share-based payment at the fair value of the granted equity instrument on the current day, include the services received in capital reserve, and at the same time, derecognize the liability that has been recognized for cash-settled share-based payment on the date of change, with the resulted difference included in profit or loss for the period. The Interpretation became effective on 30 November 2022. For the aforesaid transactions that are added during the period from 1 January 2022 to the effective date of this Interpretation, the enterprise shall make adjustments in accordance with the provisions of this Interpretation. If any transaction occurred before 1 January 2022 is not treated in accordance with the aforesaid provisions, the enterprise shall adjust the retained earnings as of 1 January 2022 and other related items to the financial statements based on the accumulative effect, without adjusting the information of the comparable period.

The Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IV) TAXES

1. 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	Residual value after deducting 30% from the original value of the property at one time	1.2%
	Rental income	12%
City maintenance and construction tax	Turnover tax actually paid	7% and 5%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	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 2022

(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.	15%(Note 5)
Universal Global Technology Co., Limited	16.5% (Note 6)
Universal Global Industrial Co., Ltd.	16.5% (Note 6)
Universal Global Electronics Co., Ltd.	16.5% (Note 6)
Universal Global Scientific Industrial Co., Ltd.	Note 7
Universal Scientific Industrial Co., Ltd.	Note 7
USI Japan Co., Ltd.	30% (Note 8)
USI America.Inc.	21% (Note 9)
Universal Scientific Industrial De México S.A. De C.V.	30% (Note 10)
Universal Scientific Industrial Poland Sp. z o.o.	19% (Note 11)
Universal Scientific Industrial (France)	25% (Note 12)
Universal Scientific Industrial Vietnam Company Limited	20% (Note 13)
Asteelflash Suzhou Co., Ltd.	25%
FINANCIÈRE AFG S.A.S. (FAFG)	25% (Note 14)
USI Science and Technology (Shenzhen) Co., Ltd.	20% (Note 15)

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 GR202031004605), 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 2022, and obtained the High-tech Enterprise Certificate (Certificate No.: GR202232008811), which was valid for 3 years. Universal Global Technology (Kunshan) Co., Ltd. applies the enterprise income tax rate of 15% from 2022 to 2024.
- 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 2022, and obtained the High-tech Enterprise Certificate (Certificate No.: GR202231007023), which was valid for 3 years. Universal Global Technology (Shanghai) Co., Ltd. applies the enterprise income tax rate of 15% from 2022 to 2024.
- Note 5 Universal Global Technology(Huizhou) Co., Ltd. was approved as a high-tech enterprise by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration in 2022, and obtained the High-tech Enterprise Certificate (Certificate No.: GR202244008509), which is valid for 3 years. Universal Global Technology(Huizhou) Co., Ltd. applies the enterprise income tax rate of 15% from 2022 to 2024.
- Note 6 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 7 Universal Global Scientific Industrial Co., Ltd. ("UGSI") and the Universal Scientific Industrial Co., Ltd. ("USI") 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 8 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 9 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 10 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 11 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 12 Universal Scientific Industrial (France) ("USI France") is established and registered in France, and the applicable enterprise income tax rate is 25% (2021:26.5%).

Note 13 Universal Scientific Industrial Vietnam Company Limited is established and registered in Vietnam, and the applicable enterprise income tax rate is 20%.

Note 14 FINANCIÈRE AFG S.A.S. ("FAFG") is established and registered in France, and the applicable enterprise income tax rate is 25% (2021:26.5%). The corporate income tax rate applicable to German subsidiary is 30% (2021:30%). The enterprise income tax rate applicable to the Tunisian subsidiary is 15% (2021:10%). The corporate income tax rate applicable to its U.S. subsidiaries is 21% (2021:21%).

Note 15 USI Science and Technology (Shenzhen) 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 (CS [2019] No. 13), the enterprise income tax shall be reduced by half.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	31/12/2022			31/12/2021		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash:						
RMB			2,003.85			33,087.14
USD	11,928.76	6.9646	83,079.04	1,780.99	6.3757	11,355.06
EUR	10,605.37	7.4284	78,780.93	6,615.80	7.2211	47,773.35
HKD	3,449.00	0.8933	3,080.99	3,449.00	0.8176	2,819.90
GBP	137.31	8.3941	1,152.59	88.69	8.6064	763.30
MXN	200,703.05	0.3597	72,192.89	58,724.73	0.3097	18,187.05
TWD	-	0.2268	-	-	0.2303	-
PLN	4,477.49	1.5878	7,109.36	872.35	1.5717	1,371.07
TND	8,696.94	2.2430	19,507.24	3,575.10	2.2027	7,874.87
CZK	15,684.00	0.3080	4,830.67	11,354.00	0.2905	3,298.34
Bank balances:						
RMB			3,718,260,388.65			3,223,904,450.96
USD	446,239,359.35	6.9646	3,107,878,642.13	354,462,759.18	6.3757	2,259,948,213.70
EUR	31,555,392.28	7.4284	234,406,076.01	31,246,531.53	7.2211	225,634,328.83
HKD	2,281,680.22	0.8933	2,038,224.94	1,620,167.96	0.8176	1,324,649.32
JPY	317,627,468.00	0.0524	16,643,679.32	156,717,025.00	0.0554	8,682,123.19
GBP	869,074.26	8.3941	7,295,096.25	2,048,505.76	8.6064	17,630,259.97
MXN	34,274,075.98	0.3597	12,328,385.13	24,473,638.08	0.3097	7,579,485.71
TWD	2,093,161,717.00	0.2268	474,729,077.42	789,726,120.00	0.2303	181,873,925.44
SGD	15,173.92	5.1831	78,647.94	10,662.56	4.7179	50,304.89
TND	4,123,497.82	2.2430	9,249,005.61	2,197,327.05	2.2027	4,840,052.29
CZK	1,501,264.14	0.3080	462,389.36	-	0.2905	-
PLN	49,092,880.80	1.5878	77,949,676.13	28,624,457.86	1.5717	44,989,060.42
VND	54,843,591,825.00	0.0003	16,453,077.55	138,699,105,966.00	0.0003	41,609,731.79
Other currency funds:						
RMB			4,500,000.00			6,000,000.00
TWD	45,000,000.00	0.2268	10,205,374.50	28,000,000.00	0.2303	6,449,408.00
PLN	1,394,584.30	1.5878	2,214,334.90	-	1.5717	-
JPY	1,000,000.00	0.0524	52,360.00	1,000,000.00	0.0554	55,420.00
USD	-	6.9646	-	549,915.72	6.3757	3,506,097.66
Total			7,695,016,173.40			6,034,204,042.25
Including: Total amounts kept in a foreign country			2,136,105,405.28			1,534,415,183.17

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. Cash and bank balances – continued

As at 31 December 2022, the Group's restricted cash and bank balances included in other cash and bank balances amounted to RMB 16,972,069.40 (31 December 2021: RMB 16,010,925.66), of which RMB 14,757,734.50 (31 December 2021: RMB 12,504,828.00) was the customs deposit and RMB 2,214,334.90 (31 December 2021: nil) was the foreign exchange margin. The interest reserve for long-term borrowings was nil for the year (31 December 2021: RMB 3,506,097.66). The restricted other cash and bank balances aforementioned are not included in cash and cash equivalents in the preparation of the cash flow statements.

2. Held-for-trading financial assets

Unit: RMB

Item	31/12/2022	31/12/2021
Financial assets at fair value through profit or loss	271,243,519.53	96,480,087.56
Including: Accounts receivable factoring (Note 1)	135,812,841.71	87,238,983.18
Convertible corporate bonds(Note 2)	-	8,624,935.00
Contingent consideration(Note 3)	99,372,192.22	-
Derivative financial assets(Note 4)	36,058,485.60	616,169.38

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, 32 for details of Convertible corporate bonds

Note 3: On 12 December 2019, the Company established USI France through its wholly-owned subsidiary Universal Global Technology Co., Limited and entered a Share Purchase Agreement with shareholders of FAFG SPFH Holding Korlatolt Felelossegu Tarsasag, ASDI and Arkéa Capital Investissement S.A., for the purpose of acquisition of 100% of its equity interest. As agreed by both parties, in accordance with FAFG's audited accumulated financial results from 1 January 2021 to 31 December 2022, adjustments will be made on the basis of considerations of the existing transactions, which is to be paid on 30 June 2023. Refer to Note (VIII), 4 for details.

Note 4: The derivative financial assets held by the group are foreign exchange forward contract

3. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Category	31/12/2022	31/12/2021
Bank acceptances	45,627,553.57	78,960,907.84

(2) As of 31 December 2022, the Group had no notes receivable that have been pledged as security.

(3) As of 31 December 2022, 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 2022, the Group had no notes that were converted to accounts receivable due to the default of the issuer.

(5) As of 31 December 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(6) In 2022, the Group had no notes receivable that have been actually written off.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable

(1) Categories of accounts receivable

Unit: RMB

Category	31/12/2022	31/12/2021
Accounts receivable arising from contracts with customers	11,139,685,148.73	12,469,363,548.49
Less: Bad debt provision	20,564,388.62	9,974,696.34
Total	11,119,120,760.11	12,459,388,852.15

(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 2022, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2022			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	0.02	10,263,555,132.43	2,226,378.22	10,261,328,754.21
1-30 days overdue	0.31	713,540,293.51	2,236,844.84	711,303,448.67
31-60 days overdue	3.75	103,786,907.81	3,891,754.82	99,895,152.99
61-90 days overdue	12.66	36,934,282.12	4,674,454.00	32,259,828.12
90-180 days overdue	15.47	16,957,415.00	2,623,838.88	14,333,576.12
More than 180 days overdue	100.00	4,911,117.86	4,911,117.86	-
Total	0.18	11,139,685,148.73	20,564,388.62	11,119,120,760.11

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
90-180 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	-
Total	0.08	12,469,363,548.49	9,974,696.34	12,459,388,852.15

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 2022, the Group's valuation method remains unchanged.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable - continued

(3) Changes in bad debt provisions

Unit: RMB

Category	31/12/2021	Changes for the year			31/12/2022
		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	9,974,696.34	10,116,849.95	-	472,842.33	20,564,388.62

Changes in bad debt provisions for accounts receivable:

Unit: RMB

Provision for credit loss	Lifetime ECL
Balance at 1 January 2022	9,974,696.34
ECL accrued (reversed)	10,116,849.95
Effect of changes in exchange rate	472,842.33
Balance at 31 December 2022	20,564,388.62

(4) There are no accounts receivable that have been actually written off in the year.

(5) Top five accounts receivable at 31 December 2022 categorized by debtor

Unit: RMB

Company name	Relationship with the Company	Book value	Bad debt provision at 31 December 2022	Percentage of the total accounts receivable at 31 December 2022(%)
Company A	Third party	3,112,174,593.60	675,095.29	27.94
Company B	Third party	1,095,142,367.51	237,559.12	9.83
Company C	Third party	730,322,499.75	158,422.11	6.56
Company D	Third party	691,926,318.00	150,093.19	6.21
Company E	Third party	349,740,105.88	75,865.89	3.14
Total		5,979,305,884.74	1,297,035.60	53.68

(6) As of 31 December 2022, there are no accounts receivable that have been terminated for recognition due to the transfer of financial assets

(7) As of 31 December 2022, 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 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Prepayments

(1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	31/12/2022		31/12/2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	62,954,404.18	85.78	51,467,608.39	100.00
1-2 years	10,435,725.27	14.22	-	-
Total	73,390,129.45	100.00	51,467,608.39	100.00

(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 2022(%)
Company F	Third party	9,555,538.35	13.02
Company G	Third party	4,487,866.17	6.12
Company H	Third party	4,028,669.75	5.49
Company I	Third party	2,947,313.77	4.02
Company J	Third party	2,924,180.41	3.98
Total		23,943,568.45	32.63

6. Other receivables

(1) Summary of other receivables

Category	31/12/2022	31/12/2021
Dividends receivable	27,195,000.00	-
Other receivables	109,813,284.72	129,254,194.21
合计	137,008,284.72	129,254,194.21

(2) Dividends receivable

Category	31/12/2022	31/12/2021
SUMA-USI Electronics Co., Ltd.	27,195,000.00	-

(3) Disclosure of other receivables by aging

Unit: RMB

Aging	31/12/2022		
	Amount	Provision for credit loss	Proportion of provision (%)
Within 1 year	109,813,284.72	-	-

(3) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31 December 2022	Book value at 31 December 2021
Advances for third parties	44,945,200.51	78,923,587.52
Service and purchase rebates receivable	39,076,544.54	23,606,656.50
Advance payments for employees	6,849,785.04	5,160,900.36
Performance bond	-	87,000.03
Others	18,941,754.63	21,476,049.80
Total	109,813,284.72	129,254,194.21

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

(4) No allowance for expected credit losses has been made and no allowance for expected credit losses has been rolled back or collected due to the low probability that the Company's other receivables will not be collected.

(5) Top five other receivables at 31 December 2022 categorized by debtor

Unit: RMB

Company name	Nature of the amount	Closing balance	Aging	Proportion of the total other receivables at 31 December 2022(%)	Bad debt provision at 31 December 2022
Company K	Advances	8,403,699.41	Within one year	7.65	-
Company E	Advances	5,719,022.68	Within one year	5.21	-
Company L	Advances	3,062,840.82	Within one year	2.79	-
Company M	Advances	1,891,966.79	Within one year	1.72	-
Company N	Advances	1,388,419.20	Within one year	1.26	-
Total		20,465,948.90		18.63	-

As of 31 December 2022, there were no other receivables related to government grants.

As of 31 December 2022, there were no other receivables derecognized due to the transfer of financial assets.

As of 31 December 2022, 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	31/12/2022			31/12/2021		
	Book value	Provision for decline in value of inventories	Carrying amount	Book value	Provision for decline in value of inventories	Carrying amount
Raw materials	6,591,417,312.15	94,633,307.33	6,496,784,004.82	5,795,831,890.76	65,100,181.38	5,730,731,709.38
Work-in-progress	1,731,962,683.33	-	1,731,962,683.33	1,506,240,181.84	-	1,506,240,181.84
Finished goods	2,649,029,354.35	64,398,711.70	2,584,630,642.65	1,761,692,388.59	42,328,166.09	1,719,364,222.50
Reusable materials	96,516,345.02	-	96,516,345.02	81,226,548.92	-	81,226,548.92
Total	11,068,925,694.85	159,032,019.03	10,909,893,675.82	9,144,991,010.11	107,428,347.47	9,037,562,662.64

(2) Provision for decline in value of inventories

Unit: RMB

Item	31/12/2021	Provision	Decrease in the year		Exchange differences arising on translation of foreign currencies	31/12/2022
			Reversal	Write-off		
Raw materials	65,100,181.38	147,509,999.21	120,100,227.53	5,158,587.29	7,281,941.56	94,633,307.33
Finished goods	42,328,166.09	96,712,435.17	75,104,958.89	149,266.85	612,336.18	64,398,711.70
Total	107,428,347.47	244,222,434.38	195,205,186.42	5,307,854.14	7,894,277.74	159,032,019.03

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Inventories - continued

(2) Provision for decline in value of inventories - continued

Item	Specific determination basis of net realizable value	Reasons for reversal/ provision for decline in value of inventories
Raw materials	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
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	31/12/2022	31/12/2021
Lease receivables	322,815.55	991,195.08

9. Other current assets

Unit: RMB

Item	31/12/2022	31/12/2021
Input taxes to be deducted	282,278,855.44	131,285,700.65
FPC expenses to be amortized	129,461,256.93	150,053,586.17
Tax refunds receivable	125,929,179.23	153,785,608.36
Mold costs to be amortized	28,488,417.12	68,803,773.16
Prepaid income tax	24,922,506.88	94,493,879.13
Others	8,501,117.12	7,969,779.68
Total	599,581,332.72	606,392,327.15

10. Long-term receivables

(1) Long-term receivables

Unit: RMB

Item	31/12/2022	31/12/2021
Lease receivables	193,997.66	920,486.03
Employee borrowings for house purchasing	12,191,896.64	10,243,630.03
Total	12,385,894.30	11,164,116.06

(2) As of 31 December 2022, 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 2022, there were no long-term receivables derecognized due to transfer of financial assets.

(4) As of 31 December 2022, 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 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term equity investments

Unit: RMB

Investee	1/1/2022	Changes for the year								31/12/2022	Impairment provision at 31/12/2022
		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		
I. Joint ventures											
SUMA-USI Electronics Co., Ltd. (Note 1)	114,230,434.68	-	-	23,808,598.30	-	-	(27,195,000.00)	-	-	110,844,032.98	-
MUtek Electronics Co., Ltd. (Note 2)	-	6,622,070.14	-	(634,474.79)	-	-	-	-	42,830.45	6,030,425.80	-
II. Associates											
M-Universe Investments Pte. Ltd. (Note 3)	428,319,383.95	-	-	50,357,124.21	(35,958,792.78)	-	(8,720,087.64)	-	40,135,589.63	474,133,217.37	-
Questyle Audio Technology Co., Ltd. (Note 4)	-	20,000,000.00	-	-	-	-	-	-	-	20,000,000.00	-
Total	542,549,818.63	26,622,070.14	-	73,531,247.72	(35,958,792.78)	-	(35,915,087.64)	-	40,178,420.08	611,007,676.15	-

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 at 31 December 2019, 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. As at 31 December 2022, the dividends declared by SUMA-USI total RMB 27,195,000.00.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term equity investments - continued

Note 2: In April 2022, Universal Global Scientific Industrial Co., Ltd., the Company's wholly-owned subsidiary, established a joint venture, 美鸿电子股份有限公司 ("美鸿电子") with 美律实业股份有限公司 ("美律实业"). Under Joint-Venture Agreement, Universal Global Scientific Industrial Co., Ltd. intends to contribute TWD 191,100,000.00 (RMB 43,338,816.67), with a capital contribution of 49%. As at 31 December 2022, the accumulated capital contribution paid up by Universal Global Scientific Industrial Co., Ltd. totals TWD 29,400,000.00 (RMB 6,622,070.14), with a capital contribution of 49%. It is stipulated in the Joint-Venture Agreement that the financial and operating plans of 美鸿电子 shall be submitted to the Board of Directors of the Company for approval only when a joint resolution by Universal Global Scientific Industrial Co., Ltd. and 美律实业 is achieved. According to the articles of association of 美鸿电子, the board of directors is composed of 4 directors, 2 of whom are appointed by Universal Global Scientific Industrial Co., Ltd.. Therefore, 美鸿电子 is a joint venture of Universal Global Scientific Industrial Co., Ltd., and the Group accounts for it under the equity method.

