

Stock Code: 601231

Abbreviated Name: USI

Convertible Bond Code:113045

Abbreviated Name: USI Convertible Bond

Universal Scientific Industrial (Shanghai) Co., Ltd.

2023 Annual Report

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

Important Notice

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

Regarding its profit distribution plan for 2023, USI is going to distribute a cash dividend of RMB 2.70 (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 capital reserve into share capital, and all the remaining undistributed profits were 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 2023 was deliberated and approved at the Tenth Meeting of the Sixth Session of the Board of Directors of the Company, and it still needs to be deliberated at the Company's 2023 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. Others

Applicable Not Applicable

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

Section I Definitions

I. Definitions

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

The Company, the Group, USI, or the listed company	Universal Scientific Industrial (Shanghai) Co., Ltd.
SSE	Shanghai Stock Exchange
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 with 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 with the stock code 3711
ASE Inc.	Advanced Semiconductor Engineering, Inc., formerly listed on the Taiwan Stock Exchange with 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
UGSI	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	Financière 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
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.
FAFG Suzhou, 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.
Hirschmann	Hirschmann Car Communication Holding S.a.r.l., a limited liability company established in Luxembourg, is headquartered in Germany and has production sites in Germany, Hungary and China. USI and Ample Trading completed the acquisition of 100% of its shares in October 2023.
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 current period	January 1, 2023 to December 31, 2023

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	Lily 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	Yuan Shouqing, and Hu Ke

	give their signatures	
Sponsor organization that performs the duty of continuous supervision during the reporting period	Name	Haitong Securities Co., Ltd.
	Office address	888 South Zhongshan Road, Shanghai
	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: As the Company has not used up the raised funds or completed the conversion of the convertible bonds, 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	2023	2022	YoY (%)	2021
Revenue	60,791,909,537.87	68,516,075,963.26	-11.27	55,299,654,770.21
Net profits attributable to shareholders of the listed company	1,947,846,866.12	3,059,967,081.20	-36.34	1,857,968,074.82
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,779,078,630.35	3,010,200,488.88	-40.90	1,695,083,855.46
Net cash flows from operating activities	6,823,435,492.62	3,435,196,255.50	98.63	-1,102,446,978.90
	End of 2023	End of 2022	YoY (%)	End of 2021
Net assets attributable to shareholders of the listed company	16,990,407,623.67	15,749,394,179.86	7.88	13,081,960,207.42
Total assets	39,306,382,898.66	38,574,464,731.16	1.90	35,856,733,503.81

(II) Key financial indicators

Key financial indicators	2023	2022	YoY (%)	2021
Basic EPS (yuan/share)	0.89	1.40	-36.43	0.85
Diluted EPS (yuan/share)	0.87	1.35	-35.56	0.83
Basic EPS net of non-recurring gains/losses (yuan/share)	0.81	1.38	-41.30	0.77
Weighted average ROE (%)	12.02	21.43	Down 9.41 pct.	14.83
Weighted average ROE net of non-recurring gains/losses (%)	10.98	21.08	Down 10.10 pct.	13.53

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

Revenue during the reporting period decreased by 11.27% YoY, mainly because (1) following changes in the global economy and end market demand, communications products and consumer electronics products

experienced a YoY decrease in revenue due to sluggish demand; (2) cloud and Storage products experienced a significant YoY decline due to structural adjustments in product demand; (3) automotive electronics products and medical electronics products continued to grow YoY, mainly due to the Company's expansion of new customers and increased customer demand.

Net profit attributable to shareholders of the listed company decreased by 36.34% YoY during the reporting period, which was mainly due to the decrease in the Company's revenue in 2023, as well as the impact of the increase in the material cost rate and the decrease in exchange-related gains, and therefore the decrease in operating profit and net profit exceeded the decrease in revenue.

Net profits attributable to shareholders of the listed company net of non-recurring gains/losses for the reporting period decreased by 40.90% YoY, and the main reason is that due to the decrease in the net profit of the Company in 2023, as well as the increase in the realized gains from financial assets and government grants received, the amount of non-recurring gains and losses for the period increased by 239.12% YoY.

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 2023

Unit: yuan Currency: RMB

	Q1 (Jan.-Mar.)	Q2 (Apr – Jun)	Q3 (Jul – Sep)	Q4 (Oct – Dec)
Revenue	12,998,168,439.83	13,867,465,732.95	16,191,371,617.51	17,734,903,747.58
Net profits attributable to shareholders of the listed company	277,457,152.84	489,810,672.49	625,253,216.58	555,325,824.21
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses	219,683,026.20	474,173,065.63	580,788,156.35	504,434,382.17
Net cash flows from operating activities	2,545,922,484.41	1,234,632,685.56	359,750,163.45	2,683,130,159.20

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	2023	Notes (if	2022	2021
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gains/losses		applicable)		
Gains and losses on disposal of non-current assets, including the write-off of asset impairment provisions	5,463,221.02	See Note (VII) 68, 73, 75	2,724,930.03	-9,115,989.64
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business, have a lasting impact on the Company's profits and losses and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	71,813,784.39	See Note (XI) 3	56,144,655.78	50,678,106.85
Profit or loss on changes in the fair value of financial assets and financial liabilities and investment income on disposal of financial assets and financial liabilities held by non-financial companies, other than those used in the effective hedging activities relating to normal operating business	106,839,747.09	See Note (VII) 68, 70	96,937,973.50	134,150,704.71
Write-back of provisions for receivables impairment subject to separate impairment tests	0.00		0.00	2,836,069.00
One-time costs incurred by enterprises due to the fact that the relevant business activities are no longer sustainable, such as expenses for relocating employees	-3,701,028.03		-65,435,485.39	0.00
The impact of one-time adjustment of current profit and loss in accordance with tax, accounting and other laws and regulations	0.00		-49,852,343.57	0.00
Other non-operating income or expenses other than the above	12,916,711.91	See Note (VII) 74, 75	22,281,394.77	18,576,128.64
Less: tax effects	24,950,729.58		13,033,613.18	34,238,090.20
Effects attributable to minority interests (After tax)	-386,528.97		919.62	2,710.00
Total	168,768,235.77		49,766,592.32	162,884,219.36

Explanations for significant amount of extraordinary gain or loss items identified by the Company but not listed in the “Explanatory Announcement No.1 for Public Company Information Disclosures – Extraordinary Gains or Losses”, and recurring gain or loss items identified by the Company which are listed as extraordinary gain or loss items in the “Explanatory Announcement No.1 for Public Company Information Disclosures – Extraordinary Gains or Losses”.

Applicable Not Applicable

XI. Items measured at fair value

Applicable Not Applicable

Unit: yuan Currency: RMB

Name of project	Opening amount	Closing balance	Change in the current period	Impact on profit of the current period
Financial assets held for trading	271,243,519.53	245,558,007.22	-25,685,512.31	78,795,857.46
Other equity instruments	38,420,782.40	38,935,237.58	514,455.18	0.00
Other non-current financial assets	170,126,278.86	193,994,862.05	23,868,583.19	25,098,870.95
Derivative financial liabilities	-3,118,891.32	-173,872.64	2,945,018.68	2,945,018.68
Total	476,671,689.47	478,314,234.21	1,642,544.74	106,839,747.09

XII. Others
Applicable Not Applicable

Section III Management Discussion and Analysis

I. Discussion and analysis of corporate operations

USI is a global leader in electronic design and manufacturing as well as a leader in the field of SiP (System-in-Package) technology. The Company has 30 production and service locations across four continents of Asia, Europe, Americas, and Africa, and offers customer diversified electronic products with D(MS)² product services: Design, Manufacturing, Miniaturization, Industrial software and hardware Solutions, and material procurement, logistics and maintenance Services.

(I) An overview the Company's performance in 2023

In 2023, the global demand for electronic products went down, the supply chain was in the de-stocking stage, the external operating environment deteriorated compared to 2022, and the Company's revenue in 2023 decreased by 11.27% YoY. In response to the trend of global supply chain restructuring and economic and trade regionalization, the Company continued to invest in overseas production capacity and operating costs increased, in addition, factors such as supply chain cost-cutting pressure and changes in the exchange rate of RMB to USD also contributed to the YoY decline in the Company's gross profit margin and operating profit margin in 2023. The Company realized operating profit of RMB 2.18 billion in 2023, a decrease of 37.08% YoY, resulting in a corresponding decrease in total profit and net profit attributable to shareholders of the listed company.

(II) Changes in revenue

The Company realized total revenue of RMB 60.79 billion in 2023, down 11.27% from the previous year. Specifically, the revenue of medical electronics increased by 85.98% YoY; the revenue of automotive electronics increased by 10.18% YoY; the revenue of communication electronics decreased by 14.93% YoY; the revenue of consumer electronics decreased by 11.39% YoY; the revenue of industrial electronics decreased by 5.68% YoY; the revenue of cloud and storage decreased by 23.07% YoY.

