

Company Code:601231

Abbreviated Name: USI

Convertible Bond Code: 113045

Abbreviated Name: USI Convertible Bond

Universal Scientific Industrial (Shanghai) Co., Ltd.

Quarterly Report for Q3 2022

The Board of Directors and directors of the Company hereby assure that the content set out in the announcement is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.

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

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 report is truthful, accurate and complete and complete, and contains no misrepresentations, misleading statements or material omissions, and are individually and collectively responsible for the content set out therein.

The Company's legal representative, chief financial officer and the person in charge of the accounting department (accounting officer) hereby guarantee that the financial statements set out in the quarterly report are true, accurate and complete.

The third quarter financial statements are unaudited.

I. Key accounting and financial performance indicators

1. Key Financial Performance Indicators

Unit: RMB 10,000 yuan

Items	Q3 2022	Q3 2021		YoY (%)	Q1 – Q3 2022	Q1 – Q3 2021		YoY (%)
		Before adjustment	After adjustment	After adjustment		Before adjustment	After adjustment	After adjustment
Revenue	2,058,952.13	1,424,455.91	1,424,455.91	44.54	4,953,002.36	3,651,783.39	3,651,783.39	35.63
Net profits attributable to shareholders of the listed company	108,639.70	57,175.92	57,175.92	90.01	217,104.39	112,279.86	112,279.86	93.36
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	109,314.33	54,147.20	54,147.20	101.88	218,810.31	100,428.62	100,428.62	117.88
Net cash flow from operating activities	Not applicable	Not applicable	Not applicable	Not applicable	116,569.35	-184,414.36	-184,414.36	Not applicable
Basic EPS (yuan per share)	0.50	0.26	0.26	92.31	1.00	0.51	0.51	96.08
Diluted EPS (yuan per share)	0.48	0.26	0.26	84.62	0.96	0.51	0.51	88.24
Weighted average return on equity (%)	7.56	4.60	4.60	Up 2.96 pct.	15.62	9.12	9.12	Up 6.5 pct.
	30 September 2022	31 December 2021		YoY (%)				
		Before adjustment		After adjustment		After adjustment		
Total assets		4,221,151.65		3,585,673.35		3,585,673.35		17.72
Owners' equity attributable to shareholders of the listed company		1,481,153.16		1,308,196.02		1,308,196.02		13.22

Reasons for adjustment or restatement

(1) In accordance with the relevant provisions of Guidelines for the Application of Regulatory Rules—Accounting No. 2 issued by China Securities Regulatory Commission, the Company reclassified the transportation cost incurred in performing the customer's sales contract from “sales expense” to “operating costs” in 2021, and retroactively adjusted the financial statements of the same period of last year.

2. Non-recurring profit or loss

Presented in RMB yuan

Items	Q3 2021	January – September 2021	Note
Gains or losses from disposal of non-current assets	661,108.94	6,726,810.24	
Government grants included in current gains/losses, excluding those closely related to operating activities of the Company, or regular government grants in a certain quota in accordance with state policies	21,375,635.58	44,071,970.15	

Restructuring costs, including costs of employee severance, integration etc.	-3,819,890.80	-63,572,479.40	Mainly due to the restructuring costs related to personnel
Impairment of assets	-49,852,343.57	-49,852,343.57	It is mainly due to the provision for impairment of workshops by subsidiaries of the Group
Gain/loss from the change in fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and return on investment into trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, excluding hedging practices related to company businesses	15,402,719.74	30,594,212.27	
Non-operating income and expenses other than the above items	15,571,405.63	19,012,838.56	
Less: impact on the income tax	6,084,688.94	4,039,262.15	
Impact on minority shareholders' interests, net of tax	255.97	980.89	
Total	-6,746,309.39	-17,059,234.79	