Note 3: 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 it is converted to an associate accounted for under the equity method.

Note 4: In November 2022, the Company made an additional contribution of RMB 20,000,000.00 to 深圳旷世科技有限公司 ("旷世科技"), to acquire 6.6667% of equity interests of 旷世科技 upon the capital contribution according to the Capital Increase Agreement. As at 29 November 2022, the additional capital contribution has been paid up. According to the Shareholder Agreement of 旷世科技, the board of directors is composed of 3 directors, 1 of which is appointed by the Company, being responsible to develop its annual budget. And resolutions in relation to substantial modifications of corporate accounting policy or fiscal year need to be approved by the majority of the directors attending the board meeting. The meeting of shareholders is allowed to be held when attended by shareholders representing more than a half of the voting rights, involving investors of previous and current rounds. Ordinary resolution requires the approval of shareholders representing more than a half of the voting rights, which mainly includes the approvals of corporate's management principle and investment plan, annual financial budget plan and final accounts plan and plans of profit distribution and losses recovery. Therefore, the Company has significant influence on 旷世科技, which is a joint venture of the Company, and the Group accounts for it under the equity method. The profit or loss for the year is insignificant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Other equity instrument investments

(1) Other equity instrument investments

Unit: RMB

Item	31/12/2022	31/12/2021
TriKnight Capital Corporation	38,420,782.40	75,957,194.28

(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
TriKnight Capital Corporation (Note)	17,034,226.73	(25,235,027.29)	Non-trading equity investments that the Group does not expect to dispose of in the foreseeable future

Note: The Group invested in TriKnight Capital Corporation in 2016, accounting for 5% of the equity interests in the investee.

13. Other non-current financial assets

Unit: RMB

Item	31/12/2022	31/12/2021
PHI FUND, L.P. (Note VIII, 4 and Note XI, 1(1))	100,510,388.15	93,130,696.47
Contingent consideration	-	90,969,658.89
GaN System Inc. (Note VIII, 4)	33,022,365.35	31,878,465.32
Senscomm Semiconductor Co., Ltd. (Note VIII, 4)	24,752,828.36	20,000,000.00
Suzhou Yaotu Equity Investment Partnership (Note VIII, 4 and Note XI, 1(1))	11,840,697.00	1,000,000.00
Total	170,126,278.86	236,978,820.68

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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
I. Original carrying amount							
1. 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
2. Increase in the year	43,028,081.58	391,269,290.80	1,157,509,504.47	938,931.03	109,778,322.20	153,573,415.94	1,856,097,546.02
(1) Purchase	43,028,081.58	-	31,049,477.49	178,542.83	7,358,278.05	-	81,614,379.95
(2) Transfer from construction in progress	-	391,269,290.80	1,126,460,026.98	760,388.20	102,420,044.15	153,573,415.94	1,774,483,166.07
3. Decrease in the year	4,069,554.84	1,742,271.52	404,310,143.91	1,622,365.57	25,616,439.61	-	437,360,775.45
(1) Disposal or retirement	4,069,554.84	1,742,271.52	404,310,143.91	1,622,365.57	25,616,439.61	-	437,360,775.45
4. Exchange differences arising on translation of foreign currencies	1,084,287.95	45,474,998.22	58,125,843.91	111,572.39	12,484,145.90	10,016,050.68	127,296,899.05
5. 31/12/2022	241,526,211.47	1,700,238,721.86	6,708,980,966.33	16,182,833.60	538,537,517.86	286,027,543.69	9,491,493,794.81
II. Accumulated depreciation							
1. 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
2. Increase in the year	-	47,967,610.52	642,169,525.85	1,421,266.29	63,976,747.18	23,683,591.40	779,218,741.24
(1) Provision	-	47,967,610.52	642,169,525.85	1,421,266.29	63,976,747.18	23,683,591.40	779,218,741.24
3. Decrease in the year	-	1,617,785.85	321,943,766.89	1,570,153.27	15,213,334.06	-	340,345,040.07
(1) Disposal or retirement	-	1,617,785.85	321,943,766.89	1,570,153.27	15,213,334.06	-	340,345,040.07
4. Exchange differences arising on translation of foreign currencies	-	5,326,423.30	31,722,488.66	61,946.75	4,577,685.30	1,057,081.42	42,745,625.43
5. 31/12/2022	-	491,421,104.81	4,016,829,552.15	11,851,363.29	328,314,155.16	136,457,518.37	4,984,873,693.78
III. Provision for impairment loss							
1. 31/12/2021	-	-	-	-	-	-	-
2. Increase in the year	-	49,852,343.57	-	-	-	-	49,852,343.57
(1) Provision (Note)	-	49,852,343.57	-	-	-	-	49,852,343.57
3. Decrease in the year	-	-	-	-	-	-	-
(1) Disposal or retirement	-	-	-	-	-	-	-
4. Exchange differences arising on translation of foreign currencies	-	(12,378.84)	-	-	-	-	(12,378.84)
5. 31/12/2022	-	49,839,964.73	-	-	-	-	49,839,964.73
IV. Carrying amount							
1. 31/12/2022	241,526,211.47	1,158,977,652.32	2,692,151,414.18	4,331,470.31	210,223,362.70	149,570,025.32	4,456,780,136.30
2. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Fixed assets - continued

Note: USI Science and Technology (Shenzhen) Co., Ltd. a subsidiary of the Group, has been notified by Nanshan District Government of Shenzhen City that its existing plant and land are included in the "2019 Shenzhen Nanshan District Urban Renewal Unit Plan Fourth Batch Plan" and need to be demolished and rebuilt. Therefore, the Group has set aside RMB 44,090,553.55 for impairment of fixed assets of houses and buildings.

(2) As of 31 December 2022, the Group had no significant temporarily idle fixed asset.

(3) As of 31 December 2022, the Group had no fixed assets of which certificates of title have not been obtained

(4) As of 31 December 2022, the Group had no fixed assets that have been pledged.

15. Construction in progress

(1) Construction in progress

Unit: RMB

Item	31/12/2022			31/12/2021		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Shengxia factory-Chip module production project	6,507,916.38	-	6,507,916.38	179,188,077.68	-	179,188,077.68
Vietnam factory-Wearable device production project	394,121.84	-	394,121.84	6,601,158.52	-	6,601,158.52
Huizhou factory-Electronic product production project	24,302,863.46	-	24,302,863.46	310,085,666.90	-	310,085,666.90
Other construction, decoration and equipment funds	272,227,635.01	-	272,227,635.01	302,140,800.12	-	302,140,800.12
Total	303,432,536.69	-	303,432,536.69	798,015,703.22	-	798,015,703.22

(2) Changes in construction in progress

Unit: RMB

Item name	Budget	31/12/2021	Increase in the year	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	31/12/2022	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	179,188,077.68	119,887,679.57	(290,031,840.87)	(2,536,000.00)	-	6,507,916.38	73%	-	-	-	-
												Self-owned funds /
												Raised funds
												-
Vietnam factory-Wearable device production project	1,400,000,000.00	6,601,158.52	121,621,164.22	(128,199,300.85)	-	371,099.95	394,121.84	45%	-	-	-	Self-owned funds /
												Raised funds
Huizhou factory-Electronic product production project	1,350,000,000.00	310,085,666.90	310,702,531.60	(596,485,335.04)	-	-	24,302,863.46	49%	-	-	-	Self-owned funds /
												Raised funds
Other construction, decoration and equipment funds	N/A	302,140,800.12	736,593,025.63	(759,766,689.31)	(16,712,141.61)	9,972,640.18	272,227,635.01	N/A	-	-	-	Self-owned funds
Total		798,015,703.22	1,288,804,401.02	(1,774,483,166.07)	(19,248,141.61)	10,343,740.13	303,432,536.69					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(3) As of 31 December 2022, the Group had no construction in progress that requires provision for impairment losses.

(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. 31/12/2021	794,529,335.00	1,048,385.04	5,757,618.00	2,348,832.42	803,684,170.46
2. Increase in the year	46,051,093.47	28,031.21	5,115,230.10	325,694.36	51,520,049.14
(1) Increase	46,051,093.47	28,031.21	5,115,230.10	325,694.36	51,520,049.14
3. Decrease in the year	10,811,836.68	87,308.52	794,651.64	268,934.90	11,962,731.74
(1) Disposal or retirement	10,811,836.68	87,308.52	794,651.64	268,934.90	11,962,731.74
4. Exchange differences arising on translation of foreign currencies	4,251,566.66	59,392.00	281,707.77	(26,580.11)	4,566,086.32
5. 31/12/2022	834,020,158.45	1,048,499.73	10,359,904.23	2,379,011.77	847,807,574.18
II. Accumulated depreciation					
1. 31/12/2021	236,975,438.90	666,161.25	2,142,197.52	909,578.56	240,693,376.23
2. Increase in the year	126,479,640.26	240,073.90	2,453,393.58	552,872.68	129,725,980.42
(1) Provision	126,479,640.26	240,073.90	2,453,393.58	552,872.68	129,725,980.42
3. Decrease in the year	4,781,117.11	87,308.52	583,152.68	161,938.39	5,613,516.70
(1) Disposal or retirement	4,781,117.11	87,308.52	583,152.68	161,938.39	5,613,516.70
4. Exchange differences arising on translation of foreign currencies	2,964,400.63	46,077.74	133,491.38	(11,482.07)	3,132,487.68
5. 31/12/2022	361,638,362.68	865,004.37	4,145,929.80	1,289,030.78	367,938,327.63
III. Provision for impairment loss					
31/12/2021 & 31/12/2022	-	-	-	-	-
IV. Carrying amount					
1. 31/12/2022	472,381,795.77	183,495.36	6,213,974.43	1,089,980.99	479,869,246.55
2. 31/12/2021	557,553,896.10	382,223.79	3,615,420.48	1,439,253.86	562,990,794.23

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 2022, the short-term lease expenses included in the profit or loss for the current period and treated under a simplified method is RMB 18,867,022.49 (2021: RMB9,020,463.27), and the cash outflows related to leases are RMB 172,129,856.01 (2021: RMB 145,961,156.97).

The assets leased in shall not be used as collateral for borrowings.

As at 31 December 2022, the Group's short-term lease portfolio was similar to the short and medium-term lease portfolio corresponding to 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 2022, the Group had no leases committed but not yet commenced.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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. 31/12/2021	413,772,854.86	1,911,151.30	413,641.61	126,538,890.11	162,295,674.98	704,932,212.86
2. Increase in the year	35,299,595.37	-	-	-	-	35,299,595.37
(1) Purchase	35,299,595.37	-	-	-	-	35,299,595.37
3. Decrease in the year	70,556.73	-	-	31,412.95	-	101,969.68
(1) Disposal or retirement	70,556.73	-	-	31,412.95	-	101,969.68
4. Exchange differences arising on translation of foreign currencies	8,905,913.32	169,667.36	(3,503.77)	4,291,309.47	4,659,660.83	18,023,047.21
5. 31/12/2022	457,907,806.82	2,080,818.66	410,137.84	130,798,786.63	166,955,335.81	758,152,885.76
II. Accumulated amortization						
1. 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
2. Increase in the year	72,132,522.57	-	-	3,113,767.60	9,961,485.75	85,207,775.92
(1) Provision	72,132,522.57	-	-	3,113,767.60	9,961,485.75	85,207,775.92
3. Decrease in the year	70,556.73	-	-	-	-	70,556.73
(1) Disposal or retirement	70,556.73	-	-	-	-	70,556.73
4. Exchange differences arising on translation of foreign currencies	5,162,828.52	169,667.36	(3,503.77)	314,911.08	795,447.50	6,439,350.69
5. 31/12/2022	303,188,607.33	2,080,818.66	410,137.84	15,790,008.76	21,578,379.03	343,047,951.62
III. Provision for impairment loss						
31/12/2021 & 31/12/2022	-	-	-	-	-	-
IV. Carrying amount						
1. 31/12/2022	154,719,199.49	-	-	115,008,777.87	145,376,956.78	415,104,934.14
2. 31/12/2021	187,809,041.89	-	-	114,177,560.03	151,474,229.20	453,460,831.12

(2) As at 31 December 2022, the Group had no land use right of which the certificate of title was still in progress.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of investee	31/12/2021	Changes for the year		31/12/2022
		Arising from business combination	Exchange differences arising on translation of financial statements denominated in foreign currencies	
USI Poland	26,047,156.12	-	2,405,880.17	28,453,036.29
FAFG	532,974,001.76	-	15,302,144.69	548,276,146.45
Total	559,021,157.88	-	17,708,024.86	576,729,182.74

(2) Impairment provision of goodwill

As of 31 December 2022, there is no impairment provision of goodwill.

(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 four asset groups. As at 31 December 2022, the carrying amount of the goodwill allocated to the four 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	28,453,036.29	-	28,453,036.29
European region—FAFG Europe	183,725,000.17	-	183,725,000.17
China mainland—FAFG China	364,551,146.28	-	364,551,146.28
Total	576,729,182.74	-	576,729,182.74

As at 31 December 2022, 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 7.45%, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022, 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 12.96%, 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 2022, 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 13.40%, 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.

19. Long-term prepaid expenses

Unit: RMB

Item	31/12/2021	Increase in the year	Transfer from construction in progress	Amortization for the year	Translation of financial statements denominated in foreign currencies	31/12/2022
Leased-in plant decoration works	227,576,284.98	4,480,193.16	19,248,141.61	75,146,058.96	(323,229.34)	175,835,331.45

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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	31/12/2022		31/12/2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	208,062,389.07	31,887,923.33	193,821,682.25	42,612,195.77
Provision for credit loss	15,676,029.63	3,497,503.49	13,223,761.97	3,596,532.84
Deferred income	60,443,410.66	9,066,511.61	57,000,065.25	8,550,009.79
Employee benefits payable	351,822,136.42	52,882,512.01	199,308,548.75	30,589,364.52
Defined benefit plans	124,981,766.96	29,645,702.88	223,818,884.41	52,394,385.80
Depreciation differences	3,782,236.82	567,335.52	10,242,956.06	1,536,443.41
Provisions	622,851.27	93,427.69	1,293,497.27	194,024.59
Unrealized profit from intragroup transactions	70,059,384.65	13,081,751.13	63,019,597.45	11,638,477.17
Deductible losses	414,036,219.02	84,693,112.30	270,300,755.99	73,237,594.45
Sales discount	471,651,001.33	84,235,913.19	394,837,081.32	67,996,678.40
Others	248,405,951.20	58,341,445.89	143,546,039.53	31,711,057.16
Total	1,969,543,377.03	367,993,139.04	1,570,412,870.25	324,056,763.90

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	31/12/2022		31/12/2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation differences in research and development equipment tax credits	33,801,264.60	5,070,189.69	-	-
Depreciation differences	-	-	15,127,571.63	4,538,271.49
Fair value adjustment for business combination involving enterprise not under common control	345,346,062.78	87,631,726.67	372,779,957.00	98,179,611.96
Others	13,221,193.18	3,966,357.96	14,075,520.47	4,222,656.14
Total	392,368,520.56	96,668,274.32	401,983,049.10	106,940,539.59

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	31/12/2022		31/12/2021	
	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	(9,036,547.65)	358,956,591.39	(8,760,927.63)	315,295,836.27
Deferred tax liabilities	9,036,547.65	87,631,726.67	8,760,927.63	98,179,611.96

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 2022

(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	31/12/2022	31/12/2021
Deductible temporary differences	8,449,752.28	8,989,736.44
Deductible losses	167,659,979.97	178,137,952.50
Total	176,109,732.25	187,127,688.94

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

Unit: RMB

Year	31/12/2022	31/12/2021
2026	-	30,775,200.93
No time limit	167,659,979.97	147,362,751.57
Total	167,659,979.97	178,137,952.50

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	31/12/2022	31/12/2021
Prepayment for equipment	113,538,490.61	91,927,638.00
Guarantee and deposit	10,487,765.93	11,240,266.61
Prepayment for enterprise income tax	155,287.50	33,173,383.08
Others	430,351.28	474,023.49
Total	124,611,895.32	136,815,311.18

22. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	31/12/2022	31/12/2021
Credit loans	4,499,463,404.21	2,480,500,031.68

As at 31 December 2022, the Group's short-term borrowings are all composed of credit loans with no pledged, mortgaged or guaranteed borrowings.

(2) As at 31 December 2022, the Group has no short-term borrowings overdue but not yet repaid.