Changes in revenue by product category reflect changes in the global economy and end-market demand. Communications products and consumer electronics products experienced a YoY decrease in revenue due to sluggish demand; cloud and storage products experienced a significant YoY decline due to structural adjustments in product demand; automotive electronics products and medical electronics products continued to grow YoY, mainly due to the Company's expansion of new customers and increased customer demand.

(III) Changes in expenses and profits

Affected by the increase in material cost rate and the decrease in exchange-related gains, the Company's gross profit margin in 2023 was 9.63%, a decrease of 0.86 percentage points YoY, and the operating profit margin was 3.58%, a decrease of 1.47 percentage points YoY, and the Company achieved an operating profit of RMB 2.18 billion in 2023, a decrease of 37.08% YoY.

The Company strengthened cost control in 2023 and its total sales expenses, administrative expenses, R&D expenses and financial expenses in 2023 added up to RMB 3.60 billion, down RMB 196 million or 5.17% YoY. Among them, administrative expenses decreased by RMB 206 million, or 14.52% YoY; R&D expenses decreased by RMB 227 million, or 11.17% YoY; selling expenses increased by RMB 44 million, or 13.6% YoY, mainly due to the increase in the global sales layout after the epidemic; and financial expenses increased by RMB 193 million, a large YoY increase, mainly due to the YoY decrease in net foreign currency exchange gains and the increase in foreign currency borrowing costs in 2023.

Affected by the YoY decline in operating profit, the Company realized total profit of RMB2.19 billion in 2023, a YoY decrease of 37.03%, and net profit attributable to shareholders of the listed company of RMB1.95 billion, a YoY decrease of 36.34%.

(IV) Key results of work in 2023

1. Continuous investment in overseas production capacity

The Company's global manufacturing footprint continued to expand in 2023 with a new plant in Poland and a second plant in Mexico, which is expected to be put into operation in mid-2024. In October 2023,

the Company successfully completed a transaction to acquire the automotive wireless business of TE Connectivity, a significant milestone in the Company's growth strategy.

In 2023, the Company established a "Digital Transformation Center" to promote the optimization of global operation management processes, in order to integrate global operation capabilities, match the Company's globalization process, and enhance the efficiency and competitive advantage of "global platform, localized service".

2. Prudent inventory control and sound operation

In 2023, the electronics industry chain is still in a downward economic cycle. Affected by the slowdown in demand growth in the post-epidemic era, the destocking of the supply chain is slower than expected. The Company actively controls inventory, which was reduced from RMB 10.9 billion at the end of 2022 to 8.3 billion yuan at the end of 2023, and the amount of working capital occupied has been significantly reduced.

3. Accelerated promotion of intelligent manufacturing

The Company's core business is to provide high-efficiency, high-quality electronic manufacturing services. The Company has deployed smart lights-out factories and is committed to developing a more comprehensive "Industry 4.0" smart manufacturing blueprint, covering product design, production and manufacturing, supply chain management and other aspects. In 2023, the lights-out factory of Shanghai Zhangjiang Factory will be upgraded to a new scale, with the number of robot arms expanded by 2.5 times, integrating Industry 4.0, artificial intelligence, war room, automatic guided vehicle (AGV), automated material handling system (AMHS), intelligent warehousing, automatic scheduling, remote control and data collection, provide customers with the most advanced intelligent manufacturing solutions.

4. ESG performance hits another milestone

The Company adheres to the sustainable development strategy of "low-carbon, circular, inclusive, and collaborative" and is committed to practicing social responsibilities and pursuing sustainable development in which the environment, society and governance coexist and prosper. With a total score of 90 in the 2023 S&P Global Corporate Sustainability Assessment (CSA), the Company achieved the highest CSA score out of 451 companies assessed in the Electronic Equipment, Instruments & Components Industry and was recognized in the S&P Global Sustainability Yearbook for the third consecutive year.

II. Industry of the Company during the reporting period

(I) Basic situation of the industry

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

Main product areas involved in EMS mainly include 3C (i.e. Computer, Communication, Consumer Electronics), cloud, artificial intelligence, automobile, industrial, medical, transportation, energy, aerospace and other fields, among which consumer electronics occupies the most important share. The growing demand for smart phones, smart wearable devices, XR (Virtual Reality, Augmented Reality and Mixed Reality) devices, computers, computing power and cloud, smart home, smart cabin and other products has driven the rapid development and continuous upgrading of chips, storage, electronic components, modules and smart manufacturing.

China has the largest market share and the most competitive supply chain in the global EMS industry. The demand for nearshoring and friend-shoring outsourcing in the global supply chain is increasing rapidly, promoting the industry to invest in expanding production capacity in Mexico, Southeast Asia, India, Eastern Europe and other regions, and also driving the transfer of production capacity in the upstream supply chain. In the future, the industry will also continue to improve in such aspects as production capacity scale and industrial chain clustering.

(II) Industry characteristics and development trends

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

According to industry statistics, the global EMS industry had a market size of approximately USD 724 billion and high industry concentration in 2023, with top ten global manufacturers accounting for more than 70% of the total revenue. The industry-leading enterprises have accumulated rich customer resources and industry experience, developed strong supply chain management capabilities and bargaining power, have a large scale of assets and revenues, and thus maintain a stable leading position. In general, electronic products were still in the destocking stage of the supply chain in 2023, and inflation in major economies and US dollar interest rate hikes had a negative impact on industry demand. Meanwhile, in the context of global supply chain restructuring and economic and trade regionalization, Chinese mainland's EMS industry and upstream supply chain were facing more challenges.

In addition, technological progress continues to promote the upgrading and iteration of electronic products and equipment. Enterprises in the industry have been under great operating pressure for a long time, such as product innovation, quality improvement, cost reduction and efficiency improvement, and continuous investment. Enterprises need to work hard to develop new products and incremental customer demand, enhance design and development capabilities, refine processes, improve intelligent manufacturing and research and development (R&D) capabilities, increase customer stickiness, and offer more added value of products.

2. Technological innovation empowers consumer electronics to upgrade

(1) "AI+" products

Currently, AI has become the focus of the industry and is widely considered to be another foundational technological milestone for mankind after steam engines, internal combustion engines, electricity, semiconductors and information technology. It has become a consensus that AI empowers all walks of life. Through AI empowerment or "AI+", consumer electronics products are expected to achieve new breakthroughs in terms of optimizing interaction methods, improving usage efficiency, and enhancing original functions. In addition, driven by the need for data security and cost reduction, the deployment of AI models has begun to move from the cloud to mobile terminals and edge terminals.

Well-known consumer electronics brands and some new brands have launched "AI+" consumer electronics products, such as the Galaxy AI Phone released by Samsung, which uses locally running generative artificial intelligence models to provide features including Live Translate, Note Assist and Photo Assist, so that users can complete tasks through simple interaction with the phone, which previously required complex tools and operations. Products such as AI PC, AI Pin, and Rabbit R1 launched on the market have also attracted widespread attention from consumers.

In the future, using AI-enabled core terminal devices such as mobile phones and computers in daily life scenarios such as home, work, and travel, people can seamlessly connect and interact in real time with smart wearable devices (such as Smart Watch, TWS, XR, etc.) and smart IoT devices in home and office scenarios (such as home appliances, furniture, office equipment, etc.) with the help of new-generation communication technologies featuring high bandwidth, low latency, and easy access, such as WiFi 7, UWB, and mmWave. Based on Artificial Intelligence of Things (AIoT), AI can actively perceive and analyze consumer needs in real time, and collaborate with electronic devices to provide more convenient and efficient services.

(2) XR devices

In recent years, the concept of metaverse has attracted much attention. Following this trend, many companies in gaming, technology, and Internet industries have entered the VR industry, and AR and MR head-mounted display devices have been innovating and rolling out new products. In 2023, Apple released the smart head-mounted display device Vision Pro, and launched a new Vision OS ecosystem with "Spatial Computing" as the core, which allows users to interact with the device using "eye movement" plus "hand gesture" control methods, and brings a refreshing audio-visual experience through 4K Micro OLED screens and spatial audio. Vision Pro leads the innovative iteration of XR devices, and draws the market attention to the release of new products in the form of AR Glasses.

3. Demand for AI computing power and data exchange surges

ChatGPT has set off an AI craze. Since 2023, accelerated iterations of large generative AI models, increasingly higher demand for large AI model training and inferencing, and oversubscription of GPU chips and AI servers have all driven the growing demand for edge servers. Edge servers can process and

analyze data in real time on AI-based terminals, reducing data transmission delays and costs, improving response speed, and reducing risks during data transmission.

In addition to computing power, AI large models require more efficient and lower-latency data transmission and exchange, thus promoting the upgrade of network infrastructure and driving the growth of demand for hardware products such as high-speed optical fiber networks, high-speed optical modules, HBM, high-speed network cards and switches, heat dissipation and server cooling systems.