3. Major changes in the Company's key accounting indicators and the reasons

Items January-September 2022 / September 30, 2022	YoY (%)	Main reasons
Items in the Balance Sheet:		
Financial assets held for trading	-39.33	Mainly due to the decrease of accounts receivable factoring business in the current period
Inventories	38.75	Mainly due to the pre-stocking in response to the customer's future order demand and the extension of the supply chain inventory turnover
Non-current assets due within a year	-57.04	Mainly due to cash received for lease receivables in the current period
Investments in other equity instruments	-49.16	Mainly due to changes in the fair value of industrial fund investment in the current period
Construction in progress	-31.49	Mainly due to the transfer of equipment and production lines into fixed assets in the current period
Short-term borrowings	90.14	Mainly due to the adjustment of the capital structure and , and the increase in short-term bank loans for increasing cash demand for operating activities in the current period
Taxes payable	50.18	Mainly due to the increase in returns and the accrual of income tax in the current period
Other payables	50.27	Mainly due to deposits for raw material risks received from customers in the current period
Non-current liabilities due within one year	-80.23	Mainly due to repayment of long-term borrowings from overseas banks
Derivative financial liabilities	-100.00	Mainly due to changes in fair value of derivative financial products
Other current liabilities	100.00	Mainly due to the increase in deferred income due to prepayments from customers and the related costs accrued for subsidiary relocation in the current period

Long-term borrowings	-35.58	Mainly due to repayment of long-term borrowings from overseas banks
Long-term payables	-32.98	Mainly due to the transfer of payables paid within one year to current liabilities
Estimated liabilities	-43.11	Mainly due to the decrease in estimated liabilities of subsidiaries
Other non-current liabilities	-31.17	Mainly due to reclassification of deposits to be repaid within one year to current liabilities
Other comprehensive income	Not applicable	Mainly due to the gains on foreign currency statement translation caused by changes in foreign exchange rate in the current period
Items in the Income Statement:		
Revenue	35.63	Mainly due to the increase in revenue
COGS	34.46	Mainly due to the increase in the company's revenue resulting in an increase in operating costs
Administrative expense	37.62	Mainly due to the increase in operating profit growth, the increase in bonuses and relocation expenses and the increase in epidemic prevention-related expenses
Financial expenses	-116.57	Mainly due to gains in foreign currency exchange as a result of changes in exchange rate in the current period
Loss on assets impairment	2,049.79	Mainly due to relocation of the subsidiary's factory in the current period provided for impairment in accordance with the accounting standards and
Loss on credit impairment	Not applicable	Mainly due to the provisions for losses on credit impairment in accordance with accounting policies in the current period.
Income from change in fair value	-62.64	Mainly due to the changes in fair value caused by the investment in industrials funds and the derivative financial products
Gain from disposal of assets	706.83	Mainly due to the small amount incurred in the same period of the previous year and the increase in income from disposal of fixed assets in the current period
Non-operating income	39.85	Mainly due to the compensation received by the subsidiary
Non-operating expenses	-42.20	Mainly due to the large amount of asset scrapping losses in the same period last year
Income tax expense	96.34	Mainly due to the increase in income tax accrued for profit growth in the current period
Items in the Cash Flow Statement		
Net cash flow from operating activities	Not applicable	Mainly due to the increase in operating income, the increase in gross profit rate and the normal recovery of funds in the current period
Net cash flow from financing activities	-88.79	Mainly due to the issuance of convertible corporate bonds in the first quarter of last year

II. Shareholder Information

1. Total number of common shareholders and preferred shareholders whose voting rights have been restored by the period-end

Total number of common shareholders by the period-end	36,797	Total number of preferred shareholders whose voting rights have been restored as of the end of the reporting period			
Shareholding of top 10 shareholders					
Name of shareholders	Identity	Shares held	%	Restricted shares held	Pledged or frozen shares