23. Derivative financial liabilities

Unit: RMB

Item	31/12/2022	31/12/2021
Financial liabilities at FVTPL	3,118,891.32	976,413.16
Including: Derivative financial assets(Note)	3,118,891.32	976,413.16

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 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Accounts payable

(1) Accounts payable

Unit: RMB

Item	31/12/2022	31/12/2021
Payable for materials	10,295,963,612.28	11,527,517,322.76
Payable for assets	352,221,507.19	577,303,942.61
Expenses payable	408,005,735.96	453,776,977.80
Total	11,056,190,855.43	12,558,598,243.17

(2) As at 31 December 2022, the Group has no significant accounts payable aged more than one year.

25. Contract liabilities

(1) Contract liabilities

Unit: RMB

Item	31/12/2022	31/12/2021
Receipts in advance	411,898,442.43	311,988,551.56

The Group's revenue from sales of goods is recognized when the control over related goods is transferred to the customer. A contract 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 311,988,551.56 at the beginning of the year has been recognized as revenue in the current year, while that of RMB 411,898,442.43 at the end of the year is expected to be recognized as revenue in 2023.

26. Employee benefits payable

(1) Employee benefits payable

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2022
1.Short-term benefits	793,373,097.61	4,102,711,499.11	3,794,392,373.26	4,578,728.21	1,106,270,951.67
2.Post-employment benefits-defined contribution plan	27,115,429.38	233,367,449.19	234,424,620.61	564,280.92	26,622,538.88
3.Long-term employee benefits payable due within one year	10,698,459.49	43,238,547.57	38,194,655.22	(164,264.50)	15,578,087.34
4.Dismission welfare	-	62,807,680.50	49,394,164.50	-	13,413,516.00
Total	831,186,986.48	4,442,125,176.37	4,116,405,813.59	4,978,744.63	1,161,885,093.89

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26. Employee benefits payable - continued

(2) Short-term employee benefits

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2022
1. Wages or salaries, bonuses, allowances and subsidies	730,565,054.01	3,464,475,929.23	3,162,341,461.53	3,709,217.98	1,036,408,739.69
2. Staff welfare	16,935,164.14	300,053,478.89	297,338,206.41	600,648.18	20,251,084.80
3. Social security contributions	41,105,012.84	254,807,198.92	253,645,384.63	135,301.67	42,402,128.80
Including: Medical insurance	32,613,859.25	182,773,300.17	180,980,958.43	162,596.30	34,568,797.29
Work injury insurance	7,153,950.96	48,076,549.06	47,876,174.65	(79,639.49)	7,274,685.88
Maternity insurance	32,173.12	1,814,567.53	1,814,189.68	2,985.07	35,536.04
Overseas comprehensive insurance expenses	1,305,029.51	22,142,782.16	22,974,061.87	49,359.79	523,109.59
4. Housing funds	3,342,240.90	73,259,430.66	70,559,276.78	122,917.32	6,165,312.10
5. Union running costs and employee education cost	1,425,625.72	10,115,461.41	10,508,043.91	10,643.06	1,043,686.28
Total	793,373,097.61	4,102,711,499.11	3,794,392,373.26	4,578,728.21	1,106,270,951.67

(3) Defined contribution plan (Note)

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2022
1. Basic pensions	26,317,315.39	220,035,658.76	220,714,779.13	565,562.35	26,203,757.37
2. Unemployment insurance	798,113.99	13,331,790.43	13,709,841.48	(1,281.43)	418,781.51
Total	27,115,429.38	233,367,449.19	234,424,620.61	564,280.92	26,622,538.88

Note: The Group participates, as required, in the pension insurance and unemployment plan established by Chinese government authorities, Mexican authorities and French authorities. 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 220,035,658.76 and RMB 13,331,790.43 (2021: RMB 192,429,296.31 and RMB 11,525,557.07). As at 31 December 2022, 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 26,203,757.37 and RMB 418,781.51 (31 December 2021: RMB 26,317,315.39 and RMB 798,113.99). The outstanding contributions have been paid after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Taxes payable

Unit: RMB

Item	31/12/2022	31/12/2021
Enterprise income tax	239,183,763.40	162,797,690.95
Withholding of income tax	71,203,696.31	6,774,673.16
VAT	45,323,905.31	42,307,371.96
Surcharges	17,025,179.34	12,844,623.85
Individual income tax	7,935,318.38	5,288,608.50
Stamp duties	7,123,546.41	5,657,760.52
Withholding of VAT and levies	-	499,635.84
Others	295,315.40	2,506,114.97
Total	388,090,724.55	238,676,479.75

28. Other payables

(1) Other payables

Unit: RMB

Item	31/12/2022	31/12/2021
Interest payable	20,270,005.36	9,995,478.63
Other payables	696,662,698.41	413,513,986.88
Total	716,932,703.77	423,509,465.51

(2) Interest payable

Unit: RMB

Item	31/12/2022	31/12/2021
Interest payables of short-term borrowings	14,059,324.30	4,242,576.34
Interest payables of long-term borrowings	482,848.75	2,888,951.29
Interest payables of bonds	5,727,832.31	2,863,951.00
Total	20,270,005.36	9,995,478.63

As at 31 December 2022, the Group has no significant interest payables due.

(3) Other payables by nature

Unit: RMB

Item	31/12/2022	31/12/2021
Collection on behalf of third parties	327,342,648.15	209,375,088.52
Customer deposit	200,960,766.77	-
Professional services fee	45,785,605.37	76,878,779.18
Accrued expenses	53,493,020.82	65,543,584.98
Utilities, storage and transportation costs	25,010,517.18	18,201,801.15
Miscellaneous fees	9,900,940.43	15,962,956.95
Procurement of non-raw materials	1,858,465.18	7,554,988.90
Others	32,310,734.51	19,996,787.20
Total	696,662,698.41	413,513,986.88

As at 31 December 2022, the Group has no significant other payables aged more than one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Non-current liabilities due within one year

Unit: RMB

Item	31/12/2022	31/12/2021
Long-term borrowings due within one year (Note (V). 31)	364,856,884.72	589,495,046.10
Lease liabilities due within one year (Note (V). 33)	141,963,140.51	131,012,735.39
Total	506,820,025.23	720,507,781.49

30. Other current liability

Item	31/12/2022	31/12/2021
Relocation expense of SZ	3,661,569.01	-

31. Long-term borrowings

Details of long-term borrowings

Unit: RMB

Item	31/12/2022	31/12/2021
Credit loans (Note)	424,284,423.60	1,690,715,513.65
Less: Long-term borrowings included in non-current liabilities due within one year (Note (V). 29)	364,856,884.72	589,495,046.10
Total	59,427,538.88	1,101,220,467.55

Note : In October 2022, Universal Scientific Industrial (Shanghai) Co., Ltd., acquired a new bank loan principal of RMB 350,000,000.00. The repayment date is November 2023, and the interest rate is fixed at 2.25%. As at December 31, 2022, the above borrowings were fully included in non-current liabilities due within one year.

In November 2022, FAFG, a subsidiary of the Group, borrowed EUR 10,000,000.00 from the bank, equivalent to RMB 74,284,423.60. The repayment method is EUR 500,000.00 per quarter starting from February 2023, and the final repayment date is November 2027, with the interest rate of 3.9% fixed. As of December 31, 2022, the balance of the above borrowings of EUR 2,000,000.00, equivalent to RMB 14,856,884.72, is included in the non-current liabilities due within one year.

As at 31 December 2022, the Group had no long-term borrowings that were due but not yet repaid.

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	31/12/2022	31/12/2021
Convertible corporate bonds	3,243,085,241.27	3,115,505,143.28

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Bonds payable - continued

(2) Movements in bonds payable

Unit: RMB

Name of bonds	Nominal value	Date of issue	Term	Amount	31/12/2021	Issued in this period	Interest accrued as per nominal value	Amortization of premiums or discounts	Swap to equity	31/12/2021
Universal Global Convertible Bonds (SH:113045)	100	2021/3/4	6 years	3,450,000,000.00	3,115,505,143.28	-	6,313,846.31	133,932,428.47	38,484.17	3,243,085,241.27

(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, with annual coupon rate of 0.1%, 0.2%, 0.6%, 1.3%, 1.8% and 2.0%, respectively for the 1st year, 2nd year, 3rd year, 4th year, 5th year and 6th 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 issue. If such day is a legal holiday or a rest day, it will be postponed to the next trading day, bearing no interest during the postponed period. The convertible bonds in this issue is allowed to swap to equity from the first trading date in the 10th month subsequent to the closing date of this issue (namely 10 March 2021) to the expiry date of convertible bonds. Within five trading days after the expiration of the convertible bonds issued, the company will redeem the convertible bonds not converted into shares at the 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 30 million yuan, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. 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 20.25 yuan / share. According to the resolution of the general meeting of shareholders on April 23, 2021, the company distributed cash dividends to all shareholders, with a cash dividend of RMB 5.00 per 10 shares. Therefore, as of December 31, 2021, the conversion price was adjusted to RMB 19.75/share. In accordance with the resolution of the General Meeting of Shareholders on April 19, 2022, the Company will pay a cash dividend of RMB 2.6 per 10 shares to all shareholders. Therefore, the conversion price is adjusted to RMB 19.49 per share. At the same time, according to the resolution of the General Meeting of shareholders on April 19, 2022, the Company cancellations the 9,296,627 shares purchased in 2019 that have not been used, so the conversion price is adjusted to RMB 19.52 per share. According to the prospectus for the Public Offering of Convertible Bonds of Universal Scientific Industrial (Shanghai) Co., Ltd. the price of convertible bonds to equity should be adjusted due to changes in the total share capital caused by the exercise of stock options of the company. Therefore, as of December 31, 2022, the price of convertible bonds to equity is adjusted to RMB 19.50 yuan 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 133,932,428.47 withdrawn according to the effective interest rate method in the current period.

As of December 31, 2022, the company has accumulated assets with face value of RMB 68,000 (book value of RMB 61,930.55) Convertible bonds are converted into A-share ordinary shares, and the number of shares converted is 3,439 shares. Among them, in 2022, convertible bonds with A face value of RMB 42,000 (book value of RMB 38,484.17) were converted into A-share ordinary shares, and the number of shares converted was 2,129 shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

33. Lease liabilities

(1) Details of lease liabilities

Unit: RMB

Item	31/12/2022	31/12/2021
Lease liabilities	523,688,862.68	606,138,332.63
Less: Lease liabilities included in non-current liabilities due within one year (Note (V). 29)	141,963,140.51	131,012,735.39
Total	381,725,722.17	475,125,597.24

34. Long-term payables

Unit: RMB

Item	31/12/2022	31/12/2021
Software licensing fee (Note)	44,878,564.09	59,328,067.47
Less: Long-term payables due within one year	13,765,268.38	13,747,011.85
Total	31,113,295.71	45,581,055.62

Note: It refers to software licensing fee payable by the Group.

35. Long-term employee benefits payable

(1) Details of long-term employee benefits payable

Unit: RMB

Item	31/12/2022	31/12/2021
1. Post-employment benefits- net liability of defined benefit plans	195,627,020.11	296,461,708.74
2. Termination benefits	3,715,489.91	869,451.40
Total	199,342,510.02	297,331,160.14

(2) Changes in defined benefit plans

Net liability of defined benefit plans

Unit: RMB

Item	2022	2021
I. 31/12/2021	307,160,168.23	347,901,541.73
II. Defined benefits costs recognized in profit or loss for the year	8,415,658.22	2,233,934.44
III. Defined benefits costs recognized in other comprehensive income	(67,885,313.64)	(4,677,068.45)
IV. Amount contributed and paid during the year	(38,194,655.22)	(16,526,112.29)
V. Exchange differences arising on translation of foreign currencies	1,709,249.86	(21,772,127.20)
VI. 31/12/2022	211,205,107.45	307,160,168.23
Less: Long-term employee benefits payable due within one year	15,578,087.34	10,698,459.49
Long-term employee benefits payable paid after one year	195,627,020.11	296,461,708.74

Contents of defined benefit plans and related risks, and its impact over the Group's future cash flows, timing and uncertainty:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

35. Long-term employee benefits payable - continued

(2) Changes in defined benefit plans - continued

UGSI and USI, 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 UGSI and USI 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 UGSI and USI in determining the present value of the defined benefit plan obligations:

	31/12/2022	31/12/2021
Discount rate	1.80%	0.75%
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 UGSI and USI will be decreased by RMB 8,114,633.44 (increased by RMB 8,708,813.03) and RMB472,168.66 (increased by RMB503,011.57), respectively.
- When the future salary growth rate is up (down) 0.5%, the present value of defined benefit plan obligations of UGSI and USI will be increased by RMB 8,627,623.60 (decreased by RMB 8,119,849.52) and RMB 498,249.06 (decreased by RMB 472,622.23), respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

35. 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:

	31/12/2022	31/12/2021
Discount rate	3.75%	0.85%~0.93%
Future salary growth rate	1.5%-2.25 %	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 7,364,505.76 (increased by RMB 8,000,046.14).
- 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 2,291,681.90 (decreased by RMB 2,168,280.61).

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.

36. Provisions

Unit: RMB

Item	31/12/2022	31/12/2021
Products quality warranty	7,350,296.14	10,046,914.77

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

37. Deferred income

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2022	Reason
Government grants	57,989,093.15	22,899,800.00	19,946,114.55	(29,276.95)	60,913,501.65	Note 1
Subsidies for purchase of fixed assets	1,802,849.55	1,020,039.14	597,806.91	56,625.87	2,281,707.65	
Total	59,791,942.70	23,919,839.14	20,543,921.46	27,348.92	63,195,209.30	

Note 1: Items involving government grants:

Unit: RMB

Item	31/12/2021	Increase in the year	Amount recognized in other income of the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2022	Asset-related / Income-related
Technology reform item for ultra-thin communication module deep intelligent production line	24,660,672.84	5,000,000.00	6,235,457.60	-	23,425,215.24	Asset-related
Government grants for the sixth batch of high quality special projects (technological transformation)	13,669,564.91	-	3,036,864.04	-	10,632,700.87	Asset-related
Government grant income from matching funds for key transformation projects for the automation of the production of smart wearable products	11,044,125.00	-	2,445,750.00	-	8,598,375.00	Asset-related
Industrialization technology upgrading project	4,677,324.40	-	4,553,588.05	-	123,736.35	Asset-related
Upgrading subsidies for Poland technology	2,548,517.50	-	1,087,466.87	(29,276.95)	1,431,773.68	Asset-related
Manufacturing technology reform item for high transmission, high density and miniaturized wireless communication module	1,388,888.50	-	1,388,888.50	-	-	Asset-related
Display and touch chip module technology research and development and industrialization projects	-	9,156,800.00	153,194.37	-	9,003,605.63	Asset-related
Huizhou Daya Bay Economic and Technological Development Zone Industry and Trade Development Bureau subsidy income	-	2,233,000.00	390,351.72	-	1,842,648.28	Asset-related
2022 Provincial Special project fund for Intelligent Manufacturing Demonstration Plant	-	5,510,000.00	598,280.63	-	4,911,719.37	Asset-related
Kunshan Bureau of Industry and Information Technology Suzhou Smart Factory government subsidy	-	1,000,000.00	56,272.77	-	943,727.23	Asset-related

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Total	57,989,093.15	22,899,800.00	19,946,114.55	(29,276.95)	60,913,501.65	
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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

38. Other non-current liabilities

Other non-current liabilities refer to guarantee deposits and margins received from suppliers.

39. Share capital

Unit: RMB

	31/12/2021	Changes for the year			31/12/2022
		New issue of shares (Note)	Convertible bond to equity swap (Note 2)	Cancellation of Treasury stock (Note 3)	
Total shares	2,210,172,782.00	5,985,955.00	2,129.00	(9,296,627.00)	2,206,864,239.00

Note 1: In November 2015, the Company implemented the Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. granting qualified employees a certain number of stock options to subscribe for the Company's ordinary shares. In 2022, 755,700 common shares were vested at a price of RMB15.54 per share. In November 2019, the Company implemented the 2019 Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. to grant eligible employees a certain number of stock options to subscribe for shares of the Company's common stock. In 2022, 214,900 and 5,015,355 ordinary shares granted by the Company were exercised at RMB12.67 and RMB12.41 respectively and registered with the Shanghai Branch of China Securities Depositories and Clearing Co., LTD. The total increase in capital stock is RMB 5,985,955.00 and capital reserve is RMB 70,721,020.16.

Note 2: See Note V, 32 for convertible bond to equity swap

Note 3: In accordance with the resolution of the General Meeting of Shareholders on April 19, 2022, the Company cancelled in 2022 the 9,296,627 Treasury shares repurchased in 2019 that have not yet been used.