4. Automotive electronics maintains growth potential

In the future, cars will become a "mobile smart space" for people to travel while meeting the needs of leisure, working, audio and video entertainment, etc. Smart cabins and autonomous driving will continue to be upgraded and iterated. Meanwhile, the penetration rate of automobile electrification will continue to increase. In consideration of production costs, car running costs and market demands, users can choose battery electric vehicles (BEV), hybrid electric vehicles (HEV), plug-in hybrid electric vehicles (PHEV), hydrogen fuel cell vehicle (FCV) and other differentiated solutions. According to market forecast data, the sales volumes of global new energy vehicles (xEV) grew by 37% year-on-year in 2023, in which the growth rate of HEV and PHEV sales volume reached 50%, higher than that of BEV. It is expected that from 2023 to 2026, the sales volume of new energy vehicles will grow at a CAGR of 25%, in which the sales volumes of HEV will have a CAGR of 33%.

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

1. Periodicity of industry development

The development of the EMS industry is directly affected by the cyclical demand of downstream industries. The demand for electronic products is affected by factors such as the macroeconomic environment, economic cycle, consumer preferences, and technological innovation. When the economy is booming, the market demand for electronic products grows, thus driving the production and sales of the EMS industry to increase; during economic downturn, the purchasing power of consumers and companies decreases, product demand decreases, and the industrial production and sales decrease.

2. Regional characteristics of industry

The global EMS industry emerged in Europe and the United States, and then gradually moved to Southeast Asia, Taiwan, and Chinese mainland. Currently, China, Southeast Asia, India, Mexico, Eastern Europe and other places are regional centers for low-cost manufacturing. The current trend of "economic and trade regionalization" is conducive to the development of regional low-cost manufacturing centers, but the Asia-Pacific supply chain with Chinese mainland as the core still has the advantages of "industrial clustering" and "low cost".

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, and during the second half of the year, shipments climb to the peak month by month before a normal pullback.

(IV) Competitive position of the Company in the industry

The Company is a world-renowned manufacturer in the EMS industry. According to the latest ranking of global EMS providers (2022), USI ranked 12th 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 EMS provider, by providing brand customers with more value-added design, manufacturing and related services, USI participates in developing product application solutions, and enhances the manufacturing value added of products and overall services. In the future, USI will attach more importance to developing its ability of providing solutions, design and services, so as to create core

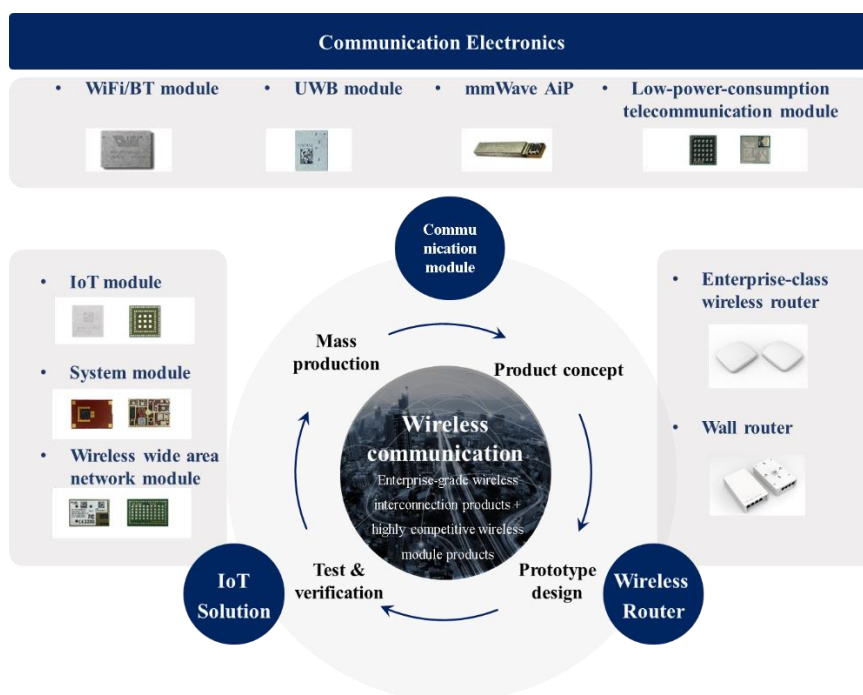
value for customers, establish long-term and stable cooperative relations with high-quality customers in various industries, and gradually develop from manufacturing service providers to system solution providers and comprehensive service providers.



1. Wireless communication products

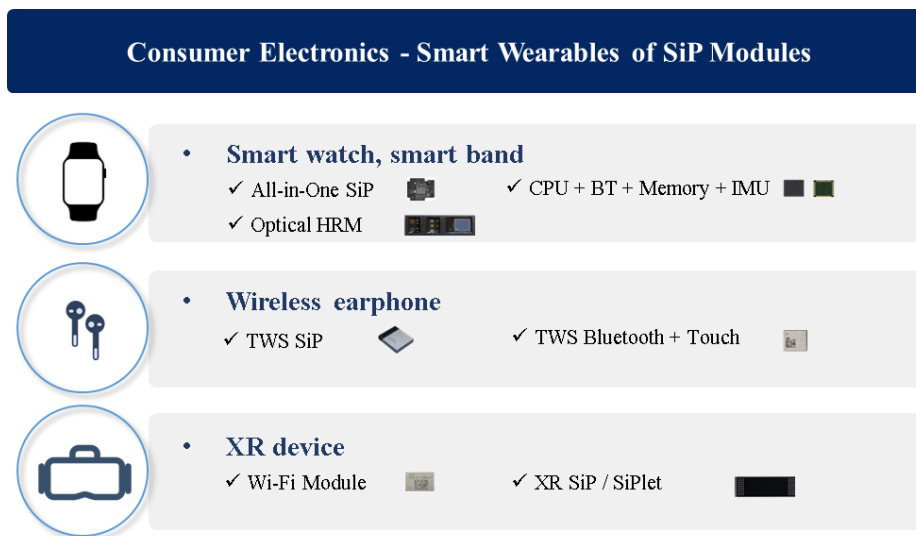
In the field of wireless communication, the Company, with a strong design and manufacturing team, provides customers with design, verification, manufacturing and testing services for industry-leading wireless communication modules and enterprise-class wireless interconnection products by collaborating 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, wireless router, and etc.



2. Consumer electronics

The Company is the industry's leading manufacturer of smart wearable SiP modules. As more and more feature-rich 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 development of highly integrated manufacturing process of SiP modules related to wearables, including new advanced packaging technologies such as local partition shielding, selective molding, thin-film molding technology, selective sputtering, and profiled cutting technology, dry ice cleaning technology, and 3D metal stencil printing. At present, the Company’s smart wearable SiP module products include smart watch SiP module, True Wireless Stereo earbuds (TWS) module, and optical heart rate module. As for XR(VR/AR/MR) smart head-mounted display devices, the Company's products include Wi-Fi modules, and SiP modules integrating multiple functions or with specific functions.



In addition to smart wearable SiP modules, consumer electronics products also include SiPlet modules, video devices, connection devices, mainly X-Y bar control board, mini LED display control, timing control board, smart stylus, smart tablet, electromagnetic sensing board, etc.

3. Industrial products

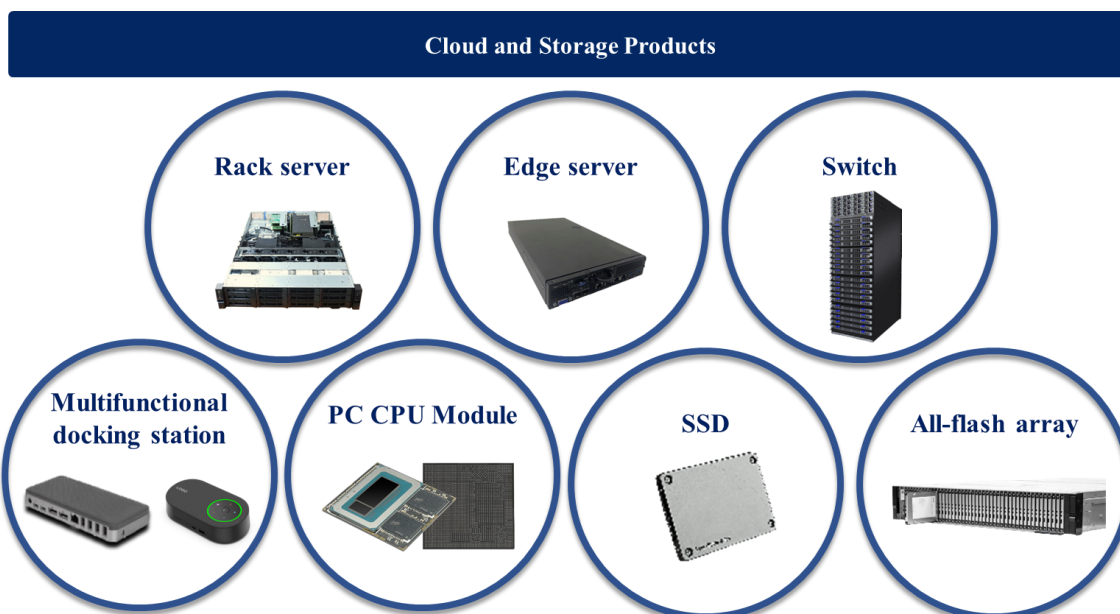
With sophisticated professionals in product R&D, design, project management, manufacturing and logistics support, USI is committed to the industrial product market, such as point-of-sale (POS), smart handheld device (SHD), smart fleet recorder and industrial control panel, to provide customers with the most cost-effective, optimized design and a full package of solutions with a strict quality control process, and meet their needs from mass production in the form of low-mix high-volume to customized production of high-mix low-volume manufacturing, to production. With the development needs of global carbon neutrality, the Company has added the green energy products for energy storage and photovoltaics.