					Share status	Number
USI Enterprise Limited	Foreign legal person	1,683,749,126	76.41	0	N/A	0
Hong Kong Securities Clearing Company Limited	Foreign legal person	86,938,641	3.95	0	Unknown	
China Securities Finance Co., Ltd.	State-owned legal person	31,525,673	1.43	0	Unknown	
ASDI ASSISTANCE DIRECTION	Foreign legal person	25,939,972	1.18	25,939,972	Pledged	3,828,275
ASE (Shanghai) Inc.	Domestic non-state legal person	18,098,476	0.82	0	N/A	0
Fuguo Innovative Technology Hybrid Securities Fund - Industrial and Commercial Bank of China limited	Domestic non-state legal person	5,691,700	0.26	0	Unknown	
Abu Dhabi Investment Authority	Foreign legal person	5,165,214	0.23	0	Unknown	
Fuguo Innovation Trend Stock Securities Investment Fund - Bank of China Limited	Others	4,373,800	0.2	0	Unknown	
Zhang Fangzheng	Domestic natural person	4,338,800	0.2	0	Unknown	
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	Others	4,294,469	0.19	0	Unknown	
Shareholding of top 10 shareholders subject to no selling restrictions						
Name of shareholders	Number of shares subject to no selling restrictions	Type of Shares		Number		
USI Enterprise Limited	1,683,749,126	A-share		1,683,749,126		
Hong Kong Securities Clearing Company Limited	86,938,641	A-share		86,938,641		
China Securities Finance Co., Ltd.	31,525,673	A-share		31,525,673		
ASE (Shanghai) Inc.	18,098,476	A-share		18,098,476		
Fuguo Innovative Technology Hybrid Securities Fund - Industrial and Commercial Bank of China limited	5,691,700	A-share		5,691,700		
Abu Dhabi Investment Authority	5,165,214	A-share		5,165,214		
Fuguo Innovation Trend Stock Securities Investment Fund - Bank of China Limited	4,373,800	A-share		4,373,800		
Zhang Fangzheng	4,338,800	A-share		4,338,800		
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	4,294,469	A-share		4,294,469		
China Merchants Securities Co., Ltd. - CCB Small and Medium Cap Pioneer Equity Securities Investment Fund	4,167,500	A-share		4,167,500		

Related or concert parties among the shareholders above	The actual controllers of the Company are Mr.Chang Chien-Shen and Mr. Chang Hung-Pen, 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.
Shareholding by margin trading of the top 10 shareholders and top 10 shareholders subject to no selling restrictions	Zhang Fangzheng holds a total of 4,338,800 shares, including 0 on ordinary securities account and 4,338,800 on margin account;

Note: The Company held 25,402,195 shares on its securities account for buy-back, with a shareholding ratio of 1.05%, which is not included in the list of the top 10 shareholders.

III. Other notable issues

Other important information on the Company's operation during the reporting period that investors should pay attention to

(1) Revenue breakdown by product category from January to September 2022

Unit: RMB 10,000 yuan

Product Category	Q1 – Q3 2021	Q1 – Q3 2022	Change	YoY
Communication electronics	1,388,539.06	1,836,425.22	447,886.16	32.26%
Consumer electronics	1,141,196.20	1,546,535.90	405,339.70	35.52%
Industrial electronics	530,613.02	652,697.33	122,084.31	23.01%
Computer and storage	357,233.29	528,664.64	171,431.35	47.99%
Automotive electronics	182,481.84	329,783.87	147,302.03	80.72%
Medical electronics	13,277.08	10,629.08	-2,648.00	-19.94%
Others	38,442.90	48,266.32	9,823.42	25.55%
Total	3,651,783.39	4,953,002.36	1,301,218.97	35.63%

(2) Impacts on Q1-Q3 2022 earnings of Purchase Price Allocation (PPA) from the acquisition of FAFG and other factors

Unit: RMB 10,000 yuan

Item		Q3 2021	Q1-Q3 2021	Q3 2022	Q1-Q3 2022
PPA	Impact on operating gross profit	1,202	5,667	904	2,809
	Impact on operating profit	1,493	6,613	1,156	3,896
	impact on net profit	1,429	5,295	896	2,957
Huizhou Plant Construction and Shenzhen Plant Relocation Cost	Impact on operating gross profit	-	-	142	4,948
	Impact on operating profit	-	-	1,269	7,804
	impact on net profit	-	-	1,109	7,030
The extra cost related to the pandemic	Impact on operating gross profit	-	-	-	2,102
	Impact on operating profit	-	-	-	4,498
	impact on net profit	-	-	-	4,080