40. 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
Equity portion of convertible corporate bonds	34,499,740	409,902,116.17	-	-	420	4,990.13	34,499,320	409,897,126.04

Note: Other equity instruments are formed by the equity part of convertible corporate bonds. For the details, see Note (V), 32.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

41. Capital reserve

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	31/12/2022
Share premium	2,059,308,514.03	117,338,100.71	101,214,178.80	2,075,432,435.94
Including: Share capital invested by investors (Note V. (39))	3,090,405,580.17	70,721,020.16	-	3,161,126,600.33
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	72,264,921.91	46,227,642.51	-	118,492,564.42
Treasury shares transferred out (Note (V). 42)	(5,398,532.47)	348,293.28	101,214,178.80	(106,264,417.99)
Exercise of convertible bonds (Note (V). 32)	25,033.02	41,144.76	-	66,177.78
Other capital reserve (Note (V). 49)	183,148,092.19	22,177,000.00	46,227,642.51	159,097,449.68
Total	2,242,456,606.22	139,515,100.71	147,441,821.31	2,234,529,885.62

42. Treasury shares

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	31/12/2022
Employee stock ownership plan	341,236,339.88	120,667,431.78	110,510,805.80	351,392,965.86

Note 1: According to the *Proposal on the Plan to Repurchase the Company's Shares in the Form of Centralized Competitive Bidding* at the 15th Meeting of the Fifth Session of the Board of Directors held on 25 March 2022 and other proposals, from 1 February 2022 to 31 December 2021, the Company repurchased a total of 9,356,317 shares of the Company in the form of centralized competitive bidding, totaling RMB 120,318,665.50. In 2022, 29,300 Treasury shares will be returned to the Group in accordance with the 2020 Employee Stock Ownership Plan (Draft) of Universal Scientific Industrial (Shanghai) Co., Ltd. among which RMB 348,293.28 will be included in the capital reserve, and related taxes and commissions of RMB 473.00 will be paid.

Note 2: In accordance with the resolution of the General Meeting of Shareholders on April 19, 2022, the Company will cancel in 2022 the 9,296,627 Treasury shares purchased in 2019 that have not been used, totaling RMB 110,510,805.80. Of which, RMB 9,296,627.00 is included in capital stock and RMB 101,214,178.80 is included in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

43. Other comprehensive income

Unit: RMB

Item	31/12/2021	Amount incurred in the current year					31/12/2022
		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	(42,832,458.04)	31,955,512.23	-	16,119,248.57	15,832,855.55	3,408.11	(26,999,602.49)
Including: Recalculation of the changes in defined benefit plans	(53,527,232.16)	67,885,313.64	-	16,119,248.57	51,762,656.96	3,408.11	(1,764,575.20)
Fair value changes in other equity instruments investment	10,694,774.12	(35,929,801.41)	-	-	(35,929,801.41)	-	(25,235,027.29)
II. Other comprehensive income that will be reclassified to profit or loss	(40,767,940.91)	179,631,703.77	-	-	179,617,711.98	13,991.79	138,849,771.07
Including: Other comprehensive income that can be reclassified to profit or loss under equity method	21,487,505.10	(35,958,792.78)	-	-	(35,958,792.78)	-	(14,471,287.68)
Exchange differences arising on translation of financial statements denominated in foreign currencies	(100,878,500.20)	104,293,967.37	-	-	104,279,975.58	13,991.79	3,401,475.38
Net investment hedging for overseas operations	38,623,054.19	111,296,529.18	-	-	111,296,529.18	-	149,919,583.37
Total other comprehensive income	(83,600,398.95)	211,587,216.00	-	16,119,248.57	195,450,567.53	17,399.90	111,850,168.58

44. Surplus reserve

Unit: RMB

Item	31/12/2021	Increase in the year	Decrease in the year	31/12/2022
Statutory surplus reserve (Note)	738,004,669.96	124,076,162.30	-	862,080,832.26

Note: According to the Articles of Association, Universal Scientific Industrial (Shanghai) Co., Ltd. is required to transfer 10% of its net profit in 2022 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.

45. Retained profits

Unit: RMB

Item	2022	2021
Retained profits at the end of prior year	7,906,260,771.90	7,342,825,571.69
Add: Net profit attributable to owners of the Company for the year	3,059,967,081.20	1,857,968,074.82
Less: Appropriation to statutory surplus reserve (Note 1)	124,076,162.30	195,394,427.11
Dividends on ordinary shares payable (Note 2)	566,586,796.58	1,099,138,447.50
Retained profits at the end of the year (Note 3)	10,275,564,894.22	7,906,260,771.90

(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 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Retained profits - continued

(2) Profit distribution approved in shareholders' meeting during the year

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, and approved by the Annual General Meeting on 19 April 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.

(3) Profit distribution decided after the balance sheet date

As proposed by the resolution of the Twenty-second Meeting of the Fifth Session of the Board of Directors of the Company held on 31 March 2023, a cash dividend of RMB 4.30 (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

As at 31 December 2022, the balance of the Group's retained profits include appropriation to surplus reserve by subsidiaries amounting to RMB 1,296,513,372.15 (31 December 2021: RMB 1,192,741,399.36).

46. Operating income and operating costs

(1) Details of operating income and operating costs

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Income	Cost	Income	Cost
Principal operating activities	68,470,093,860.59	61,323,766,793.99	55,253,601,963.75	49,978,169,386.77
Other operating activities	45,982,102.67	3,307,737.74	46,052,806.46	3,309,811.07
Total	68,516,075,963.26	61,327,074,531.73	55,299,654,770.21	49,981,479,197.84

(2) Analysis of principal operating income and principal operating costs by product categories:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Communication products	25,520,857,428.25	23,213,641,775.47	20,972,520,125.02	19,565,256,104.60
Consumer electronic products	21,898,114,544.44	19,960,343,272.38	18,513,334,853.39	16,841,688,212.59
Industrial products	8,767,396,642.14	7,350,004,279.64	7,465,088,227.60	6,248,834,131.05
Cloud and storage products	6,989,468,417.07	5,919,995,989.47	4,954,420,787.41	4,230,005,891.17
Automotive electronic products	4,551,947,156.28	4,167,640,175.20	2,642,770,457.32	2,444,720,709.07
Medical products	137,139,250.98	120,908,484.94	190,280,087.36	178,187,735.51
Others	605,170,421.43	591,232,816.89	515,187,425.65	469,476,602.78
Total	68,470,093,860.59	61,323,766,793.99	55,253,601,963.75	49,978,169,386.77

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

46. Operating income and operating costs - continued

(3) Other business income and other business costs:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Other business income	Other business costs	Other business income	Other business costs
Scrap income	39,603,898.97	-	39,880,978.46	-
Others	6,378,203.70	3,307,737.74	6,171,828.00	3,309,811.07
Total	45,982,102.67	3,307,737.74	46,052,806.46	3,309,811.07

(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, cloud 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 sales revenue from domestic sales at the time when the goods are delivered to the warehouse designated by the customer and the customer signs for them on the receipt, while that from export sales is recognized 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 to a location designated by the customer, respectively, according to the specific trading terms agreed in the contract.

47. Taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Stamp duties	23,111,161.47	19,880,734.34
City construction and maintenance tax	13,786,022.43	11,208,526.66
Education surcharges	10,030,738.56	8,532,615.47
Property tax	2,609,568.22	2,937,961.06
Urban land use tax	781,817.57	900,287.63
Others	5,110,619.26	6,357,540.59
Total	55,429,927.51	49,817,665.75

48. Selling expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	255,654,011.92	211,759,131.73
Depreciation and amortization	14,990,838.78	16,027,092.26
Labor costs	9,845,031.41	10,077,652.76
Traveling expenses	6,943,197.17	3,876,257.29
After-sales service fee	6,423,251.42	6,394,645.51
Utilities	2,109,667.22	2,030,392.60
Entertainment expenses	2,010,997.40	1,665,596.94
Commission	727,094.30	1,640,768.47
Royalty fees	36,434.00	31,098,633.03
Others	25,093,339.25	26,910,731.51
Total	323,833,862.87	311,480,902.10

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

49. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	995,101,343.39	726,688,773.52
Labor costs and professional services fee	140,189,347.74	132,225,618.10
Depreciation and amortization	106,547,071.59	110,545,311.91
Renovation costs	26,776,629.63	27,748,073.54
Software costs	24,156,832.67	13,172,412.70
Share-based payments	22,177,000.00	52,875,000.00
Utilities	18,997,396.45	12,473,730.18
Material consumption	14,877,018.63	9,656,422.95
Traveling expenses	12,558,944.40	17,718,452.02
Insurance	8,115,188.86	10,571,950.20
Others	52,352,224.52	55,497,639.65
Total	1,421,848,997.88	1,169,173,384.77

50. Research and development expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	911,057,638.21	761,184,062.01
Material and sample costs	834,966,158.21	601,560,258.30
Depreciation and amortization	113,851,353.98	99,178,889.07
Mold costs	33,643,778.88	44,165,226.63
Utilities	27,167,208.87	21,466,113.30
Labor costs	19,904,668.08	11,803,055.92
Software	17,122,097.78	16,600,013.19
Renovation costs	15,076,582.91	16,097,717.66
Consumables and miscellaneous	13,395,678.45	10,880,322.68
Traveling expenses	3,691,357.13	2,914,798.18
Others	44,585,253.21	55,548,055.67
Total	2,034,461,775.71	1,641,398,512.61

51. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	234,999,925.44	201,328,552.68
Including: Interest expenses on lease liabilities	19,293,314.43	21,624,108.86
Interest expenses on issue of convertible bonds	133,932,428.47	107,851,300.34
Less: Interest income	87,996,958.46	67,779,611.82
Exchange differences	(136,338,140.35)	62,658,120.37
Others	8,200,580.00	7,191,529.39
Total	18,865,406.63	203,398,590.62

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

52. 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	56,144,655.78	50,678,106.85	56,144,655.78

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	5,766,250.00	6,519,680.00	Income-related
2021 Economic grants by Shanghai Head Office	4,180,000.00	4,970,000.00	Income-related
Kunshan City Bureau of Commerce provincial processing trade subsidies	3,991,200.00	-	Income-related
Epidemic prevention subsidy	3,133,500.00	-	Income-related
2022 Pudong financial support and subsidies for safety, business and education of the "14th Five-Year Plan" period	2,686,600.00	-	Income-related
French government grants for science and technology research	2,448,279.86	4,751,654.62	Income-related
Nanshan Bureau of Industry and Information Technology 2021 subsidies for stable industrial growth	2,142,500.00	-	Income-related
One-off training allowance for workers	1,986,505.00	-	Income-related
Job stabilization subsidy	1,258,945.51	-	Income-related
Social security subsidy	1,235,541.62	-	Income-related
Green energy saving renovation project subsidized by Kunshan Industry and Information Technology Bureau	980,000.00	-	Income-related
Foreign trade support subsidy of Shenzhen Municipal Bureau of Commerce	960,700.00	-	Income-related
Special subsidies for industrial energy conservation and contract energy management	729,500.00	-	Income-related
Individual tax service fee refund	668,806.79	664,628.80	Income-related
Skill recognition subsidy	656,950.00	-	Income-related
Subsidy for named class of Kunshan Human Resource Management Service Center	520,000.00	1,562,500.00	Income-related
Kunshan Bureau of Industry and Information Technology Cultivating benchmarking demonstration project subsidy	500,000.00	-	Income-related
Social Security Bureau stabilization subsidy transferred to income	308,799.04	150,811.51	Income-related
Shenzhen government subsidies for commercial and industrial electricity consumption	303,708.89	961,114.00	Income-related
VAT deduction for enterprises employing poor people with established cards	123,750.86	559,180.13	Income-related
R&D Funding for Shenzhen Science and Technology Innovation Enterprise		2,388,000.00	Income-related
2021 Integrated subsidy project for Technical Transformation of Industrial Enterprises in Kunshan		1,350,000.00	Income-related
Subsidy for staying in Kunshan in the Spring Festival by Qiangeng Township Merchants Office Service Center		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
Vocational training awards and subsidies by Kunshan Social Insurance Fund Management Center		791,300.00	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 fund of Shanghai Zhangjiang Science City Construction and Management Office		410,800.00	Income-related
Others	1,617,003.66	5,115,366.46	Income-related
Sub-total	36,198,541.23	32,697,835.52	
Amortization of asset-related government grants (Note (V). 36)	19,946,114.55	17,980,271.33	Asset-related

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Total	56,144,655.78	50,678,106.85	
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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

53. 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	73,531,247.72	22,116,497.85
Investment income from other equity instruments during the hold period	17,034,226.73	14,910,026.14
Investment income of held-for-trading financial assets during the hold period	5,020,325.97	1,208,019.49
Investment income on disposal of held-for-trading financial assets	43,044,223.30	73,489,834.38
Other	-	(45,397.90)
Total	138,630,023.72	111,678,979.96

54. 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	23,949,712.86	15,525,000.00
Including: Gains (losses) from changes in fair values arising from derivative financial assets	23,949,712.86	15,525,000.00
Derivative financial liabilities	(2,317,400.67)	14,031,052.68
Other non-current financial assets	10,206,885.31	15,032,169.92
Total	31,839,197.50	44,588,222.60

55. 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	(10,116,849.95)	(4,542,957.48)
Gains (losses) from bad debts of other receivables	-	2,836,069.00
Total	(10,116,849.95)	(1,706,888.48)

56. 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	(49,017,247.96)	(18,746,153.38)
Impairment loss on fixed assets	(49,852,343.57)	-
Total	(98,869,591.53)	(18,746,153.38)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

57. 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
Gains from disposal of non-current assets	14,057,238.37	5,290,613.92	14,057,238.37
Less: Losses from disposal of non-current assets	5,442,124.77	2,875,916.90	5,442,124.77
Total	8,615,113.60	2,414,697.02	8,615,113.60

58. 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	25,331,702.16	19,628,576.06	25,331,702.16

59. 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	5,890,183.57	11,530,686.66	5,890,183.57
Others	3,050,307.39	1,052,447.42	3,050,307.39
Total	8,940,490.96	12,583,134.08	8,940,490.96

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

60. 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	500,693,610.57	367,358,199.12
Settlement differences in income tax	(21,961,470.70)	(21,432,389.61)
Deferred income taxes	(61,526,690.41)	(63,759,928.76)
Total	417,205,449.46	282,165,880.75

(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	3,477,195,221.25	2,138,858,923.07
Applicable tax rate	15%	15%
Income tax expenses calculated based on applicable tax rate	521,579,283.19	320,828,838.43
Effect of non-deductible cost, expense and loss	1,535,699.03	33,989,887.10
Effect of deemed sales on income taxes	2,481,730.54	3,153,974.75
Effect of non-taxable income	(11,614,249.60)	(615,775.56)
Tax effect of additional deductible expenses	(144,195,037.69)	(109,649,252.29)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current year	3,384,353.42	8,850,428.82
Effect of utilizing deductible temporary differences or deductible loss not recognized for deferred tax assets for prior period	(5,037,046.92)	(7,142.67)
Equity incentive	(1,623,227.59)	6,239,839.26
Settlement differences in income tax	(21,961,470.70)	(21,432,389.61)
Effect of different tax rates applied by subsidiaries	68,733,454.00	30,384,135.90
Effect of changes in income tax rates of subsidiaries on the opening balance of deferred tax assets	4,488,031.20	6,004,696.00
Others	(566,069.42)	4,418,640.62
Income tax expenses	417,205,449.46	282,165,880.75

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

61. 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
Customer deposit	200,960,766.77	-
Advanced payment	151,945,946.64	-
Interest income	94,342,090.81	72,145,391.15
Subsidy income	60,118,380.37	78,607,835.52
Others (Note)	6,745,265.18	22,035,458.20
Total	514,112,449.77	172,788,684.87

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
Other expenses paid	137,350,952.30	472,254,238.69
Payment of customs deposit	6,069,934.90	2,974,159.20
Freight paid	-	156,029,510.00
Total	143,420,887.20	631,257,907.89

(3) Other cash receipts relating to financing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Long-term loan deposit	3,506,097.66	16,721,046.67
Shareholding plan exercise payment	-	22,515,886.36
Total	3,506,097.66	39,236,933.03

(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	120,319,138.50	231,031,506.46
Payment of lease principal and interest	153,262,833.52	136,940,693.70
Others	553,599.25	880,489.51
Total	274,135,571.27	368,852,689.67

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

62. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2022	2021
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,059,989,771.79	1,856,693,042.32
Add: Losses (gains) on impairment of assets	98,869,591.53	18,746,153.38
Gains on impairment of credit	10,116,849.95	1,706,888.48
Depreciation of fixed assets	779,218,741.24	743,998,618.03
Depreciation of right-of-use assets	129,725,980.42	126,034,558.52
Amortization of intangible assets	85,207,775.92	102,807,442.51
Amortization of long-term prepaid expenses	75,146,058.96	94,475,344.98
Amortization of deferred income	(20,543,921.46)	(18,737,804.93)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(8,615,113.60)	(2,414,697.02)
Losses on retirement of fixed assets	5,890,183.57	11,530,686.66
Losses (gains) on changes in fair values	(31,839,197.50)	(44,588,222.60)
Financial expenses (income)	158,347,264.83	263,986,673.05
Gains arising from investments	(138,630,023.72)	(111,678,979.96)
Share-based payments settled by equity	22,177,000.00	52,875,000.00
Decrease (increase) in deferred tax assets	(53,431,234.36)	(18,286,336.11)
Increase in deferred tax liabilities	(8,095,456.05)	(34,306,686.56)
Decrease (increase) in inventories	(1,929,242,538.88)	(2,203,751,438.05)
Decrease (increase) in receivables from operating activities	1,634,270,188.99	(2,319,617,462.56)
Increase (decrease) in payables from operating activities	(433,365,666.13)	378,080,240.96
Net cash flow from operating activities	3,435,196,255.50	(1,102,446,978.90)
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Acquisition of long-term assets with debt	403,741,556.33	601,020,573.06
3. Net changes in cash and cash equivalents:		
Closing balance of cash	7,678,044,104.00	6,018,193,116.59
Less: Opening balance of cash	6,018,193,116.59	6,303,224,304.50
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	1,659,850,987.41	(285,031,187.91)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