4. Cloud and storage products

USI’s motherboard products mainly include motherboards for servers and workstations, AI Cards, and CPU modules for laptops, etc. USI’s computer peripheral products are mainly devices that connect laptops to peripherals, such as docking station and dongle. The server related products manufactured by the Company are widely used in cloud computing, data centers, edge computing and other fields. In terms of standard rack servers and edge servers, the Company provides JDM (Join Design Manufacture) service mode, and has adopted new generation technologies such as DDR5 and PCI-G5.

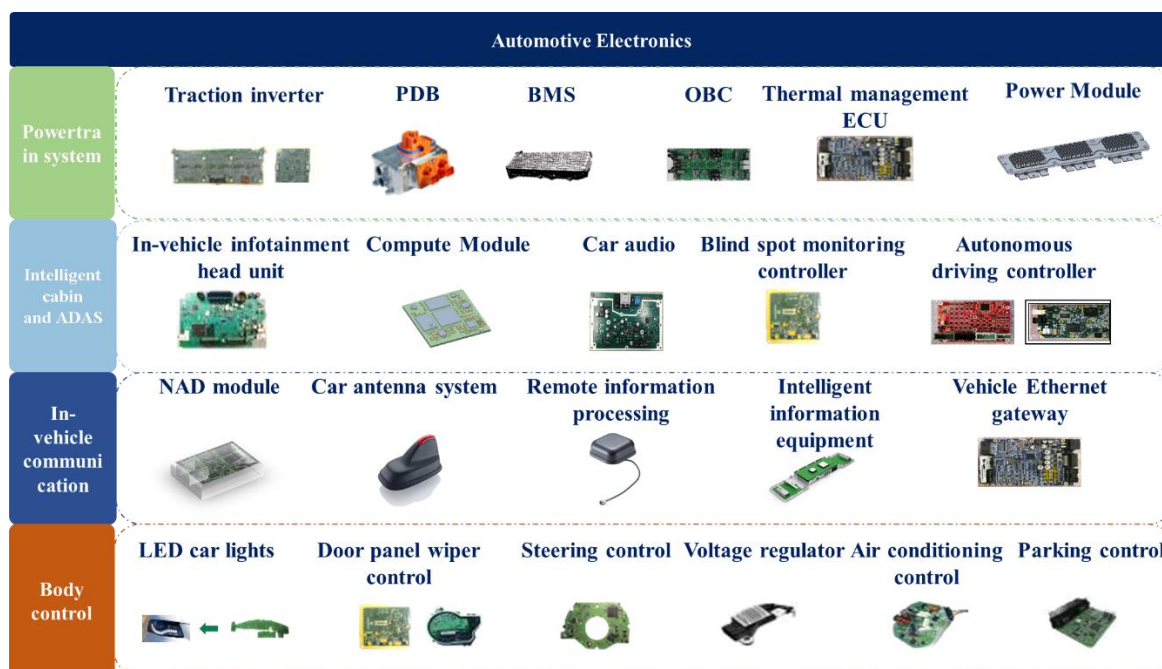
Storage and interconnection products include solid-state drives (SSDs) and high-speed switches and network adapters. USI has industry-leading R&D capabilities for new technologies, such as Fiber Optic Channel, SAS, SATA, 10 Gigabit Ethernet, dual port I/O and wireless broadband, etc. The Company is a leading SSD design and manufacturing partner, providing customers with manufacturing services ranging from hardware design to product verification and custom-developed production and test platforms. The Company also provides customers with motherboard and complete machine manufacturing services for high-speed switches.



5. Automotive electronic products

The Company, boasting more than four decades of experience in the automotive industry, is a leading manufacturing service provider of automotive electronics.

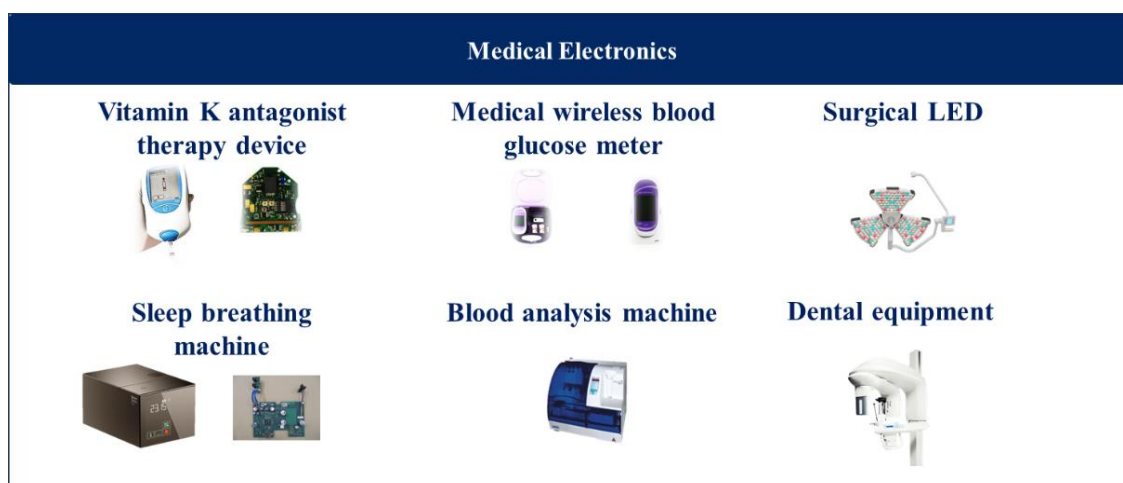
Automotive electronic products mainly include power modules, traction inverters, Battery Management System (BMS), On-Board Charger (OBC), electronic pumps, intelligent cabin products, ADAS related controllers, domain controllers, vehicle NAD modules, vehicle antennas, LED lights, other body controller products, etc.



Following the development trend of "electrification, intelligence, and connectivity" in automotive electronics, the Company focuses on investing in "electrification" related power modules and traction inverters, BMS, OBC and other products to serve power chip manufacturers and Tier 1 and automobile manufacturers. Meanwhile, taking into account "intelligence" and "connectivity", the Company expands new products and businesses in the fields of intelligent cabins, ADAS, and vehicle telematics. In October 2023, the Company completed the acquisition of Hirschmann Car Communication Holding S.a.r.l. to strengthen the Company's R&D and design capabilities in the fields of automotive antennas and automotive communications.

6. Medical electronics

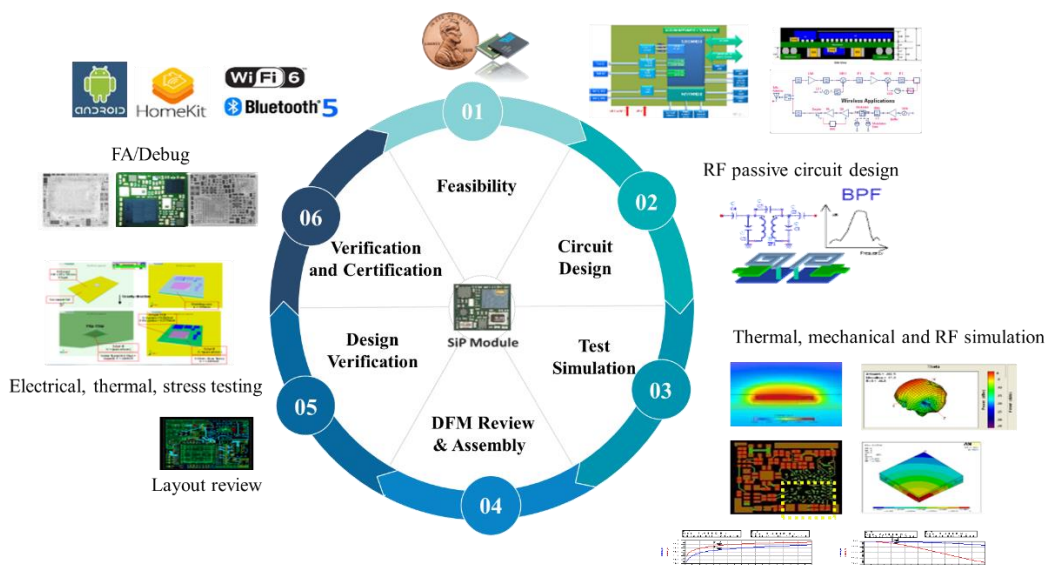
Medical electronic products are mainly home care and hospital analytical equipment, including vitamin K antagonist therapy equipment, medical wireless blood glucose meter, sleep ventilator, blood analysis machine, and glucose metering device.