Provision for impairment of factory buildings	Impact on operating gross profit	-	-	-	-
	Impact on operating profit	-	-	4,985	4,985
	impact on net profit	-	-	4,355	4,355
Increased interest expense on convertible corporate bonds amortized at market interest rate (no impact on the actual interest payment)		3,236	7,550	3,371	10,022

IV. Quarterly Financial Statements

Consolidated Balance Sheet

30 September 2022

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

Presented in RMB yuan, unaudited

Items	30 September 2022	31 December 2021
Current assets:		
Cash and cash equivalents	6,444,004,728.20	6,034,204,042.25
Financial assets held for trading	58,538,449.81	96,480,087.56
Bills receivable	29,012,047.25	78,960,907.84
Accounts receivable	14,479,389,700.87	12,459,388,852.15
Prepayments	65,074,610.60	51,467,608.39
Other receivables	167,012,910.58	129,254,194.21
Inventories	12,539,515,775.37	9,037,562,662.64
Non-current assets due within a year	425,811.85	991,195.08
Other current assets	620,521,091.05	606,392,327.15
Total current assets	34,403,495,125.58	28,494,701,877.27
Non-current assets:		
Long-term receivables	11,097,897.74	11,164,116.06
Long-term equity investments	593,821,213.28	542,549,818.63
Investments in other equity instruments	38,615,482.84	75,957,194.28
Other non-current financial assets	281,401,749.73	236,978,820.68
Fixed assets	4,159,692,897.69	3,442,205,758.01
Construction in progress	546,711,312.87	798,015,703.22
Right-of-use assets	496,716,270.59	562,990,794.23
Intangible assets	413,717,678.32	453,460,831.12
Goodwill	539,819,894.46	559,021,157.88
Long-term deferred expenses	182,341,020.38	227,576,284.98
Deferred income tax assets	375,763,100.23	315,295,836.27
Other non-current assets	168,322,838.00	136,815,311.18
Total non-current assets	7,808,021,356.13	7,362,031,626.54
Total assets	42,211,516,481.71	35,856,733,503.81
Current liabilities:		
Short-term borrowings	4,716,409,345.49	2,480,500,031.68
Derivative financial liabilities	-	976,413.16
Accounts payables	15,481,365,719.29	12,558,598,243.17
Contract liabilities	258,385,041.65	311,988,551.56
Payroll payable	876,854,363.85	831,186,986.48
Taxes payable	358,440,408.45	238,676,479.75
Other payables	636,399,834.12	423,509,465.51
Including: Interest payable	14,404,774.26	9,995,478.63
Dividend payable	-	-
Non-current liabilities due within one year	142,410,873.94	720,507,781.49
Other current liabilities	145,726,425.48	-
Total current liabilities	22,615,992,012.27	17,565,943,952.80
Non-current liabilities:		
Long-term borrowings	709,390,716.60	1,101,220,467.55
Bond payable	3,211,116,706.58	3,115,505,143.28
Lease liabilities	400,557,251.95	475,125,597.24
Long-term payables	30,550,626.34	45,581,055.62