62. Supplementary information to the cash flow statement - continued

(2) Composition of cash and cash equivalents

Unit: RMB

Item	31/12/2022	31/12/2021
I. Cash	7,678,044,104.00	6,018,193,116.59
Including: Cash on hand	271,737.56	126,530.08
Bank deposits that can be readily withdrawn on demand	7,677,772,366.44	6,018,066,586.51
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	7,678,044,104.00	6,018,193,116.59

63. Assets with limited ownership or use right

Unit: RMB

Item	Closing balance of carrying amount	Reasons for the restrictions
Other cash and bank balances	14,757,734.50	Customs deposit
Other cash and bank balances	2,214,334.90	Foreign exchange deposit
Total	16,972,069.40	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. 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	35,089,612.85	1.0000	35,089,612.85
USD	263,251,215.38	6.9646	1,833,439,414.64
EUR	3,812,691.68	7.4284	28,322,198.88
HKD	2,285,129.22	0.8933	2,041,305.93
JPY	188,886,526.00	0.0524	9,897,653.96
GBP	69,667.64	8.3941	584,797.14
MXN	34,474,779.03	0.3597	12,400,578.02
SGD	15,173.92	5.1831	78,647.94
CZK	1,516,948.14	0.3080	467,220.03
TND	4,132,194.76	2.2430	9,268,512.85
VND	54,843,591,825.00	0.0003	16,453,077.55
Accounts receivable			
Including: USD	1,118,495,267.00	6.9646	7,789,872,136.55
EUR	5,569,253.10	7.4284	41,370,639.73
Other receivables			
Including: USD	1,315,667.15	6.9646	9,163,095.43
EUR	152,943.03	7.4284	1,136,122.00
MXN	16,261,435.24	0.3597	5,849,238.26
VND	2,319,723,905.00	0.0003	695,917.17
Short-term borrowings			
Including: USD	94,007,492.35	6.9646	654,724,581.22
EUR	373,500,000.00	7.4284	2,774,507,400.00
Accounts payable			
Including: USD	963,925,070.00	6.9646	6,713,352,542.51
EUR	3,952,630.24	7.4284	29,361,718.47
HKD	1,012,802.40	0.8933	904,736.38
JPY	8,218,624,603.27	0.0524	430,655,929.21
MXN	140,956,739.28	0.3597	50,702,139.12
VND	18,860,394,636.00	0.0003	5,658,118.39
Other payables			
Including: USD	43,184,792.84	6.9646	300,764,808.21
EUR	1,279,489.34	7.4284	9,504,558.61
HKD	162,721.00	0.8933	145,358.67
MXN	17,228,837.73	0.3597	6,197,212.93
VND	2,697,926,390.00	0.0003	809,377.92

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. Foreign currency monetary items - continued

(2) Description of overseas operating entities

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
Universal Global Scientific Industrial Co., Ltd.	Taiwan	TWD	Currency in major economic environment
Universal Scientific Industrial Co., Ltd	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
Universal Scientific Industrial Vietnam Company Limited	Vietnam	USD	Major currencies used in operating activities
ASTEELFLASH (BEDFORD) LIMITED	England	GBP	Currency in major economic environment
ASTEELFLASH FRANCE	French	EUR	Currency in major economic environment
ASTEELFLASH TUNISIE S.A.	Tunisia	EUR	Currency in major economic environment
ASTEELFLASH MEXICO S.A. de C.V.	Mexico	USD	Major currencies used in operating and financing activities
ASTEELFLASH GERMANY GmbH	Germany	EUR	Currency in major economic environment
ASTEELFLASH PLZEN S.R.O.	Czech Republic	EUR	Currency in major economic environment
ASTEELFLASH TECHNOLOGIE	French	EUR	Currency in major economic environment
ASTEELFLASH BRETAGNE	French	EUR	Currency in major economic environment
ASTEELFLASH HERSFELD GmbH	Germany	EUR	Currency in major economic environment
ASTEELFLASH EBERBACH GmbH	Germany	EUR	Currency in major economic environment
ASTEELFLASH BONN GmbH	Germany	EUR	Currency in major economic environment
ASTEELFLASH DESIGN SOLUTIONS HAMBOURG GmbH	Germany	EUR	Currency in major economic environment
ASTEELFLASH USA CORP.	USA	USD	Currency in major economic environment

65. 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 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 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 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

65. Hedge - continued

Hedging instrument

A summary of hedging instrument:

Unit: EUR

		31/12/2022		
Hedging instrument		Within 6 months	6 to 12 months	After 12 months
Hedges for net investment in foreign operations (Note (V). 22 and 31)				
Foreign exchange risk - Short-term borrowings in EUR	Nominal amount	272,500,000.00	-	-

Unit: RMB

	31/12/2022	31/12/2022		Items presented for assets and liabilities that include hedging instruments	2022
	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 borrowines in EUR	2,024,250,543.10	-	2,024,250,543.10	Short-term borrowings	-

Details of hedged items:

Unit: RMB

Unit: RMB					
	Carrying amount of hedged items at 31/12/2022		Items presented for assets and liabilities that include hedged instruments	Changes in fair value of the invalid part of hedged items in 2022	Hedge reserve for net investment in foreign operations at 31/12/2022
	Assets	Liabilities			
Hedges for net investment in foreign operations					
Foreign exchange risk - Long-term equity investment	2,024,250,543.10	-	The Group's net investment in FAFG's foreign operations	-	149,919,583.37

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

65. Hedge - continued

Hedge effect

Unit: RMB

Hedges for net investment in foreign operations	2022	2022	Items listed in the income statement including invalid part of hedge recognized	Amount reclassified from hedge reserves for net investment in foreign operations to profit or loss for the current period in 2022	Items listed in the income statement including reclassification adjustment
	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			
Foreign exchange risk -Short-term borrowings in EUR	111,296,529.18	-	N/A	N/A	N/A

(VI) 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	No.501 Long Gui Road, China (Shanghai) Pilot Free Trade Zone	Production and sales, product design and research development	100	-	Acquisition through establishment
Universal Global Technology (Kunshan) Co., Ltd.	Kunshan	No.497 Huangpu Road, Qiandeng Town, Kunshan City, Jiangsu Province	Production and sales	100	-	Acquisition through establishment
Universal Global Scientific Industrial Co., Ltd	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
Universal Scientific Industrial Co., Ltd	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 A, 7th Floor, Yuen Long Hi-Tech Centre, No. 11 Wang Yip Street West, Yuen Long, New Territories, Hong Kong	Trade and investment	100	-	Acquisition through establishment
Universal Global Industrial 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
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 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 No. 656 Jardines de Santa Isabel CP44300, 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 2022

(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	No.369 Xinhe 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 Podgórze 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 Science and Technology (Shenzhen) 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
Asteelflash Suzhou Co., Ltd.	Suzhou	8 Gutang Road, Wujiang Economic and Technological Development Zone	Production and sales		100	Acquisition through business combinations not involving enterprises under common control

(2) The Group has no significant non-wholly subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(VII) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures or associates

(1) Significant associates or joint ventures

Name of associate or joint venture	Principal operating place	Registered place	Business nature	Shareholding proportion (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
I. Joint venture						
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
MUtek Electronics	Taiwan	15th Floor, No. 205-1, Section 3, Fuxing Li Beixin Road, Xindian District, New Taipei City	Production and sales	-	49.00	Equity method
II. Associate						
M-Universe	Singapore	1 Marina Boulevard #28-00, Singapore	Production and sales	-	42.23	Equity method
Questyle Audio Technology Co., Ltd.	Shenzhen	13A, Tairan Yunsong Building, Northwest junction of Binhe Avenue and Tairan Ninth Road, Shatou Street, Futian District, Shenzhen	Production and sales, product design and research development	-	6.67	Equity method

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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	
	31/12/2022/Amount incurred in the current year	31/12/2021/Amount incurred in the prior year
Current assets	790,548,093.30	639,944,748.59
Including: Cash and cash equivalent	86,025,210.97	96,396,102.06
Non-current assets	14,105,184.52	14,238,749.45
Total assets	804,653,277.82	654,183,498.04
Current liabilities	578,360,965.62	421,010,161.96
Non-current liabilities	80,000.00	50,000.00
Total liabilities	578,440,965.62	421,060,161.96
Total shareholders' equity	226,212,312.20	233,123,336.08
Share of net assets calculated based on shareholding proportion	110,844,032.98	114,230,434.68
Carrying amount of equity investments in joint ventures	110,844,032.98	114,230,434.68
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Operating income	809,858,753.74	424,530,768.25
Income tax expenses	3,599,412.04	3,758,368.69
Net profit	48,588,976.14	12,699,586.09
Total comprehensive income	48,588,976.14	12,699,586.09
Dividends declared from joint ventures in the current period (Note (V). 11)	27,195,000.00	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(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	
	31/12/2022/Amount incurred in the current year	31/12/2021/Amount incurred in the prior year
Current assets	1,125,514,183.00	986,288,911.50
Including: Cash and cash equivalent	183,419,705.60	148,547,434.30
Non-current assets	505,757,960.45	484,452,265.86
Total assets	1,631,272,143.45	1,470,741,177.36
Current liabilities	455,094,822.40	401,547,961.70
Non-current liabilities	51,897,871.25	52,746,166.10
Total liabilities	506,992,693.65	454,294,127.80
Minority interests	1,539,176.60	2,193,240.80
Equity attributable to shareholders of the Company	1,122,740,273.20	1,014,253,808.76
Share of net assets calculated based on shareholding proportion	474,133,217.37	428,319,383.95
Carrying amount of equity investments in associates	474,133,217.37	428,319,383.95
Fair value of equity investments in associates where there is quoted price	N/A	N/A
Operating income	1,414,915,124.78	1,341,385,113.60
Net profit attributable to owners of the Company	119,244,906.96	37,636,042.32
Other comprehensive income attributable to owners of the Company, net of tax	(85,149,876.34)	17,120,834.81
Total comprehensive income attributable to owners of the Company	34,095,030.62	54,756,877.13
Dividends declared from associates in the current period (Note (V). 11)	8,720,087.64	8,521,365.60

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(VII) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures or associates - continued

(4) Summary financial information of insignificant joint ventures and associates

Unit: RMB	
	31/12/2022/Amount incurred in the current year
Joint ventures: MUtek Electronics	
Total book value of investment	6,030,425.80
The sum of the following items in proportion to their shareholding	(1,294,846.51)
Net profit	(1,294,846.51)
Other comprehensive income	-
Total comprehensive income	(1,294,846.51)
Associates: Questyle Audio Technology Co., Ltd.	
Total book value of investment	20,000,000.00
The sum of the following items in proportion to their shareholding	-
Net profit	-
Other comprehensive income	-
Total comprehensive income	-

(5) There is no significant limitations over the ability of joint ventures or associates to transfer funds to the Group.

(6) According to the Joint Investment Contract signed by UGSI and Meilu Industry, UGSI intends to contribute TWD 191,100,000.00, but actually contributes TWD 29,400,000.00, which the contribution not yet paid in full is TWD 161,700,000.00, equivalent to RMB 36,671,306.41 (Note (XI). 1).

(7) The Group has no contingent liabilities relating to investments in joint ventures and associates.

(VII) 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, other current assets, non-current assets due within one year, long-term receivables, other equity instrument investment, other non-current financial assets, other non-current assets, derivative financial liabilities, borrowings, accounts payable, other payables, non-current liabilities due within one year, 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 2022**(VII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

Unit: RMB

	31/12/2022	31/12/2021
Financial assets		
At FVTPL		
Held-for-trading financial assets	271,243,519.53	96,480,087.56
Other non-current financial assets	170,126,278.86	236,978,820.68
Subtotal	441,369,798.39	333,458,908.24
At FVTOCI		
Other equity instrument investment	38,420,782.40	75,957,194.28
Subtotal	38,420,782.40	75,957,194.28
Measured at amortized cost		
Cash and bank balances	7,695,016,173.40	6,034,204,042.25
Notes receivable	45,627,553.57	78,960,907.84
Accounts receivable	11,119,120,760.11	12,459,388,852.15
Other receivables	137,008,284.72	124,093,293.85
Non-current assets due within one year	322,815.55	991,195.08
Long-term receivables	12,385,894.30	11,164,116.06
Other non-current assets	10,487,765.93	11,240,266.61
Subtotal	19,019,969,247.58	18,873,828,282.20
Total financial assets	19,499,759,828.37	19,283,244,384.72
Financial liabilities		
At FVTPL		
Derivative financial liabilities	3,118,891.32	976,413.16
Measured at amortized cost		
Short-term borrowings	4,499,463,404.21	2,480,500,031.68
Accounts payable	11,056,190,855.43	12,558,598,243.17
Other payables	624,898,695.64	397,047,553.23
Non-current liabilities due within one year	364,856,884.72	720,507,781.49
Long-term borrowings	59,427,538.88	1,101,220,467.55
Bonds payable	3,243,085,241.27	3,115,505,143.28
Long-term payables	31,113,295.71	45,581,055.62
Other non-current liabilities	3,692,335.61	5,642,575.13
Subtotal	19,882,728,251.47	20,899,728,448.39
Total financial liabilities	19,885,847,142.79	20,900,704,861.55

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(VII) 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 2022 and 31 December 2021, 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	31/12/2022	31/12/2021
USD		
Cash and bank balances	1,833,439	1,251,361
Accounts receivable	7,789,872	9,795,263
Other receivables	9,163	13,493
Short-term borrowings	(654,725)	(474,445)
Accounts payable	(6,713,353)	(8,804,017)
Other payables	(300,765)	(163,013)
Subtotal	1,963,631	1,618,642

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(VII) 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	31/12/2022	31/12/2021
EUR		
Cash and bank balances	28,322	7,953
Accounts receivable	41,371	16,464
Other receivables	1,136	367
Short-term borrowings	(2,774,507)	(1,249,250)
Accounts payable	(29,362)	(29,462)
Other payables	(9,505)	(37)
Long-term borrowings	-	(1,101,220)
Subtotal	(2,742,545)	(2,355,185)

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	2022		2021	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% appreciation against RMB	23,540	23,540	(13,736)	(13,736)
USD	5% depreciation against RMB	(23,540)	(23,540)	13,736	13,736
USD	5% appreciation against TWD	71,810	71,810	122,196	122,196
USD	5% depreciation against TWD	(71,810)	(71,810)	(122,196)	(122,196)
USD	5% appreciation against EUR	938	938	(21,539)	(21,539)
USD	5% depreciation against EUR	(938)	(938)	21,539	21,539
USD	5% appreciation against PLN	1,366	1,366	(380)	(23)
USD	5% depreciation against PLN	(1,366)	(1,366)	380	23
EUR	5% appreciation against RMB	(276)	(276)	(23)	(117,802)
EUR	5% depreciation against RMB	276	276	23	117,802
EUR	5% appreciation against TWD	(37,935)	(37,935)	(117,802)	284
EUR	5% depreciation against TWD	37,935	37,935	117,802	(284)
EUR	5% appreciation against USD	865	865	284	(13,736)
EUR	5% depreciation against USD	(865)	(865)	(284)	13,736
EUR	5% appreciation against PLN	23,540	23,540	(13,736)	(13,736)
EUR	5% depreciation against PLN	(23,540)	(23,540)	13,736	13,736

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 & 31 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 2022

(VII) 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	2022		2021	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Financial instruments at floating interest rate	1% appreciation	(16,908)	(16,908)	(13,465)	(13,465)
Financial instruments at floating interest rate	1% depreciation	16,908	16,908	13,465	13,465

1.1.3. *Other price risk*

The price risk of the group mainly arises from 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.

30.2 *Credit risk*

As at 31 December 2022, 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), other receivables (Note (V). 6), non-current assets due within one year (Note (V). 8), other current assets (Note (V). 9), long-term receivables (Note (V). 10), 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 December 31, 2022, the balance of bank acceptance bills held by the group was RMB45,627,553.57, 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 2022, the balance of accounts receivable of the Group's top 5 customers was RMB 5,979,305,884.74 (31 December 2021: RMB 7,045,433,457.45), accounting for 53.68% (31 December 2021: 56.50%) 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 2022

(VII) 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.