(II) Miniaturization design and products

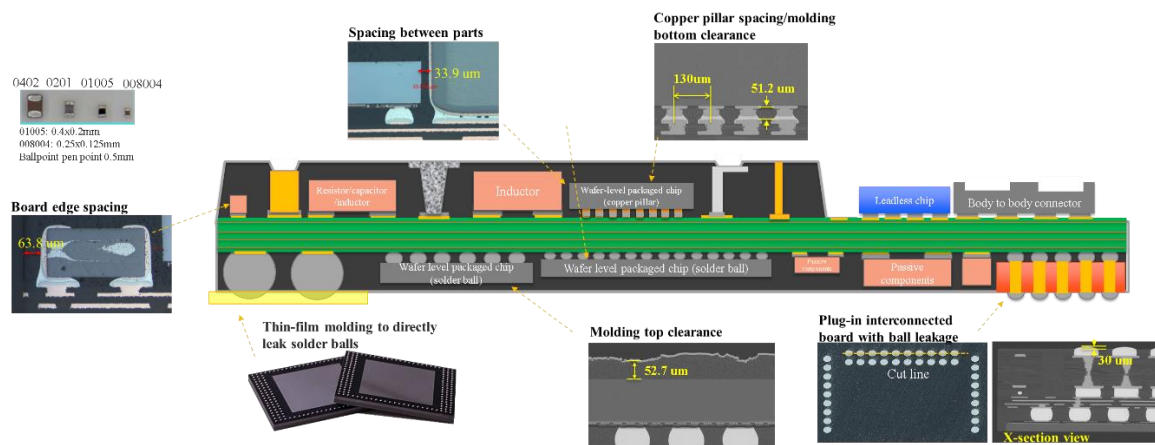
The Company is a leader in SiP miniaturization technology. SiP module is a heterogeneous integrated electronic system that integrates chips and passive devices into one module to achieve the effects of reducing functional module area, improving circuit system efficiency, and shielding electromagnetic interference. Through miniaturization technology, the size and space occupied by most electronic systems can be reduced, which is especially suitable for mobile communication equipment, Artificial Intelligence of Things (AIoT) and wearable electronic products. With the development of AI, metaverse and spatial computing, the categories of wearable devices will be more abundant, including watches, bands, TWS, XR devices, smart rings, etc., and the integrated functions will also be more powerful, covering health, sports, spatial computing, AI, etc., the need to be "light, thin, short, and small" will also become more intense, and miniaturized module technology will have more application scenarios.

The Company insists on deepening the R&D of SiP modules, and stays ahead in the industry. At the end of 2020, the Company established Miniaturization Capability Competence (MCC) center which focuses on the application and promotion of miniaturization technology and SiP modules, serve the needs of domestic and foreign customers for miniaturization and modular products, and provide "one-stop services" from design to manufacturing.

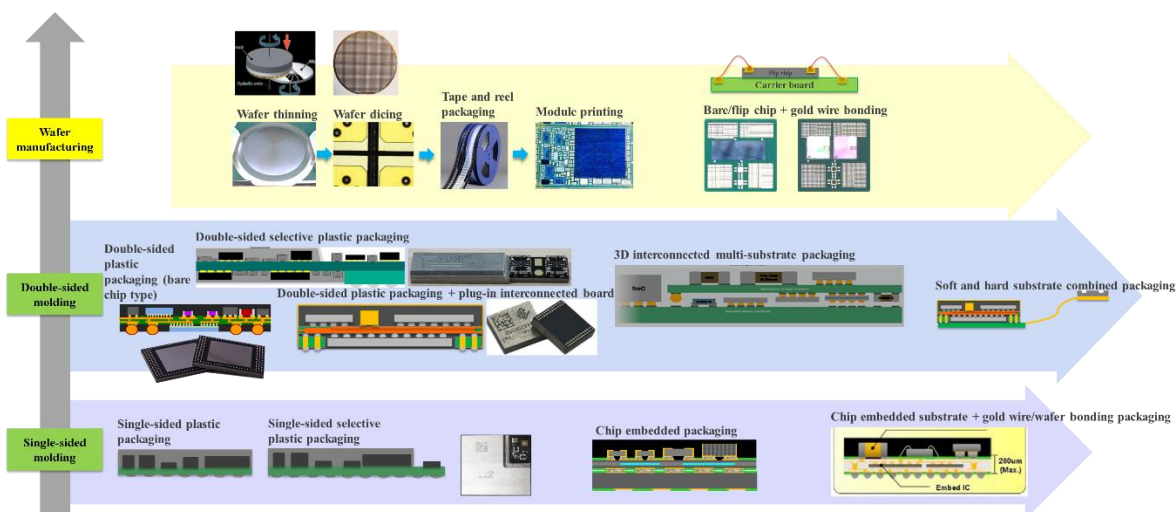


The Company continues to break through technical challenges in all aspects of the SiP process to meet product requirements of high stability and high integration:

- (1) In the horizontal aspect, the minimum device is 0.25 mm * 0.125 mm, the design value of the minimum part spacing is 30 microns, and the design value of the distance from the board edge is 65 microns, which require higher-level parts, production equipment and process control.
- (2) In the vertical aspect, the design value of the molding top clearance is 50 microns and the molding bottom clearance is 50 microns, which require well selected molding materials, process parameters and process control.
- (3) Technologies such as selective molding, plug-in interconnection, and thin-film molding to directly leak solder balls provide diversified support for SiP interconnection and subsequent processes.



The design and manufacturing capabilities of "miniaturized" products are the Company's competitive advantage. The Company will keep improving in SiP module design and process technology. In terms of single-sided molding, the Company achieves comprehensive or selective molding, and develops processes such as chip embedding and gold wire/wafer bonding packaging according to customer needs. In terms of double-sided molding, the Company has introduced plug-in interconnection, and will later develop 3D structures and combine soft and hard boards to further reduce product size. The Company will introduce front-end wafer manufacturing processes, including wafer thinning and dicing, combined with the current SiP process to achieve Wafer-In-Module-Out.



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 latest global ranking of EMS providers (2022), the Company ranked 12th in revenue scale 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. Since July 2013, the Company has been

continuously included in the constituent stocks of the Shanghai Corporate Governance Index, awarded A-level ratings on information disclosure by the Shanghai Stock Exchange for the last six consecutive years, and won a series of honors in the field of business operation and corporate governance.

December 2021	Entitled one of the 7 th "Top 10 Examples of Pudong Headquarters Economy", awarded "2021 Excellent Investor Relations" by China Fund News, awarded the 2021 Excellent CSR Report by GoldenBee, and "Best Information Disclosure Award" in the 5 th Excellent IR Evaluation by Roadshow China
February 2022	Included in S&P Global Sustainability Yearbook 2022, ranking top 10%
April 2022	Won the silver medal in the EcoVadis sustainability evaluation in 2022
May 2022	Won "Investor Relations Gold Award 2021 – Earnings Call Innovation Award"
September 2022	Awarded a BBB rating in TCFD Rating of Chinese Listed Companies, highest among participating Chinese listed companies in 2022
December 2022	Won 2022 Best Practices of Board of Directors' Office Award by China Association for Public Companies, and "ESG Pioneer Enterprise" in the 2022 CLS ESG Award
February 2023	Included in S&P Global Sustainability Yearbook for two consecutive years, ranking top 10%
May 2023	Won four major awards of "2022 Investor Relations Gold Award"
June 2023	Won the honor of top 1% Chinese Companies in S&P Global ESG Rating and the Most Progressive Company in the Industry
September 2023	Won the "Top 100 Shanghai Enterprises in 2023 (32 nd)" and "Top 100 Shanghai Emerging Industry Enterprises in 2021 (8 th)" issued by the Shanghai Enterprise Confederation
November 2023	Won Best ESG Practices of Listed Companies in 2023, and Best Practices of 2022 Earnings Call issued by China Association for Public Companies
February 2024	Included in S&P Global Sustainability Yearbook for three consecutive years, winning the highest CSA score in the Electronic Equipment, Instruments & Components Industry across the world

(II) Global layout and localized services

Due to the global supply chain restructuring following the trend of global economic and trade regionalization, customers have shifted some offshore outsourcing to nearshore or friend-shore outsourcing for risk management needs of supply chain diversification. Facing the adjustment of the supply chain, the Company launched a glocalization strategy in 2018: In 2018, the Company acquired the Poland factory; in 2020, the Company acquired the Financière AFG, the second largest EMS company in Europe, and continued to strengthen integration; in 2021, the Company's Vietnam factory was put into operation; in 2022, the Company's Nankang second factory was put into operation; in 2023, the Company built a second factory building in Poland factory and established the Guadalajara factory, the second factory in Mexico. In recent years, the Company's revenue generated by overseas factories in proportion to its total revenue has continued to increase, and the new operating model of "global platform, localized service" has promoted the company's sustainable and healthy growth.