Long-time payroll payable	284,836,951.32	297,331,160.14
Estimated liabilities	5,715,208.79	10,046,914.77
Deferred income	52,876,920.46	59,791,942.70
Deferred income tax liabilities	84,664,271.69	98,179,611.96
Other non-current liabilities	3,883,675.76	5,642,575.13
Total non-current liabilities	4,783,592,329.49	5,208,424,468.39
Total liabilities	27,399,584,341.76	22,774,368,421.19
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	2,203,505,783.00	2,210,172,782.00
Other equity instruments	409,897,244.85	409,902,116.17
Capital reserve	2,189,700,456.96	2,242,456,606.22
Less: Treasury stock	351,392,965.86	341,236,339.88
Other comprehensive income	111,098,528.17	-83,600,398.95
Surplus reserve	738,004,669.96	738,004,669.96
Undistributed profits	9,510,717,856.05	7,906,260,771.90
Total equity attributable to owners (or shareholders) of the Parent Company	14,811,531,573.13	13,081,960,207.42
Minority shareholders' interests	400,566.82	404,875.20
Total owners' equity (or shareholders' equity)	14,811,932,139.95	13,082,365,082.62
Total owners' equity (or shareholders' equity)	42,211,516,481.71	35,856,733,503.81

Legal representative: Chen Chang-I

CFO: Liu Tan-Yang

Accounting officer: Chern Yuh-Huah

Consolidated Income Statement

January – September 2022

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

Presented in RMB yuan, unaudited

Items	The first three quarters of 2022 (January- September)	The first three quarters of 2021 (January- September)
I. Total operating revenue	49,530,023,615.30	36,517,833,898.05
Including: Operating revenue	49,530,023,615.30	36,517,833,898.05
II. Total cost of operations	47,120,466,011.32	35,393,672,295.28
Including: Operating cost	44,427,975,710.47	33,041,398,024.88
Taxes and surcharges	36,517,725.83	38,714,632.01
Sales expense	245,880,970.27	230,473,211.82
Administrative expense	1,127,198,038.88	819,091,287.49
R&D expenses	1,305,838,596.14	1,125,535,718.83
Financial expenses	-22,945,030.27	138,459,420.25
Including: interest expense	161,060,535.90	152,791,224.23
Interest income	52,718,898.82	52,929,123.33
Add: other income	44,071,970.15	39,459,096.91
Investment income (losses are represented by '-')	66,384,082.56	71,677,171.23
Including: investment income of associates and joint ventures	47,399,411.29	9,023,596.23
Income from change in fair value (losses are represented by '-')	11,609,541.00	31,077,047.00
Loss on credit impairment (losses are represented by '-')	-5,867,755.03	-249,097.65
Loss on assets impairment (losses are represented by '-')	-69,109,225.08	3,544,437.93
Gain from disposal of assets (losses are represented by '-')	7,337,571.89	909,429.72
III. Operating profit (losses are represented by '-')	2,463,983,789.47	1,270,579,687.91
Add: non-operating income	22,000,602.89	15,731,153.48
Less: non-operating expenses	3,598,525.98	6,225,747.24
IV. Total profit (total losses are represented by '-')	2,482,385,866.38	1,280,085,094.15
Less: income tax expense	311,329,236.97	158,568,932.16
V. Net profit (net losses are represented by '-')	2,171,056,629.41	1,121,516,161.99
(I) Classification by business continuity		
1. Net profit from continuous operation (net losses are represented by '-')	2,171,056,629.41	1,121,516,161.99
1. Net profit from termination of operation (net losses are represented by '-')	-	-
(II) Classification by ownership		
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')	2,171,043,880.73	1,122,798,637.39
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')]	12,748.68	-1,282,475.40
VI. Other comprehensive income, net of tax	194,681,870.06	45,763,010.42
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax	194,698,927.12	44,473,321.93
Other comprehensive income that cannot be	-35,187,629.54	18,674,855.55