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	4,531,745,774.28	-	-	4,531,745,774.28
Accounts payable	11,056,190,855.43	-	-	11,056,190,855.43
Other payables	624,898,695.64	-	-	624,898,695.64
Long-term borrowings	374,924,442.37	70,822,769.46	-	445,747,211.83
Long-term payables	14,378,531.00	25,764,075.16	6,441,018.79	46,583,624.95
Bonds payable	6,899,864.00	3,784,575,404.00	-	3,791,475,268.00
Lease liabilities	146,788,462.63	339,833,985.72	67,277,656.29	553,900,104.64
Other current liabilities	3,661,569.01	-	-	3,661,569.01
Other non-current liabilities	-	3,692,335.61	-	3,692,335.61
Derivative financial liabilities	3,118,891.32	-	-	3,118,891.32

(VIII) 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
I. Continuous fair value measurement				
(I) Financial assets at FVTPL				
1. Derivative financial assets	-	36,058,485.60	-	36,058,485.60
2. Fund investment	-	-	112,351,085.15	112,351,085.15
3. Accounts receivable factoring	-	-	135,812,841.71	135,812,841.71
4. Equity instrument investment	-	-	57,775,193.71	57,775,193.71
5. Contingent consideration	-	-	99,372,192.22	99,372,192.22
(II) Financial assets at FVTOCI				
1. Equity instrument investments	-	-	38,420,782.40	38,420,782.40
Total assets continuously measured at fair value	-	36,058,485.60	443,732,095.19	479,790,580.79
(III) Derivative financial liabilities				
1. Financial liabilities at FVTPL	-	3,118,891.32	-	3,118,891.32

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 2022

(VIII) 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 2022	Valuation technique	Inputs
Derivative financial assets (Note (V). 2)	36,058,485.60	Method of discounted cash flow analysis	Forward exchange rate
Derivative financial liabilities (Note (V). 23)	3,118,891.32	Method of discounted cash flow analysis	Forward exchange rate

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 2022	Valuation technique	Significant unobservable inputs
Accounts receivable factoring (Note (V). 2)	135,812,841.71	Method of discounted cash flow analysis	Discount rate reflecting credit risk of counterparties
Contingent consideration (Note (V). 2)	99,372,192.22	Monte-Carlo analogy method	Net interest rate
Fund investment (Note (V). 13)	112,351,085.15	Market approach	Liquidity discount
Equity instrument investments (Note (V). 12 & 13)	96,195,976.11	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 2022	Recognized in profit or loss	Recognized in other comprehensive income	Translation of financial statements denominated in foreign currencies	Purchase /Increase	Settlement	31 December 2022	Changes in unrealized gains or losses for assets held at the end of the reporting period
(I) Financial assets at FVTPL								
1. Financial products	-	28,337,773.05	-	-	5,035,000,000.00	5,063,337,773.05	-	-
2. Accounts receivable factoring	87,238,983.18	-	-	4,642,559.87	983,897,925.66	939,966,627.00	135,812,841.71	-
3. Fund investment	94,130,696.47	7,331,210.21	-	9,702,703.37	37,169,261.04	35,982,785.94	112,351,085.15	2,310,884.24
4. Equity instrument investment	51,878,465.32	2,963,517.43	-	2,933,210.96	-	-	57,775,193.71	2,963,517.43
5. Contingent consideration	90,969,658.89	4,932,483.64	-	3,470,049.69	-	-	99,372,192.22	4,932,483.64
6. Convertible bond option	8,624,935.00	(8,624,935.00)	-	-	-	-	-	(8,624,935.00)
(II) Financial assets at FVTOCI								
Other equity instrument	75,957,194.28	17,034,226.73	(35,929,801.41)	(1,606,610.47)	-	17,034,226.73	38,420,782.40	-

6. There are no changes in valuation techniques in the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII) 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.

(IX) 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	76.30	77.18

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 (VI). 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 (VI). 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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
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 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
ASE Advanced Semiconductor (Shanghai) Limited (Note)	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
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
Jian Memtech Precision Electronic Co., Ltd.	Subsidiary of an associate

Note: In 2021, ASE Investment Holdings Co., LTD., the Company's ultimate holding company, sold all of its shares in ASE Advanced Semiconductor (Shanghai) Limited and ASE (KunShan) Inc. to an independent third party.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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
ASE Electronics Inc.	Purchase of materials	97,972,675.19	35,395,020.12
Memtech Development (H.K.) Co., Limited	Purchase of materials	47,620,077.85	33,805,960.04
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	43,581,619.52	44,964,569.02
Dongguan Memtech Electronics Co., Ltd.	Purchase of materials	32,882,673.95	21,142,669.59
Nantong Memtech Technologies Co., Ltd.	Purchase of materials	1,508,030.70	1,244,612.87
DECELECT SAINT VIT	Purchase of materials	962,465.31	1,419,113.28
SUMA-USI Electronics Co., Ltd. ,	Purchase of materials	631,478.90	329,035.08
Jian Memtech Precision Electronic Co., Ltd.	Purchase of materials	284,858.86	-
ASE Inc.	Purchase of materials	191,922.60	887,380.86
Siliconware Precision Industries Co., Ltd	Purchase of materials	182,526.08	2,396,432.75
ASE Advanced Semiconductor (Shanghai) Limited	Purchase of materials	-	567,548.09
ASE KOREA, Inc.	Purchase of materials	-	185,560.55
DECELECT SOISSONS	Purchase of materials	-	162,939.14
Total		225,818,328.96	142,500,841.39
ASE Inc.	Receipt of services	1,378,101,275.00	1,485,559,571.92
ASE (Shanghai) Inc.	Receipt of services	37,378,276.83	38,163,009.12
Siliconware Precision Industries Co., Ltd.	Receipt of services	19,736,988.58	-
USI Inc.	Receipt of services	14,893,753.64	15,146,692.07
USI Enterprise Limited	Receipt of services	4,077,439.51	3,450,020.58
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	Receipt of services	1,899,206.09	1,953,179.19
ASE Marketing & Service Japan Co., Ltd.	Receipt of services	738,817.20	846,602.40
Taitech Precision Electronic (Kunshan) Co., Ltd.	Receipt of services	70,877.96	17,500.00
SUMA-USI Electronics Co., Ltd. ,	Receipt of services	45,928.00	61,627.40
Dongguan Memtech Electronics Co., Ltd.	Receipt of services	33,300.00	13,613.15
ASE (US) Inc.	Receipt of services	18,654.08	106,965.60
ASE (KunShan) Inc.	Receipt of services	-	36,299,124.27
ASDI Assistance Direction	Receipt of services	-	1,976,673.00
ASE KOREA, Inc.	Receipt of services	-	1,133,819.86
Memtech Development (H.K.) Co., Limited	Receipt of services	-	23,377.92
Total		1,456,994,516.89	1,584,751,776.48

The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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	5,032,944.09	6,524,003.25
SUMA-USI Electronics Co., Ltd. ,	Sales of goods	801,777.06	107,841.18
DECELECT SOISSONS	Sales of goods	746,217.18	25,590.38
Total		6,580,938.33	6,657,434.81
ASE Inc.	Provision of services	1,976,377.18	4,186,289.70
ISE labs, China. Ltd.	Provision of services	1,048,388.07	611,327.88
SUMA-USI Electronics Co., Ltd. ,	Provision of services	365,458.00	603,545.70
Taitech Precision Electronic (Kunshan) Co., Ltd.	Provision of services	-	276,588.89
ASE Advanced Semiconductor (Shanghai) Limited	Provision of services	-	4,500.00
Total		3,390,223.25	5,682,252.17

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	3,537,429.24	3,597,504.88
ISE Labs, Inc.	Leasing of business premises	938,891.46	-
Wuxi Tongzhi Microelectronics Co.,Ltd.	Machinery and equipment	33,186.96	-
ISE labs, China. Ltd.	Machinery and equipment	-	200,510.00
ASE Advanced Semiconductor (Shanghai) Limited	Machinery and equipment	-	105,000.00
Total		4,509,507.66	3,903,014.88

The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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	-	3,080,155.98	-
Advanced Semiconductor Engineering (China) Ltd.	Leasing of business premises	-	1,360,700.68	36,487.02
USI Inc.	Leasing of business premises	-	2,490,668.71	-
ISE Labs, Inc.	Leasing of business premises	-	10,052.26	15.32
Total		-	6,941,577.63	36,502.34

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	-	3,668,609.46	-
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
Total		-	13,242,391.39	65,959.95

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 Electronics Co., Ltd. ,	Machinery and equipment	-	32,312.09
ASE (KunShan) Inc.	Machinery and equipment	-	24,162.60
Total		-	514,906.84

The related party rent paid by the Group for the current period is RMB 63,934,778.55. The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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
ISE labs, China. Ltd.	Sales of fixed assets	46,507,299.26	10,071,875.88
ASE Test Inc.	Sales of fixed assets	-	12,545,380.16
ASE Inc.	Sales of fixed assets	-	3,478,999.00
ASE Advanced Semiconductor (Shanghai) Limited	Sales of fixed assets	-	21,740.65
Total		46,507,299.26	26,117,995.69
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of fixed assets	2,225,983.40	-
Advanced Semiconductor Engineering (China) Ltd.	Purchase of fixed assets	697,841.37	-
Dongguan Memtech Electronic Product Co., Ltd.	Purchase of fixed assets	275,840.20	-
Shanghai Youhong Electronic Engineering Technology Consulting Co., Ltd.	Purchase of fixed assets	-	505,387.14
Total		3,199,664.97	26,623,382.83

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	89,992,084.14	80,914,020.40
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	807,565.60	869,753.10
Total		90,799,649.74	81,783,773.50

(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	33,842,802.87	30,519,010.96

6. Amounts due from / to related parties

(1) Amounts due from related parties

Unit: RMB

Item	Related party	31/12/2022		31/12/2021	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	ASE Inc.	1,105,963.97	-	1,158,180.69	-
Accounts receivable	DECELECT SOISSONS	256,983.70	-	-	-
Accounts receivable	ISE Labs, Inc.	156,203.13	-	-	-
Accounts receivable	SUMA-USI Electronics Co., Ltd. ,	65,915.83	-	160,167.11	-
Total		1,585,066.63	-	1,318,347.80	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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	31/12/2022		31/12/2021	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables	ASE Inc.	467,694.55	-	1,144,700.73	-
Other receivables	ISE labs, China. Ltd.	217,389.11	-	192,606.48	-
Other receivables	USI Inc.	26,583.86	-	55,570.86	-
Total		711,667.52	-	1,392,878.07	-

Unit: RMB

Item	Related party	31/12/2022		31/12/2021	
		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.	23,643.98	-	21,644.74	-
Total		1,436,606.96	-	1,434,607.72	-

(2) Amounts due to related parties

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Accounts payable	ASE Inc.	378,720,024.57	340,399,410.06
Accounts payable	Taitech Precision Electronic (Kunshan) Co., Ltd.	24,064,742.13	27,560,169.90
Accounts payable	Memtech Development (H.K.) Co., Limited	17,830,266.60	15,169,729.44
Accounts payable	USI Inc.	11,535,713.72	11,616,822.99
Accounts payable	Dongguan Memtech Electronic Product Co., Ltd.	11,371,236.29	9,476,508.78
Accounts payable	ASE Electronics Inc.	9,680,346.48	10,591,402.08
Accounts payable	Siliconware Precision Industries Co., Ltd.	4,126,324.34	6,694.49
Accounts payable	Nantong Memtech Technologies Co., Ltd.	578,807.02	164,619.78
Accounts payable	USI Enterprise Limited	343,925.43	288,607.33
Accounts payable	DECELECT SAINT VIT	190,493.86	59,874.12
Accounts payable	SUMA-USI Electronics Co., Ltd. ,	48,683.68	320,185.81
Accounts payable	Jian Memtech Precision Electronic Co., Ltd.	43,875.68	-
Accounts payable	ASE (US) Inc.	18,728.45	-
Accounts payable	DECELECT SOISSONS	9,582.69	56,411.81
Accounts payable	ASDI Assistance Direction	-	86,739.49
Total		458,562,750.94	415,797,176.08

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(IX) 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	31/12/2022	31/12/2021
Other payables	ASE (Shanghai) Inc.	5,154,066.18	3,898,185.67
Other payables	USI Enterprise Limited	2,398,445.06	2,193,057.52
Other payables	ASE Inc.	372,620.33	2,682,192.50
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	160,708.88	240,956.60
Other payables	USI Inc.	6,712.87	7,370.75
Other payables	Memtech Development (H.K.) Co., Limited	-	667,119.11
Other payables	Siliconware Precision Industries Co., Ltd	-	234,039.09
Total		8,092,553.32	9,922,921.24

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Long-term payables	USI Inc.	31,113,295.71	37,610,084.54

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Bonds payable	USI Enterprise Limited	1,364,243,289.23	2,399,279,839.68
Bonds payable	ASE (Shanghai) Inc.	-	25,790,104.50
Total		1,364,243,289.23	2,425,069,944.18

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Lease liabilities	USI Inc.	114,059,901.22	145,924,337.73
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	57,933,008.48	70,337,306.54
Lease liabilities	Advanced Semiconductor Engineering (China) Ltd.	28,698,975.12	46,106,208.08
Total		200,691,884.82	262,367,852.35

7. Related party commitments

As at 31 December 2022, there are no related party commitments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) SHARE-BASED PAYMENTS

1. Summary of share-based payments

Unit: share

2022		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		12,919,130	15,576,600	2,881,350	990,000	402,600	281,200
Total number of the Company's equity instruments granted during the year		-	-	-	-	-	-
Total number of the Company's equity instruments vested during the period		755,700	5,230,255	-	-	395,400	-
Total number of the Company's equity instruments lapsed during the period		188,900	2,668,645	1,166,100	396,000	7,200	12,300
Total number of the Company's equity instruments outstanding at the end of the year		11,974,530	7,677,700	1,715,250	594,000	-	268,900
Total number of equity instruments exercisable at the end of the year		11,974,530	3,246,400	1,715,250	297,000	-	-
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	RMB15.54	RMB12.41	RMB12.41	RMB20.89	N/A	RMB0
	Remaining contractual life	About 3 years	About 2 years	About 1.5 years	About 2 years	N/A	About 1 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	N/A	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 2022

(X) 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 2019 Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. (Draft) of huanxu Electronics Co., Ltd. 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 17th meeting of the 5th board of directors held on May 23, 2022 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 RMB12.67 per share to RMB 12.41 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%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) 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 2022, the transfer price of the Company's core employee share ownership plan was adjusted from RMB 12.67 per share to RMB 12.41 per share as a result of distribution of profits in 2021.

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 2022

(X) 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.

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 2022, the transfer price of the Company's core employee share ownership plan was adjusted from RMB 21.15 per share to RMB 20.89 per share as a result of distribution of profits in 2019.

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 2022

(X) 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 25 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 2022

(X) 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 2022

(X) 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	98,558,000.00	743,000.00	7,087,000.00	7,401,000.00	3,061,000.00
Total expenses recognized arising from equity-settled share-based payments	-	17,163,000.00	180,000.00	1,908,000.00	553,000.00	2,373,000.00

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.

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 2022

(XI) 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	874,884	224,350
- External investment commitment (Note)	98,171	92,757
Total	973,055	317,107

Note: For the commitment of foreign investment, according to the partnership agreement concluded between UGE and the PHI FUND, L.P., UGE needs to pay a total subscription amount of USD 25,000,000.00, in which the amount of USD 3,754,206.00, equivalent to RMB 26,169,261.04 has been paid this period. As at 31 December 2022, the Group has paid USD 18,754,206.00, equivalent to RMB 130,615,543.11 in total; but remains a subscription amount of USD 6,245,794.00, equivalent to RMB 43,499,456.89 unpaid.

For the commitment of foreign investment, according to the partnership agreement concluded between the Company and Yaotu Fund, the Company needs to pay a total subscription amount of RMB 30,000,000.00, in which the amount of RMB 11,000,000.00 has been paid this period. As at 31 December 2022, the Group has paid RMB 12,000,000.00 in total; but remains a subscription amount of RMB 18,000,000.00 unpaid.

For the commitment of foreign investment, according to the partnership agreement concluded between the UGSI and Meilu Industry, UGSI needs to pay a total subscription amount of TWD 191,100,000.00, in which the amount of TWD 29,400,000.00, equivalent to RMB 6,622,070.14 has been paid this period. As at 31 December 2022, the Group has paid TWD 29,400,000.00, equivalent to RMB 6,622,070.14 in total; but remains a subscription amount of TWD 161,700,000.00, equivalent to RMB 161,700,000.00 unpaid.

2. Contingencies

The Group has no significant contingencies to be disclosed.

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Disposal of joint venture Company by wholly-owned subsidiary

Universal Global Technology (Kunshan) Co., Ltd., a wholly-owned subsidiary of the Company, signed the equity transfer agreement of SUMA-USI Electronics Co., Ltd on January 19, 2023 with an independent third party, Zhongke Controllable Information Industry Co., LTD.. Universal Global Technology (Kunshan) Co., Ltd., intends to transfer 49% of its equity in SUMA to Zhongke at a price of RMB 111 million. This equity transfer has been considered by the board of directors of Universal Global Technology (Kunshan) Co., Ltd., and approved by the shareholders' decision. It does not need to be submitted to the board of directors of the Company or the general meeting of shareholders for deliberation.

SUMA has completed the registration procedures for industrial and commercial change of the above equity transfer matters, and obtained the business license issued by Kunshan Administrative Examination and Approval Bureau. Universal Global Technology (Kunshan) Co., Ltd. has received all the controllable payment of the equity transfer from Zhongke. The equity transfer has been completed, and Universal Global Technology (Kunshan) Co., Ltd. no longer holds the equity of SUMA.

(XII) EVENTS AFTER THE BALANCE SHEET DATE - continued

2. Proposed acquisition

Universal Global Technology Co., Limited (“UGT”), a wholly owned subsidiary of Universal Scientific Industrial (Shanghai) Co., Ltd., together with Ample Trading, Co., Ltd (“Ample Trading”), has announced the establishment of a SPV with a registered capital of US\$53 million. UGT will own 75.1% of the SPV shares and Ample Trading owns the remaining 24.9%. The SPV will acquire the automotive wireless business unit (“Target Business”) from TE Connectivity Ltd. with the enterprise value of US\$48 Million. The purchasing price will be subject to adjustment based on net debt and net working capital of the Target Business on the closure date and will be settled in cash. The transaction has been approved by the Board of Director from Universal Scientific Industrial (Shanghai) Co., Ltd on March 17, 2023. The closure of the transaction is pending on applicable regulatory approvals from respective countries where the Target Business operates.

3. Profit appropriation

As proposed by the resolution of the Twenty-second Meeting of the Fifth Session of the Board of Directors of the Company held on 31 March 2023, a cash dividend of RMB 4.30 (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
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIII) 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, APAC (Exclude China mainland), Europe and other countries/regions. At the same time, the products are divided into communication products, consumer electronics products, cloud 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 changes in the Group's internal organizational structure in 2022, which resulted in changes in the composition of reporting segments, the Group restated the previous data.