The Company's global layout focuses not only on the globalization of business cooperation and production bases, but also on the global market, integrating global resources and becoming a more internationally operating company. Currently, the Company has 30 manufacturing sites in 12 countries or regions including China (mainland and Taiwan), Vietnam, the United States, Mexico, France, Germany, the United Kingdom, the Czech Republic, Hungary, Poland, and Tunisia, and provides global customers with varied and differentiated manufacturing service solutions based on the localized operation systems in North America, Europe, Asia Pacific and North Africa.



(III) Diversified business areas and rich product portfolio

The Company not only has the comprehensive strength of professional design and manufacturing of electronic products (covering electronic components, spare parts and complete machines) and system assembly, but also the advantages of selected subdivisions and integrated products. The Company's product portfolio is rich and balanced, covering five major fields: communications, consumer electronics, cloud and storage, industrial electronics and medical, and automotive electronics. The Company attaches great importance to the study and judgment of industry trends, and can respond quickly to changes in the market demand. The Company can adjust its product portfolio flexibly according to changes in customer demand.

(IV) Focus on automation and intelligent manufacturing

As a global leader in electronic design and manufacturing, "intelligent manufacturing" has always been an important business strategy of the Company. The Company has formulated the "Five-Star Factory Standard" with reference to the industry practice, that is, 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%, etc. The Company also uses Industry 4.0 automation technology to achieve a smart manufacturing roadmap, and has currently introduced technologies including internal factory equipment communication networks that support 4G and 5G, Automated Material Handling Systems (AMHS), fully automated robot testing unmanned workshops, and real-time production equipment status monitoring platforms with remote access dashboards; the Company also applies AI technology to the management of key production equipment, production systems and product testing systems. The Company will continue to comprehensively improve the intelligent manufacturing capabilities and automation levels of its regional production bases in Asia, Europe and North America. The Company plans to upgrade all factories that have introduced Industry 4.0 by an average of 0.58 star in 2024, and have five lights-out factories that achieve fully automated production in 2028.

(V) Product innovation driven by R&D

The Company always attaches great importance to technology R&D, and continues to increase investment in R&D. From 2021 to 2023, the Company's R&D investment was RMB 1.641 billion, 2.034 billion and 1.807 billion respectively. As of the end of 2023, the Company had an R&D team of 2,809 employees, and obtained 801 patents and 264 potential patents under application.

The Company is a global leader in SiP technology. In 2023, it integrated a number of advanced technologies with the miniaturized and multifunctional SiP modules, such as high-density SMT part design (40um pitch), 150um pitch WLCSP molding and filling technology, double layer stacking technology of passive components, more complex double-sided molding 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 CPU SiP module among industry peers, which reduces the high-speed signal line between the processor and LPDDR5X memory, and increases the performance by 25%, while reducing the core area of the motherboard by 38%. It can improve the overall heat dissipation efficiency of the system and achieve the high performance required by high performance laptops.

(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' consciousness of sustainable development, and cooperates with partners and communities to promote economic growth and enhance productivity through sustainable development.

The Company has been constantly improving employees' career planning, performance appraisal and incentive mechanism, providing a platform for the development of talents and a channel for more outstanding talents to join, and a powerful talent foundation for the Company to achieve its development goals. The Company has established a long-term and effective employee incentive mechanism. Since 2019, the Company has launched employee stock ownership plans and stock option incentive plans according to operational needs. As of the end of 2023, the Company has launched three stock option incentive plans, granting a total of 59,452,500 stock options with 17,418,440 shares exercised by employees, and rolled out six employee stock ownership plans, purchasing or transferring a total of 11,576,197 shares.

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. At the beginning of 2024, the Company launched a new share repurchase program, with a total repurchase amount of no less than RMB 100 million. As of the end of 2023, the Company has achieved cumulative net profits of RMB 15.84 billion, and cumulative cash dividend (including the 2023 profit distribution plan) of RMB 5.38 billion since its listing, with an average cash payout ratio of 34.0%.

V. Main business operations during the reporting period

The Company realized total revenue of RMB 60.79 billion in 2023, down 11.27% from RMB 68.52 billion in 2022. Specifically, the revenue of medical electronics increased by 85.98% YoY; the revenue of automotive electronics increased by 10.18% YoY; the revenue of communication electronics decreased by 14.93% YoY; the revenue of consumer electronics decreased by 11.39% YoY; the revenue of industrial electronics decreased by 5.68% YoY; the revenue of cloud and storage decreased by 23.07% YoY. Changes in revenue was mainly caused by: (1) following changes in the global economy and end market demand, communications products and consumer electronics products experienced a YoY decrease in revenue due to sluggish demand; (2) cloud and Storage products experienced a significant YoY decline due to structural adjustments in product demand; (3) automotive electronics products and medical electronics products continued to grow YoY, mainly due to the Company's expansion of new customers and increased customer demand.

The total sales, administrative, R&D and financial expenses of the Company in 2023 were RMB 3.60 billion, an decrease of RMB 196 million or 5.17% over RMB 3.80 billion in 2022.

The Company achieved operating profit of RMB 2.18 billion in 2023, a decrease of 37.08% over RMB 3.46 billion in 2022; the total profit was RMB 2.19 billion, a decrease of 37.03% over RMB 3.48 billion in 2022; the net profit attributable to shareholders of the listed company was RMB 1.95 billion, a decrease of 36.34% over RMB 3.06 billion in 2022.

(I) Main business analysis

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

Unit: yuan Currency: RMB

Item	2023	2022	Change (%)
Revenue	60,791,909,537.87	68,516,075,963.26	-11.27
Operating costs	54,939,136,481.69	61,327,074,531.73	-10.42
Sales expenses	367,994,662.03	323,833,862.87	13.64
Administrative expenses	1,215,427,939.02	1,421,848,997.88	-14.52
Financial expenses	212,029,208.10	18,865,406.63	1,023.90
R&D expenses	1,807,204,128.27	2,034,461,775.71	-11.17
Net cash flows from operating activities	6,823,435,492.62	3,435,196,255.50	98.63
Net cash flow from investment activities	-1,428,897,187.20	-1,524,248,331.61	N/A
Net cash flow from financing activities	-1,836,253,228.36	-502,415,196.59	N/A

Reasons for changes in financial expenses: Mainly due to the decrease in net foreign currency exchange gains in the current period.

Reasons for changes in net cash flows from operating activities: Mainly due to an increase in collections of receivables, as well as a decrease in funds tied up in inventories as a result of strengthened procurement and inventory control in the current period.

Reasons for changes in net cash flow from investing activities: Mainly due to prudent investments in fixed assets.

Reasons for changes in net cash flow from financing activities: Mainly due to higher cash dividend payments and less borrowings during the period.

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

Applicable Not Applicable

2. Revenue and cost analysis

Applicable Not Applicable

In the current period, the Company's revenue from its main businesses decreased by 11.30% over the same period last year, and costs incurred by its main business decreased by 10.42% over the same period last year. The specific analysis is as follows:

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

Unit: yuan Currency: RMB

Main business by product						
Product	Revenue	Operating costs	Gross profit margin (%)	Revenue YoY (%)	Operating cost YoY (%)	Gross profit margin YoY (%)
Communication electronics	21,799,269,805.02	20,103,196,795.12	7.78	-14.93	-13.39	Down 1.64 pct.
Consumer electronics	19,254,189,286.98	17,728,131,621.69	7.93	-11.39	-10.92	Down 0.48 pct.
Industrial products	8,164,460,442.66	6,982,306,047.58	14.48	-5.68	-3.89	Down 1.59 pct.
Cloud and storage products	5,378,779,152.02	4,518,126,147.87	16.00	-23.07	-23.69	Up 0.69 pct.
Automotive electronics	5,137,439,831.33	4,721,705,037.54	8.09	10.18	11.04	Down 0.71 pct.
Medical electronics	376,027,790.19	350,579,209.65	6.77	85.98	92.73	Down 3.27 pct.
Others	619,672,267.13	531,715,141.89	14.19	2.73	-9.96	Up 12.08 pct.
Total	60,729,838,575.32	54,935,760,001.34	9.54	-11.30	-10.42	Down 0.90 pct.
Main business by region						
Region	Revenue	Operating costs	Gross profit margin (%)	Revenue YoY (%)	Operating cost YoY (%)	Gross profit margin YoY (%)
Chinese Mainland	37,464,004,420.29	33,929,932,007.50	9.43	-17.22	-16.48	Down 0.81 pct.
Other regions in APAC	19,467,015,768.29	17,831,065,044.79	8.40	-15.03	-14.04	Down 1.06 pct.
Europe	4,987,338,693.76	4,372,898,325.09	12.32	35.31	31.83	Up 2.31 pct.
Others	4,477,998,105.83	4,196,123,100.50	6.29	6.55	6.31	Up 0.21 pct.
Inter-segment offsetting	-5,666,518,412.85	-5,394,258,476.55	4.80	-25.32	-26.2	Up 1.12 pct.
Total	60,729,838,575.32	54,935,760,001.34	9.54	-11.30	-10.42	Down 0.90 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	514,334,984.00	519,357,458.00	25,252,650.00	-23.62	-22.75	-16.59
Consumer electronics	299,765,804.00	301,103,860.00	6,885,828.00	2.98	2.13	-16.27
Industrial products	24,663,386.00	24,920,041.00	605,830.00	-42.60	-41.67	-29.76
Cloud and storage products	15,604,509.00	15,613,142.00	907,720.00	-24.12	-23.51	-0.94
Automotive electronics	96,636,017.00	92,230,359.00	7,604,264.00	69.66	61.18	137.74
Medical electronics	912,081.00	911,130.00	26,280.00	-2.50	-4.60	3.75
Others	6,508,517.00	6,469,059.00	94,922.00	13.08	12.46	71.14
Total	958,425,298.00	960,605,049.00	41,377,494.00	-12.21	-12.21	-5.00

Explanation of production and sales volume

The revenue from automotive electronic products increased by 10.18% YoY in 2023, and the number of low unit price products sold increased significantly YoY.