reclassified into the profit or loss		
(1) Changes arising from re-measurement of defined benefit plans	-	-
(2) Other comprehensive income that cannot be transferred into profit or loss under equity method	-	-
(3) Changes in fair value of investments in other equity instruments	-35,187,629.54	18,674,855.55
2. Other comprehensive income to be reclassified into the profit or loss	229,886,556.66	25,798,466.38
(1) Other comprehensive income that can be transferred into profit or loss under equity method	-43,041,797.57	2,362,396.41
(2) Changes in fair value of other debt investments	-	-
(3) Reclassified financial assets that are credited to other comprehensive income	-	-
(4) Credit impairment provision for other debt investments	-	-
(5) Reserve for cash flow hedging	-	-
(6) Differences on translation of financial statements denominated in foreign currencies	-16,223,763.80	-102,924,750.46
(7) Others	289,152,118.03	126,360,820.43
(II) Total comprehensive income attributable to the minority shareholders	-17,057.06	1,289,688.49
VII. Total comprehensive income	2,365,738,499.47	1,167,279,172.41
(i) Total comprehensive income attributable to the owners of the Parent Company	2,365,742,807.85	1,167,271,959.32
(ii) Total comprehensive income attributable to the minority shareholders	-4,308.38	7,213.09
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	1.00	0.51
(II) Diluted earnings per share (RMB/share)	0.96	0.51

Legal representative: Chen Chang-I

CFO: Liu Tan-Yang

Accounting officer: Chern Yuh-Huah

Consolidated Cash Flow Statement

January – September 2022

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

Presented in RMB yuan, unaudited

Items	The first three quarters of 2022 (January – September 2020)	The first three quarters of 2021 (January – September 2020)
I. Net cash flow from operating activities		
Cash received from the sale of goods and rendering of services	48,800,952,144.13	37,513,615,055.84
Refunds of taxes	372,313,892.07	435,794,658.95
Cash paid to other operation activities	116,822,702.37	138,023,380.09
Sub-total of cash inflows from operating activities	49,290,088,738.57	38,087,433,094.88
Cash paid for commodities and services	43,848,387,428.70	35,885,451,341.84
Cash paid to and on behalf of employees	3,340,129,125.84	3,040,581,186.12
Cash paid for all types of taxes	617,680,939.79	338,534,929.57
Cash paid to other operation activities	318,197,742.80	667,009,268.95
Sub-total of cash outflows from operating activities	48,124,395,237.13	39,931,576,726.48
Net cash flow from operating activities	1,165,693,501.44	-1,844,143,631.60
II. Cash flow from investing activities:		
Cash received from recovery of investments	3,879,575,656.99	5,223,757,185.63
Cash received from return on investments	102,532,872.14	44,941,787.27
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	38,485,076.16	39,137,502.70
Sub-total of cash inflows from operating activities	4,020,593,605.29	5,307,836,475.60
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	1,259,437,394.92	1,238,558,307.44
Cash paid for investments	3,983,280,691.22	5,433,192,337.89
Sub-total of cash outflows from investing activities	5,242,718,086.14	6,671,750,645.33
Net cash flow from investing activities	-1,222,124,480.85	-1,363,914,169.73
III. Cash flow from financing activities:		
Cash received from capital injections	33,234,887.20	4,644,906.00
Cash received from borrowings	14,452,733,591.93	7,446,782,389.94
Cash received from issuance of bond	-	3,427,301,047.73
Cash received from other financing activities	4,577,394.98	-
Sub-total of cash inflows from operating activities	14,490,545,874.11	10,878,728,343.67
Cash paid for debt repayment	13,407,841,522.95	7,352,850,383.99
Cash paid on distribution of dividends, profits or repayment of interest expenses	612,878,635.80	1,162,800,570.83
Cash paid on other financing activities	242,134,322.84	332,640,552.47
Sub-total of cash outflows from financing activities	14,262,854,481.59	8,848,291,507.29
Net cash flow from financing activities	227,691,392.52	2,030,436,836.38
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	243,911,913.55	-57,412,090.10
V. Net increase in cash and cash equivalents	415,172,326.66	-1,235,033,055.05
Add: balance of cash and cash equivalents at the beginning of the period	6,018,193,116.59	6,303,224,304.50
VI. Balance of cash and cash equivalents at the end of the period	6,433,365,443.25	5,068,191,249.45

Legal representative: Chen Chang-I

CFO: Liu Tan-Yang

Accounting officer: Chern Yuh-Huah

Board of Directors of Universal Scientific Industrial (Shanghai) Co., Ltd.
October 25, 2022