(2) Financial information of reporting segments
2022

Unit: RMB'000

	Chinese mainland			APAC			Europe			Other countries/regions			Inter-segment offsetting			Total		
	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount
Communication products	16,378,602	14,694,376	1,684,226	9,237,926	8,730,276	507,650	139,768	141,232	(1,464)	15,214	15,447	(233)	(250,653)	(367,689)	117,036	25,520,857	23,213,642	2,307,215
Consumer electronics products	18,660,706	17,020,810	1,639,896	4,332,081	4,017,618	314,463	267,061	255,684	11,377	62,970	67,775	(4,805)	(1,424,703)	(1,401,544)	(23,159)	21,898,115	19,960,343	1,937,772
Cloud and storage products	4,760,525	4,107,830	652,695	4,153,783	3,774,252	379,531	231,058	221,886	9,172	136,574	118,894	17,680	(2,292,472)	(2,302,866)	10,394	6,989,468	5,919,996	1,069,472
Industrial products	3,899,800	3,431,389	468,411	4,303,194	3,711,265	591,929	2,068,750	1,816,800	251,950	1,579,930	1,431,205	148,725	(3,084,277)	(3,040,655)	(43,622)	8,767,397	7,350,004	1,417,393
Automotive electronics products	1,231,639	1,060,654	170,985	362,728	287,954	74,774	745,870	675,172	70,698	2,220,442	2,163,991	56,451	(8,732)	(20,131)	11,399	4,551,947	4,167,640	384,307
Medical products	15,652	8,460	7,192	-	-	-	120,642	111,608	9,034	845	840	5	-	-	-	137,139	120,908	16,231
Others	311,777	300,918	10,859	521,226	222,848	298,378	112,834	94,627	18,207	186,567	148,907	37,660	(527,233)	(176,066)	(351,167)	605,171	591,234	13,937
Principal operating income/cost of segment	45,258,701	40,624,437	4,634,264	22,910,938	20,744,213	2,166,725	3,685,983	3,317,009	368,974	4,202,542	3,947,059	255,483	(7,588,070)	(7,308,951)	(279,119)	68,470,094	61,323,767	7,146,327
Other operating income/cost of segment	40,927	438	40,489	7,045	3,036	4,009	18,651	-	18,651	1,454	-	1,454	(22,095)	(166)	(21,929)	45,982	3,308	42,674
Total operating income/cost of segment	45,299,628	40,624,875	4,674,753	22,917,983	20,747,249	2,170,734	3,704,634	3,317,009	387,625	4,203,996	3,947,059	256,937	(7,610,165)	(7,309,117)	(301,048)	68,516,076	61,327,075	7,189,001
Less: Taxes and levies			54,963			1,392			(1,946)			1,021			-			55,430
Selling expenses			165,324			116,802			35,545			45,684			(39,521)			323,834
Administrative expenses			581,932			653,258			165,523			123,364			(102,228)			1,421,849
R&D expenses			1,586,715			557,384			996			18,609			(129,242)			2,034,462
Financial expenses			(120,183)			67,602			32,606			39,574			(735)			18,864
Including: Interest expenses			166,294			-			33,280			5			35,421			235,000
Interest income			93,928			-			7,798			-			(13,729)			87,997
Add: Other income			50,968			200			4,977			-			-			56,145
Investment income			21,633			113,200			3,797			-			-			138,630
Including: Investment income from associates and joint ventures			23,809			49,722			-			-			-			73,531
Gains (losses) from changes in fair value			11,621			(795)			21,013			-			-			31,839
Gains (losses) from credit impairment			(6,354)			(3,476)			(1)			(286)			-			(10,117)
Gains (losses) from assets impairment			(52,532)			(40,317)			13,510			(19,531)			-			(98,870)
Gains (losses) from disposal of assets			6,348			725			1,431			111			-			8,615

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Operating income			2,437,686			843,833			199,628			8,979			(29,322)			3,460,804
Net profit			2,222,971			691,676			176,142			190			(30,989)			3,059,990

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

2021(Restated):

Unit: RMB'000

	Chinese mainland			APAC			Europe			Other countries/regions			Inter-segment offsetting			Total		
	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount	Operating income	Operating costs	Segment amount
Communication products	12,743,055	11,600,159	1,142,896	8,230,772	8,017,506	213,266	134,312	134,848	(536)	1,003	2,252	(1,249)	(136,622)	(189,509)	52,887	20,972,520	19,565,256	1,407,264
Consumer electronics products	17,456,916	15,933,736	1,523,180	2,235,054	2,087,473	147,581	225,057	232,589	(7,532)	88,141	79,314	8,827	(1,491,833)	(1,491,425)	(408)	18,513,335	16,841,687	1,671,648
Cloud and storage products	3,393,072	2,827,357	565,715	2,522,317	2,345,820	176,497	246,115	234,836	11,279	21,839	40,185	(18,346)	(1,228,922)	(1,218,191)	(10,731)	4,954,421	4,230,007	724,414
Industrial products	3,461,571	3,077,203	384,368	4,072,604	3,442,420	630,184	1,455,330	1,310,102	145,228	1,170,153	1,106,946	63,207	(2,694,570)	(2,687,837)	(6,733)	7,465,088	6,248,834	1,216,254
Automotive electronics products	980,758	852,615	128,143	123,458	109,548	13,910	408,633	318,359	90,274	1,161,091	1,206,991	(45,900)	(31,169)	(42,792)	11,623	2,642,771	2,444,721	198,050
Medical products	29,779	30,094	(315)	-	-	-	159,361	147,074	12,287	1,139	1,019	120	-	-	-	190,279	178,187	12,092
Others	234,398	177,183	57,215	384,218	161,022	223,196	174,408	164,662	9,746	99,921	49,515	50,406	(377,758)	(82,905)	(294,853)	515,187	469,477	45,710
Principal operating income/cost of segment	38,299,549	34,498,347	3,801,202	17,568,423	16,163,789	1,404,634	2,803,216	2,542,470	260,746	2,543,287	2,486,222	57,065	(5,960,874)	(5,712,659)	(248,215)	55,253,601	49,978,169	5,275,432
Other operating income/cost of segment	24,048	330	23,718	6,430	3,239	3,191	94	-	94	22,660	12,888	9,772	(7,179)	(13,147)	5,968	46,053	3,310	42,743
Total operating income/cost of segment	38,323,597	34,498,677	3,824,920	17,574,853	16,167,028	1,407,825	2,803,310	2,542,470	260,840	2,565,947	2,499,110	66,837	(5,968,053)	(5,725,806)	(242,247)	55,299,654	49,981,479	5,318,175
Less: Taxes and levies			42,271			1,263			6,088			196			-			49,818
Selling expenses			186,704			100,057			30,754			31,044			(37,078)			311,481
Administrative expenses			474,417			538,330			147,812			66,930			(58,316)			1,169,173
R&D expenses			1,226,244			503,732			1,305			12,677			(102,559)			1,641,399
Financial expenses			78,559			40,816			62,470			22,311			(757)			203,399
Including: Interest expenses			120,745			7,212			34,371			48,331			(9,330)			201,329
Interest income			77,163			47,006			2,407			(39,666)			(19,130)			67,780
Add: Other income			42,837			238			7,603			-			-			50,678
Investment income			79,307			34,669			(2,297)			-			-			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			2,056			28,845			1			-			44,588
Gains (losses) from credit impairment			4,098			843			(1,378)			(5,270)			-			(1,707)
Gains (losses) from assets impairment			5,473			(11,853)			(830)			(11,536)			-			(18,746)
Gains (losses) from disposal of assets			764			93			(18)			1,576			-			2,415
Operating income			1,962,890			249,673			44,336			(81,550)			(43,537)			2,131,812
Net profit			1,777,455			163,810			38,666			(102,355)			(20,883)			1,856,693

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

Closing balance

Unit: RMB'000

	Chinese mainland	APAC	Europe	Other countries/regions	Inter-segment offsetting	Total
Total assets of segment	24,068,401	13,851,252	4,028,528	2,876,723	(6,830,329)	37,994,575
Total liabilities of segment	13,507,297	11,683,792	2,526,013	2,232,858	(7,125,334)	22,824,626

Opening balance (Restated)

Unit: RMB'000

	Chinese mainland	APAC	Europe	Other countries/regions	Inter-segment offsetting	Total
Total assets of segment	22,846,979	12,948,072	3,389,443	2,278,839	(6,245,995)	35,217,338
Total liabilities of segment	13,528,439	11,926,330	2,309,205	1,737,747	(6,727,353)	22,774,368

External revenue by geographical area of source and non-current assets by geographical location of assets

Unit: RMB

Item	2022	2021
External revenue from Chinese mainland	1,733,001,923.45	1,849,642,217.15
External revenue outside Chinese mainland	66,783,074,039.81	53,450,012,553.06
Total	68,516,075,963.26	55,299,654,770.21

Unit: RMB

Item (Note)	Closing balance	Opening balance
Non-current assets located in Chinese mainland	4,130,752,349.05	3,670,766,522.73
Non-current assets located in Taiwan, China	879,674,910.08	716,969,088.71
Non-current assets located in France	783,616,987.49	861,843,609.68
Non-current assets located in Mexico	597,971,635.46	466,431,691.41
Non-current assets located in the Vietnam	477,280,704.05	367,247,653.39
Non-current assets located in Poland	127,510,885.44	134,049,045.77
Non-current assets located in Hong Kong	111,106,156.13	428,342,492.16
Non-current assets located in the United States	35,275,209.48	76,599,618.11
Non-current assets located in Japan	182,102.16	385,937.29
Total	7,143,370,939.34	6,722,635,659.25

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	2022		2021	
	Total operating income	Proportion in total operating income (%)	Total operating income	Proportion in total operating income (%)
Entity A	17,352,642,463.15	25.33	18,036,500,419.83	32.62
Entity B	9,003,192,184.06	13.14	8,388,844,842.56	15.17
Total	26,355,834,647.21	38.47	26,425,345,262.39	47.79

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 2022**(XIV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS****1. Notes receivable**

(1) Categories of notes receivable

Unit: RMB

Category	31/12/2022	31/12/2021
Bank acceptances	39,485,239.31	66,256,985.55

(2) As of 31 December 2022, the Company had no notes receivable that have been pledged as security.

(3) As of 31 December 2022, 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 2022, the Company had no notes that were converted to accounts receivable due to the default of the issuer.

(5) As of 31 December 2022, 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) In 2022, the Company had no notes receivable that have been actually written off.

2. Accounts receivable

(1) Categories of accounts receivable

Unit: RMB

Category	31/12/2022	31/12/2021
Accounts receivable arising from contracts with customers	2,825,168,124.93	3,902,506,561.61
Less: Bad debt provision	3,724,156.78	66,007.59
Total	2,821,443,968.15	3,902,440,554.02

(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 2022, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2022			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within the credit term	0.02	2,707,985,122.08	620,333.97	2,707,364,788.11
1-30 days overdue	0.44	107,499,766.35	470,944.46	107,028,821.89
31-60 days overdue	10.41	6,262,253.85	651,595.61	5,610,658.24
60-90 days overdue	40.89	2,435,808.79	996,108.88	1,439,699.91
90-180 days overdue	100.00	170,800.05	170,800.05	-
Over 180 days overdue	100.00	814,373.81	814,373.81	-
Total	0.13	2,825,168,124.93	3,724,156.78	2,821,443,968.15

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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 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	-	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
60-90 days overdue	30.00	11,219.07	3,365.72	7,853.35
Total	0.01	3,902,506,561.61	66,007.59	3,902,440,554.02

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 2022, the Group's valuation method and significant assumptions remain unchanged.

(3) Changes in bad debt provisions

Unit: RMB

Category	31/12/2021	Changes for the year		31/12/2022
		Provision (Reversal)	Write-off or elimination	
Bad debt provisions by ageing matrix	66,007.59	3,658,149.19	-	3,724,156.78

(4) There are no accounts receivable that have been actually written off in the year.

(5) Top five accounts receivable at 31 December 2022 categorized by debtor

Unit: RMB

Company name	Relationship with the Company	Book value	Bad debt provision at 31 December 2022	Proportion of the total accounts receivable at 31 December 2022(%)
Company B	Third party	999,824,000.06	229,035.52	35.39
Company A	Third party	527,705,880.79	120,884.67	18.68
Company E	Third party	304,045,231.90	69,649.42	10.76
Company P	Third party	288,926,674.76	66,186.12	10.23
Company Q	Third party	103,223,783.85	23,646.08	3.65
Total		2,223,725,571.36	509,401.81	78.71

(6) As at 31 December 2022, there is no accounts receivable derecognized due to the transfer of financial assets.

(7) As at 31 December 2022, 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 2022

(XIV) 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	31/12/2022		
	Amount	Bad debt provision	Proportion of provision (%)
Within 1 year	1,060,187,690.24	-	-

(2) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31/12/2022	Book value at 31/12/2021
Cash pooling receivables from related-party	1,022,345,000.00	624,818,600.00
Amounts due from related parties	24,416,766.00	2,370,349.91
Advances for third parties	9,316,988.52	5,333,890.23
Advance payments for employees	1,638,532.17	1,487,451.18
Others	2,470,403.55	1,373,585.36
Total	1,060,187,690.24	635,383,876.68

(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 2022, there were no other receivables related to government grants.

(6) As of 31 December 2022, there were no other receivables derecognized due to the transfer of financial assets.

(7) As of 31 December 2022, 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 2022

(XIV) 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	1/1/2022	Changes for the year			31/12/2022	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
			Increase in the year	Decrease in the year	Increase from stock option grants (Note)					
Universal Global Technology Co., Limited	Cost method	2,189,945,957.00	1,057,857,700.00	451,171,800.00	-	2,796,631,857.00	100	100	N/A	-
USI Electronics (Shenzhen) Co., Ltd.	Cost method	392,321,150.63	-	-	3,310,410.53	395,631,561.16	50	100	The remaining 50% equity interest is held by Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary.	-
Universal Global Technology (Kunshan) Co., Ltd.	Cost method	267,069,941.80	-	-	2,760,067.08	269,830,008.88	100	100	N/A	-
Universal Global Technology (Shanghai) Co., Ltd.	Cost method	1,347,919,209.40	-	-	2,319,863.92	1,350,239,073.32	100	100	N/A	200,000,000.00
Universal Global Electronics (Shanghai) Co., Ltd.	Cost method	50,000,000.00	-	-	-	50,000,000.00	100	100	N/A	-
Universal Global Scientific Industrial Co., Ltd.	N/A	130,546,923.27	-	-	9,147,609.22	139,694,532.49	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	455,920,090.82	340,000,000.00	-	-	795,920,090.82	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.	-
Questyle Audio Technology Co., Ltd.	Equity method	-	20,000,000.00	-	-	20,000,000.00	6.67	33.33	The company holds 1/3 voting rights on the board of directors of Kuangshi Technology	-
Total		5,227,065,594.74	1,417,857,700.00	451,171,800.00	17,537,950.75	6,211,289,445.49				200,000,000.00

Note: The amount refers to the cumulative amount related to share-based payments settled under equity 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 UGSI.

As at 31 December 2022, the ability of the investee, in which the Company holds long-term equity investments, to transfer funds to the Company is not restricted.