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

□Applicable √Not Applicable

(4). Cost analysis

Unit: yuan Currency: RMB

Cost analysis by product							
Product	Cost item	2023	Percentage in total cost (%)	Amount in the same period last year	Percentage in total cost (%)	YoY (%)	Note
Communication electronics	Raw materials	18,574,689,443.39	92.40	21,165,596,271.64	91.19	-12.24	
	Labor and others	1,528,507,351.73	7.60	2,046,015,573.99	8.81	-25.29	
Consumer electronics	Raw materials	16,449,923,460.54	92.79	18,471,392,052.71	92.81	-10.94	
	Labor and others	1,278,208,161.15	7.21	1,429,989,271.88	7.19	-10.61	
Cloud storage products	Raw materials	3,892,924,586.58	86.16	5,031,592,645.30	84.98	-22.63	
	Labor and others	625,201,561.29	13.84	889,134,827.71	15.02	-29.68	
Industrial products	Raw materials	5,754,547,710.27	82.42	6,232,147,734.00	85.78	-7.66	
	Labor and others	1,227,758,337.31	17.58	1,033,116,630.72	14.22	18.84	
Automotive electronics	Raw materials	3,730,517,985.44	79.01	3,437,066,835.09	80.83	8.54	
	Labor and others	991,187,052.10	20.99	815,313,255.03	19.17	21.57	
Medical electronics	Raw materials	248,859,541.67	70.99	93,155,828.61	51.21	167.14	
	Labor and others	101,719,667.98	29.01	88,744,533.95	48.79	14.62	
Others	Raw materials	340,650,856.57	64.07	338,727,970.60	57.36	0.57	
	Labor and others	191,064,285.32	35.93	251,773,362.75	42.64	-24.11	
Total	Raw materials	48,992,113,584.46	89.18	54,769,679,337.96	89.31	-10.55	
	Labor and others	5,943,646,416.88	10.82	6,554,087,456.03	10.69	-9.31	

Explanation of other aspects of cost analysis

None

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

√Applicable □ Not Applicable

At the Twenty-first Meeting of the Fifth Session of the Board of Directors of the Company held on March 17, 2023, the Board of Directors considered and approved the Proposal on the Establishing a Joint Venture Company for the Purchase of the Automotive Wireless Business of TE Connectivity, allowing UGT, a wholly-owned subsidiary of the Company to set up a joint venture company with AmpleTrading, Co., Ltd.(hereinafter referred to as the "subject business") for the acquisition. In April 2023, a joint venture company, Universal Ample Technology Co., Limited (hereinafter referred to as the "UAT"), was established with a capital contribution of 75.1% from UGT and 24.9% from AmpleTrading, Co., Ltd. In October 2023, UAT has indirectly owned 100% of the shareholding company related to the subject business, and the transaction has been completed and settled. The subject business holding company has been included in the Company's consolidated financial statements for fiscal year 2023.

(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 30.76 billion, accounting for 50.59% 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 25.11 billion, accounting for 59.01% of the total purchase amount; among the top five suppliers, the purchase amount from related parties was 0 yuan, accounting for 0% of the total 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	2023	Proportion (%)
1	Customer A	1,713,114.36	28.18
2	Customer B	758,247.47	12.47
3	Customer C	204,926.01	3.37
4	Customer D	199,836.75	3.29
5	Customer E	199,464.78	3.28
Total		3,075,589.36	50.59

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

Unit: 10,000 yuan Currency: RMB

No.	Supplier name	2023	Proportion (%)
1	Supplier A	1,186,995.59	27.90
2	Supplier B	1,060,497.89	24.93
3	Supplier C	117,595.22	2.76
4	Supplier D	73,802.51	1.73
5	Supplier E	71,991.99	1.69
Total		2,510,883.21	59.01

3. Expenses

Applicable Not Applicable

Unit: yuan Currency: RMB

Name of project	2023	2022	Change	YoY	Remark
Sales expenses	367,994,662.03	323,833,862.87	44,160,799.16	13.64	
Administrative	1,215,427,939.02	1,421,848,997.88	-206,421,058.86	-14.52	

expenses					
R&D expenses	1,807,204,128.27	2,034,461,775.71	-227,257,647.44	-11.17	
Financial expenses	212,029,208.10	18,865,406.63	193,163,801.47	1,023.90	Mainly due to the decrease in net foreign currency exchange gains in the current period.
Total	3,602,655,937.42	3,799,010,043.09	-196,354,105.67	-5.17	

4. R&D investment

(1). Particulars of R&D investment

Applicable Not Applicable

Unit: yuan Currency: RMB

Expensed R&D investment in the current period	1,807,204,128.27
Capitalized R&D investment in the current period	0
Total R&D investment	1,807,204,128.27
Proportion of total R&D investment to 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	2,809
Proportion of R&D personnel in the total number of employees of the Company (%)	12.21
Breakdown by educational background	
Educational background	Number of personnel
Doctor's degree	12
Master's degree	994
Bachelor's degree	1,498
Junior college	292
Senior high school and below	13
Breakdown by age	
Age	Number of personnel
Under 30 years old (excluding 30 years old)	370
30-40 years old (including 30 years old and excluding 40 years old)	1,187
40-50 years old (including 40 years old and excluding 50 years old)	911
50-60 years old (including 50 years old and excluding 60 years old)	332
60 years old and above	9

(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

Unit: yuan Currency: RMB

Items	2023	2022	Reasons for changes
Net cash flows from operating activities	6,823,435,492.62	3,435,196,255.50	Mainly due to an increase in collections of receivables, as well as a decrease in funds tied up in inventories as a result of strengthened procurement and inventory control in the current period.
Net cash flow from investment activities	-1,428,897,187.20	-1,524,248,331.61	Mainly due to prudent investments in fixed assets.
Net cash flow from financing activities	-1,836,253,228.36	-502,415,196.59	Mainly due to the payment of higher cash dividends and repayment of borrowings during the period.

(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 Currency: RMB

Items	December 31, 2023	Proportion to total assets (%)	December 31, 2022	Proportion to total assets (%)	YoY	Remark
Cash and bank balances	11,218,698,389.32	28.54	7,695,016,173.40	19.95	45.79	Mainly due to higher net cash inflow from operating activities during the period.
Other receivables	208,748,837.09	0.53	137,008,284.72	0.36	52.36	Mainly due to receivables upon expiry of contingent consideration for equity acquisition projects and increase of advanced tooling costs for clients during the period.
Other current assets	838,262,285.94	2.13	599,581,332.72	1.55	39.81	Mainly due to the increase in subsidiaries' value-added tax to be deducted and the increase in prepaid income tax in the current period.
Non-current assets due within one year	123,989.32	0.00	322,815.55	0.00	-61.59	Mainly due to the decrease in the closing balance of lease receivables in the current period.
Construction in progress	641,030,985.98	1.63	303,432,536.69	0.79	111.26	Mainly due to the increase in investment in the expansion of overseas subsidiaries in the current period.
Other non-current assets	68,274,790.92	0.17	124,611,895.32	0.32	-45.21	Mainly due to the subsidiary's advance payment for equipment and

						completion of equipment acceptance.
Investment properties	4,324,045.51	0.01	0.00	0.00	100.00	Mainly due to the sublease of the entire self-owned property by the subsidiary in the current period.
Derivative financial liabilities	173,872.64	0.00	3,118,891.32	0.01	-94.43	Mainly due to changes in fair value caused by derivative financial products in the current period.
Other payables	1,044,770,045.86	2.66	716,932,703.77	1.86	45.73	Mainly due to the accrual of the transfer consideration required for the business combination and the receipt of customer deposits in the current period.
Non-current liabilities due within one year	3,564,025,750.56	9.07	506,820,025.23	1.31	603.21	Mainly due to the transfer of convertible corporate bonds from non-current to current liabilities.
Bond payable	0.00	0.00	3,243,085,241.27	8.41	-100.00	Mainly due to the transfer of convertible corporate bonds from non-current to current liabilities.
Long-term employee benefits payable	273,605,892.45	0.70	199,342,510.02	0.52	37.25	Mainly due to the increase in the amount of the pension account in the current period.
Provisions	48,279,064.03	0.12	7,350,296.14	0.02	556.83	Mainly due to subsidiaries' accrual of product warranty expenses.
Other non-current liabilities	1,046,909.26	0.00	3,692,335.61	0.01	-71.65	Mainly due to subsidiaries' return of supplier deposits in the current period.
Other comprehensive income	261,726,655.45	0.67	111,850,168.58	0.29	134.00	Mainly due to the gains on foreign currency statement translation caused by changes in foreign exchange rate in the current period.
Minority interests	99,421,563.54	0.25	444,965.69	0.00	22,243.65	Mainly due to business combination not under common control in this period.