5. Operating income and operating costs

(1) Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Income	Cost	Income	Cost
Principal operating activities	21,940,574,129.19	19,815,647,848.13	18,331,017,029.05	16,637,068,444.96
Other operating activities	4,198,651.53	437,487.30	4,114,711.66	120,186.64
Total	21,944,772,780.72	19,816,085,335.43	18,335,131,740.71	16,637,188,631.60

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS -
continued

5. Operating income and operating costs - continued

(2) Analysis of principal operating income and principal operating costs by product categories:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Communication products	15,191,008,208.22	13,667,867,543.85	12,086,981,745.92	11,027,496,344.34
Consumer electronic products	5,717,448,527.15	5,359,883,891.18	5,315,414,614.15	4,926,749,381.37
Automotive electronic products	516,433,717.74	449,999,555.30	407,360,175.63	351,751,177.93
Cloud and storage products	476,467,425.39	319,730,739.42	494,840,322.98	318,826,137.31
Others	39,216,250.69	18,166,118.38	26,420,170.37	12,245,404.01
Total	21,940,574,129.19	19,815,647,848.13	18,331,017,029.05	16,637,068,444.96

(3) Other business income and other business costs:

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Other business income	Other business costs	Other business income	Other business costs
Scrap income	3,529,375.67	-	3,598,507.79	-
Others	669,275.86	437,487.30	516,203.87	120,186.64
Total	4,198,651.53	437,487.30	4,114,711.66	120,186.64

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	200,000,000.00	1,175,000,000.00
Investment income (loss) on disposal of held-for-trading financial assets	(16,431,372.22)	41,843,686.33
Total	183,568,627.78	1,216,843,686.33

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS -
continued

7. Supplementary information to the cash flow statement

		Unit: RMB	
Supplementary information	2022	2021	
1. Reconciliation of net profit to cash flow from operating activities:			
Net profit	1,240,761,622.97	1,953,944,271.08	
Add: Provision for impairment losses of assets	(5,135,027.84)	3,920,601.29	
Provision for impairment of credit	3,658,149.19	(149,203.74)	
Depreciation of fixed assets	325,404,686.37	270,000,465.98	
Depreciation of right-of-use assets	13,245,317.94	13,036,830.13	
Amortization of intangible assets	1,671,457.54	1,419,871.53	
Amortization of long-term prepaid expenses	15,118,605.25	21,476,416.14	
Amortization of deferred income	(7,777,540.47)	(14,487,455.41)	
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	3,869,844.98	(277,783.36)	
Losses (gains) on changes in fair values	(12,430,908.18)	(14,537,089.99)	
Financial expenses (income)	88,163,427.23	149,695,634.97	
Losses (gains) arising from investments	(183,568,627.78)	(1,216,843,686.33)	
Share-based payments settled by equity	4,639,049.25	11,276,158.19	
Decrease (increase) in deferred tax assets	(18,278,697.09)	(23,331,326.08)	
Decrease (increase) in inventories	(469,566,071.14)	(274,392,854.67)	
Decrease (increase) in receivables from operating activities	1,136,828,855.87	(364,746,551.48)	
Increase (decrease) in payables from operating activities	(603,868,897.93)	78,047,498.94	
Net cash flow from operating activities	1,532,735,246.16	594,051,797.19	
2. Significant investing and financing activities that do not involve cash receipts and payments:			
Acquisition of long-term assets with debt	80,278,018.89	352,812,380.40	
3. Net changes in cash and cash equivalents:			
Closing balance of cash	2,382,458,769.33	2,490,051,993.72	
Less: Opening balance of cash	2,490,051,993.72	1,347,901,732.05	
Add: Closing balance of cash equivalents	-	-	
Less: Opening balance of cash equivalents	-	-	
Net increase in cash and cash equivalents	(107,593,224.39)	1,142,150,261.67	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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 (VI). 1. The details of the associates and joint ventures of the Company are set out in Note (VI). 2. The details of other related parties are set out in Note (IX). 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	564,271,324.02	568,153,489.57
ASE Electronics Inc.	Purchase of materials	6,991,678.67	5,994,201.48
Universal Scientific Industrial De México S.A. De C.V.	Purchase of materials	2,219,919.09	653,887.18
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of materials	756,062.09	2,040,667.28
Universal Global Technology (Shanghai) Co., Ltd.	Purchase of materials	691,999.45	254,978.42
Universal Global Industrial Co., Ltd.	Purchase of materials	283,743.20	3,575,706.92
USI Electronics (Shenzhen) Co., Ltd.	Purchase of materials	25,235.86	21,271.35
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	18,750.00	5,548.00
Universal Global Technology (Huizhou) Co., Ltd.	Purchase of materials	857.24	-
Universal Scientific Industrial Vietnam Company Limited	Purchase of materials	24.75	-
ASE Advanced Semiconductor (Shanghai) Limited (Note)	Purchase of materials	-	567,548.09
ASE Inc.	Purchase of materials	-	254,237.55
Total		575,259,594.37	581,521,535.84
Universal Global Scientific Industrial Co., Ltd.	Test service fee	39,094,987.33	60,434,620.49
Universal Global Scientific Industrial Co., Ltd.	Commissions	34,805,569.75	8,497,870.63
ASE (Shanghai) Inc.	Receipt of services	25,186,628.73	25,363,860.80
Universal Global Technology (Shanghai) Co., Ltd.	Receipt of services	17,945,841.10	-
Universal Global Technology Co., Limited	Receipt of services	16,119,880.00	11,577,370.00
USI Science and Technology (Shenzhen) Co., Ltd.	Receipt of services	3,867,924.58	3,981,132.13
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	Receipt of services	1,899,206.09	1,953,179.19
Asteelflash Suzhou Co., Ltd.	Receipt of services	173,673.77	-
USI Japan Co., Ltd.	Receipt of services	85,853.67	-
ASE Inc.	Receipt of services	990.42	-
Total		139,180,555.44	111,808,033.24

The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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	652,865,047.32	327,749,153.96
Universal Global Technology (Shanghai) Co., Ltd.	Sales of goods	117,936,343.91	96,252,005.06
Universal Global Technology (Kunshan) Co., Ltd.	Sales of goods	1,195,481.14	1,496,435.78
Universal Global Technology Co., Limited	Sales of goods	486,427.96	77,760,751.81
Universal Scientific Industrial De México S.A. De C.V.	Sales of goods	385,896.66	5,663,804.25
USI Electronics (Shenzhen) Co., Ltd.	Sales of goods	96,137.78	23,291.50
Universal Global Technology (Huizhou) Co., Ltd.	Sales of goods	61,130.81	-
Universal Scientific Industrial Poland Sp. z o.o.	Sales of goods	-	13,879.96
FINANCIÈRE AFG S.A.S.	Sales of goods	-	1,715.83
Total		773,026,465.58	508,961,038.15
Universal Global Technology (Kunshan) Co., Ltd.	Provision of services	10,188,814.82	10,092,815.02
FINANCIERE AFG	Provision of services	3,304,239.50	-
ISE labs, China. Ltd.	Provision of services	1,048,388.07	611,327.88
Universal Global Technology (Shanghai) Co., Ltd.	Provision of services	431,331.00	-
Universal Scientific Industrial De México S.A. De C.V.	Provision of services	14,381.27	-
Asteelflash Suzhou Co., Ltd.	Provision of services	10,645.96	-
Universal Global Scientific Industrial Co., Ltd.	Provision of services	10,631.75	3,206.33
ASE Inc.	Provision of services	-	12,374.95
ASE Advanced Semiconductor (Shanghai) Limited (Note)	Provision of services	-	4,500.00
Total		15,008,432.37	10,724,224.18

The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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

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
Universal Global Technology (Shanghai) Co., Ltd.	Machinery and equipment	165,236.06	49,285.70
Wuxi Tongzhi Microelectronics Co.,Ltd.	Machinery and equipment	33,186.96	-
ISE labs, China. Ltd.	Office	-	200,510.00
ASE Advanced Semiconductor (Shanghai) Limited (Note)	Machinery and equipment	-	105,000.00
Total		198,423.02	354,795.70

The above transactions are executed at the prices agreed on by both parties.

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	-	3,080,155.98

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	-	3,668,609.46

The above transactions are executed at the prices agreed on by both parties.

Unit: RMB

Name of lessor	Type of leased assets	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

The above transactions are executed at the prices agreed on by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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

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	406,815,000.00	526,955,600.00	313,407,000.00
Universal Scientific Industrial De México S.A. De C.V.	One month Libor +40 basis points	208,404,000.00	190,737,000.00	208,938,000.00
Universal Global Technology (Huizhou) Co., Ltd	2.40%	500,000,000.00	-	500,000,000.00

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

The interest income for 2022 is RMB 15,133,142.87 (2021: RMB 762,855.43), and the interest not received at the end of the year is RMB 2,224,305.55 (December 31, 2021: none).

Unit: RMB

Related party	Annual interest rate	Amount incurred in the prior year		Amount at the end of the prior year
		Amount borrowed	Amount repaid	Amount
Borrowed from - Cash pool trading (Note)				
USI Electronics (Shenzhen) Co., Ltd.	1.75%	-	782,697,200.00	-
Universal Global Technology (Shanghai) Co., Ltd.	0.60%	-	97,873,500.00	-

There are no interest paid in this year (2021: RMB 2,620,456.27), and the outstanding interest at the end of the year was RMB 0 (31 December 2021: None).

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 Global Technology (Huizhou) 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 2022

(XIV) 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	1,260,282.87	13,231,008.93
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of fixed assets	18,762.80	21,201.96
Total		1,279,045.67	13,252,210.89
ISE labs, China. Ltd.	Sales of fixed assets	46,507,299.26	10,071,875.88
Universal Global Technology (Shanghai) Co., Ltd.	Sales of fixed assets	34,547,905.39	35,820,700.83
Universal Global Scientific Industrial Co., Ltd. (Note)	Sales of fixed assets	18,160,515.88	29,304.00
Universal Scientific Industrial Vietnam Company Limited	Sales of fixed assets	8,243,515.42	25,213,949.19
ASE Test Inc.	Sales of fixed assets	-	12,545,380.16
ASE Inc.	Sales of fixed assets	-	3,478,999.00
Universal Global Technology (Kunshan) Co., Ltd.	Sales of fixed assets	-	187,724.78
ASE Advanced Semiconductor (Shanghai) Limited (Note)	Sales of fixed assets	-	21,740.65
Total		107,459,235.95	87,369,674.49
Universal Global Technology (Shanghai) Co., Ltd.	Sales of intangible assets	-	984,479.74
USI Electronics (Shenzhen) Co., Ltd.	Sales of intangible assets	-	232,446.60
Universal Global Technology (Kunshan) Co., Ltd.	Sales of intangible assets	-	150,406.63
Total		-	1,215,545.31
Universal Global Technology (Shanghai) Co., Ltd.	Sales of molds	-	1,945,670.63

Note: Purchase fixed assets on behalf of Universal Global Industrial Co., Limited.

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	89,992,084.14	80,914,020.40
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	807,565.60	869,753.10
Total		90,799,649.74	81,783,773.50

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV) 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	33,842,802.87	30,519,010.96

(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 UGSI. See Note (XIV) 4 for details.

(3). Amounts due from / to related parties

(3.1) Amounts due from related parties

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
		Book value	Book value
Accounts receivable	Universal Global Industrial Co., Ltd.	218,657,223.78	196,438,433.79
Accounts receivable	Universal Global Scientific Industrial Co., Ltd	56,152,778.81	-
Accounts receivable	Universal Global Technology (Shanghai) Co., Ltd.	39,773,753.37	34,233,779.97
Accounts receivable	Universal Global Technology (Kunshan) Co., Ltd.	559,780.66	353,769.09
Accounts receivable	Universal Global Technology Co., Limited	484,931.23	132,622.23
Accounts receivable	Universal Scientific Industrial De México S.A. De C.V.	244,884.82	462,683.64
Accounts receivable	Universal Global Technology (Huizhou) Co., Ltd	19,324.78	-
Accounts receivable	Asteelflash Suzhou Co., Ltd.	12,029.93	1,938.89
Accounts receivable	USI Electronics (Shenzhen) Co., Ltd.	-	1,436.31
Total		315,904,707.38	231,624,663.92

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
		Book value	Book value
Other receivables	Universal Global Technology (Huizhou) Co., Ltd(Note)	502,224,305.55	-
Other receivables	Universal Scientific Industrial Vietnam Company Limited (Note)	313,407,000.00	433,547,600.00
Other receivables	Universal Scientific Industrial De México S.A. De C.V. (Note)	208,938,000.00	191,271,000.00
Other receivables	Universal Global Scientific Industrial Co., Ltd	18,261,039.14	-
Other receivables	Universal Global Technology (Shanghai) Co., Ltd	2,749,908.77	-
Other receivables	FINANCIERE AFG	964,123.43	-
Other receivables	ISE labs, China. Ltd.	217,389.11	192,606.48
Other receivables	Universal Global Technology (Kunshan) Co., Ltd.	-	2,177,743.43
Total		1,046,761,766.00	627,188,949.91

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 Global Technology (Huizhou) 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 2022

(XIV) 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	31/12/2022	31/12/2021
Accounts payable	Universal Global Technology Co., Limited	159,659,364.67	187,121,413.66
Accounts payable	Universal Global Technology (Shanghai) Co., Ltd.	4,714,248.90	7,576,389.56
Accounts payable	USI Science and Technology (Shenzhen) Co., Ltd.	2,210,000.00	1,170,000.00
Accounts payable	ASE Electronics Inc.	1,015,416.04	472,446.13
Accounts payable	Universal Global Industrial Co., Ltd.	193,507.72	797,128.16
Accounts payable	Universal Global Scientific Industrial Co., Ltd.	192,671.97	-
Accounts payable	FINANCIERE AFG	184,094.20	-
Accounts payable	Universal Global Technology (Kunshan) Co., Ltd.	183,493.39	534,179.42
Accounts payable	Universal Scientific Industrial De México S.A. De C.V.	26,900.92	327,441.04
Accounts payable	Universal Global Technology (Huizhou) Co., Ltd	310.34	-
Accounts payable	USI Electronics (Shenzhen) Co., Ltd.	61.46	4,186.46
Total		168,380,069.61	198,003,184.43

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Other payables	ASE (Shanghai) Inc.	3,363,353.48	2,035,944.03
Other payables	USI Enterprise Limited	2,398,445.06	2,193,057.52
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	160,708.88	240,956.60
Other payables	ASE Inc.	987.37	-
Total		5,923,494.79	4,469,958.15

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	57,933,008.48	70,337,306.54

Unit: RMB

Item	Related party	31/12/2022	31/12/2021
Bonds payable	USI Enterprise Limited	1,364,243,289.23	2,399,279,839.68
Bonds payable	ASE (Shanghai) Inc.	-	25,790,104.50
Total		1,364,243,289.23	2,425,069,944.18

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

(XV) 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	2,724,930.03	See Notes (V), 57 and 59 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)	56,144,655.78	See Notes (V), 52 for details
Enterprise restructuring expenses, such as employee placement expenses, integration costs, etc	(65,435,485.39)	
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	96,937,973.50	See Notes (V), 53 and 54 for details
The impact of one-time adjustment of current profit and loss in accordance with tax, accounting and other laws and regulations	(49,852,343.57)	See Notes (V), 14 for details
Other non-operating income or expenses other than the above	22,281,394.77	See Notes (V), 58 and 59 for details
Tax effects	(13,033,613.18)	
Effects attributable to minority interests (After tax)	(919.62)	
Total	49,766,592.32	

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	21.43%	1.40	1.35
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	21.08%	1.38	1.32

USI has **28** manufacturing sites, **7** business service locations, and **5** design centers around the world. A strong manufacturing network enables USI to provide prompt, localized services.

Europe

14 Manufacturing Sites
1 Business Service Location
2 Product Design Centers

Americas

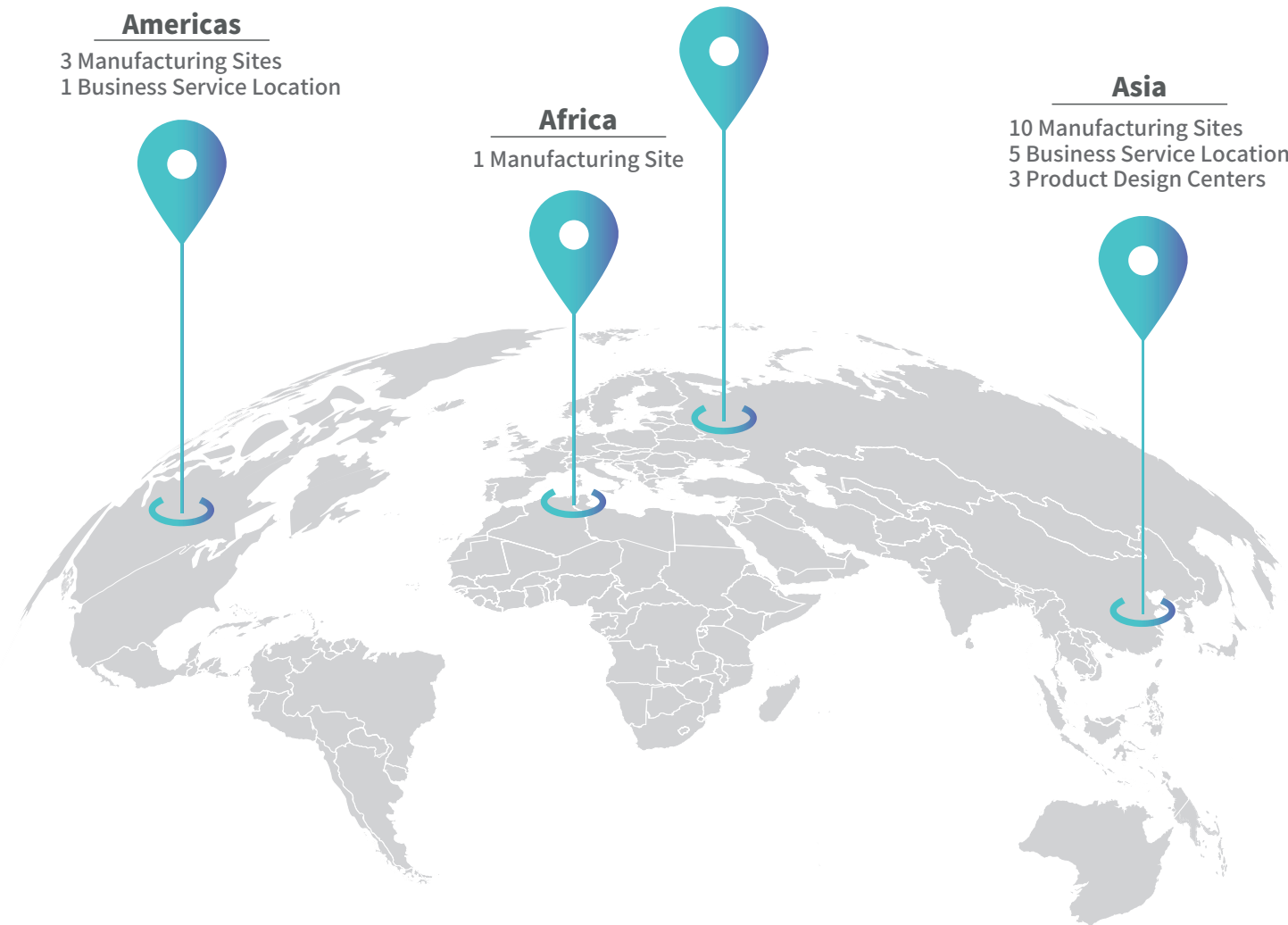
3 Manufacturing Sites
1 Business Service Location

Africa

1 Manufacturing Site

Asia

10 Manufacturing Sites
5 Business Service Locations
3 Product Design Centers



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