Other explanations

None

2. Overseas assets

√Applicable □ Not Applicable

(1) Asset size

Including: overseas assets 20,450,785,716.71 (unit: yuan; currency: RMB), accounting for 52.03% of the total assets.

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

√Applicable □ Not Applicable

Unit: RMB 10,000 yuan

Overseas assets	Causes	Operating model	2023 Revenue	2023 Net profit
Universal Global Scientific Industrial Co., Ltd.	Establishment	Independent operation	1,290,108	19,650
Universal Global Technology Co., Limited	Establishment	Independent operation	2,171	-11,550
Universal Global Industrial Co., Limited	Establishment	Independent operation	546	1,016
UNIVERSAL SCIENTIFIC INDUSTRIAL VIETNAM COMPANY LIMITED	Establishment	Independent operation	353,132	11,748
Universal Scientific Industrial (France)	Establishment	Independent operation	0	-633
Universal Scientific Industrial De México S.A. De C.V.	Business combination under common control	Independent operation	386,214	-1,555
Universal Scientific Industrial Co., Ltd.	Business combination under common control	Independent operation	301,144	5,772
Universal Scientific Industrial Poland Sp. zo.o.	Business combination under common control	Independent operation	31,295	5,478

Note: the above are overseas 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. The financials are from standalone financial statements, not including subsidiaries.

3. Restrictions on major assets as 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, Apple smart phones accounted for 20% of the global smart phone market in 2023, with sales reaching 235 million units, an increase of 4% over that of 2022.

WW Smart Phone Estimated Market Share

	2022		2023		22'23
	Shipments (M units)	Market Share%	Shipments (M units)	Market Share%	YoY Growth%
Worldwide Total	1,206		1,167		-3.2%
Apple	226	19%	235	20%	4%
Samsung	262	22%	227	19%	-14%
Xiaomi	153	13%	146	13%	-5%
OPPO	114	9%	103	9%	-10%
Transsion	73	6%	95	8%	31%
Others	377	31%	362	31%	-4%

Source: USI, Feb. 2024

2. In terms of consumer electronics products, in 2023 the wearable product shipments grew by 6.6% overall, 5.9% for earphones, 11% for watches, and augmented reality/virtual reality (AR/VR) represented by Glasses, AR HMD, VR HMD is expected to have a high CAGR in the future.

WW Wearable Market Forecast

	2022	2023	2024	2025	2026	2027	22'23 Growth	22-27 CAGR
Total Shipment (M Units)	517	552	582	611	638	664	6.6%	4.7%
Earwear	323	342	358	372	385	396	5.9%	3.7%
Smartwatch	149	165	178	190	199	206	11%	5.7%
Wrist Band	35	34	31	30	29	29	-2.9%	-3.9%
Glasses	0.4	1.1	1.8	1.8	2.0	2.1	175.0%	18%
AR HMD	0.3	0.5	0.8	1.6	3.7	6.8	66.7%	92%
VR HMD	8.5	7.6	11.0	13.9	17.2	21.9	-10.6%	30%
Others	1.2	1.3	1.6	1.7	1.8	2.0	8.3%	11%

Source: USI, Feb. 2024

3. In terms of cloud and storage products, the market demand for server mainboards and switches has maintained stable growth, in which AI server is expected to realize a significantly higher CAGR than than the server industry average as the global demand for computing power continues to explode. By strengthening cooperation with major customers, the Company is striving for more market shares and orders.

3.1 WW Server Shipment Forecast

Sever	2022	2023	2024	2025	2026	2027	2028	23-28 CAGR
Shipments (K Units)	18,122	14,802	15,532	16,588	17,301	18,651	19,751	5.9%
YoY%	6.5%	-18.3%	4.9%	6.8%	16.9%	20.1%	19.1%	

Source: USI, Feb. 2024

3.2 AI Server Shipment Forecast

AI Sever	2022	2023	2024	2025	2026	23-26 CAGR
Shipments (K Units)	1,300	1,440	1,596	1,768	1,959	10.8%

Source: USI, Feb. 2024

3.3 The scale of global switch market continued to grow, among which the demand for high-speed switches was stronger. The Company currently provides complete switch manufacturing services to core customers.

Switch	2022	2023	2024	2025	2026	2027	2028	23-28 CAGR
Revenue (\$ Billion)	30.7	33.0	35.2	37.5	40.0	42.6	45.5	6.6%
YoY%	6.5%	7.5%	6.6%	6.6%	6.6%	6.6%	6.8%	

Source: USI, Feb. 2024

3.4 In terms of storage products, SSD is the important product of the Company. The growth of SSD applications in laptops and data centers maintained, and the market grew by 10.93% in 2023. The CAGR of the SSD market from 2023 to 2026 is expected to be around 12.73%.

	2022	2023	2024	2025	2026	22'23 YoY	23-26 CAGR
Total SSD Revenue (\$ Billion)	42.1	46.7	51.2	57.3	66.9	10.93%	12.73%

Source: USI, Feb. 2024

4. In terms of industrial products, the market of smart handheld devices and POS grew by 11% in 2023 due to the growth of logistics and warehousing demand and the recovery of retail industry.

	2022	2023	2024	2025	2026	22'23	22-26
						YoY	CAGR
Total POS Revenue (\$ Billion)	85	94	103	112	123	11%	10%

Source: USI, Feb. 2024

5. In terms of the automotive products, 2023 automotive electronics market grew by 8.3%, and the CAGR from 2022 to 2026 is expected to be 7.4%. Meanwhile, the electric vehicle market showed high growth in 2022 with sales growth of 53%.

5.1 Global Automotive Electronics Market Forecast

	2022	2023	2024	2025	2026	22'23	23-26
						YoY	CAGR
Total AE Revenue (\$ Billion)	295	316	337	364	389	7.1%	7.2%

Source: USI, Feb. 2024

5.2 The global sales of new energy vehicles have been growing at a fast pace, and the trend of electrification contributes to a continuous increase in their penetration rate in the automobile market. However, with the expected retreat of global governments' subsidy policies in the pure electric vehicle sector, as well as the weak improvement of pure electric vehicle profit margins, the pure electric transformation of major traditional vehicle manufacturers in the world is slowing down, and the market for hybrid electric vehicles (HEVs) is expected to grow at a higher CAGR than that of pure electric vehicles by 2026.

	2022	2023	2024	2025	2026	22'23	23-26
						YoY	CAGR
Total (K units)	15,407	21,080	28,877	34,453	41,638	37%	25%
HEV	4,667	7,000	10,110	13,333	16,472	50%	33%
BEV	8,000	10,000	13,667	14,667	18,444	25%	23%
PHEV	2,667	4,000	5,000	6,333	6,528	50%	18%
FCV	73	80	100	120	194	10%	34%

Source: USI, Feb. 2024

5.3 Total Auto Power Module

	2022	2023	2024	2025	2026	22'23	23-26
						YoY	CAGR
Total Auto Power Module (\$ Million)	2,474	3,070	3,679	4,316	4,798	24%	18%
IGBT Power Module	2,027	2,471	2,920	3,353	3,673	22%	14%
MOSFET Power Module	370	481	568	634	678	30%	12%
Wide Bandgap Power Module	77	118	191	329	447	53%	56%

Source: USI, Feb. 2024

5.4 Automotive Advanced Driver Assistance Systems (ADAS) Market Forecast

	2022	2023	2024	2025	2026	22'23	23-26
						YoY	CAGR
Total ADAS Revenue (\$ Billion)	31	37	44	53	62	18.0%	19.0%

Source: USI, Feb. 2024

5.5 Automotive Communication Products Market Forecast

	2022	2023	2024	2025	2026	22'23	23-26
						YoY	CAGR
Total Automotive Communication Revenue (\$ Billion)	5.7	6.3	7.0	7.7	8.6	10.5%	10.8%

Source: USI, Feb. 2024

6. In terms of medical electronic products, the market demand for outsourced electronic manufacturing services has been growing steadily.

Medical Product Assembly Value (\$ Million)	2022	2023	2024	2025	2026	22'23	22-26
						YoY	CAGR
Total	53,068	55,988	59,069	62,322	65,756	5.5%	5.5%
Medical Diagnostics	20,950	22,144	23,406	24,740	26,151	5.7%	5.7%
Therapeutic	12,125	12,670	13,240	13,836	14,459	4.5%	4.5%
Monitoring & Surgical	19,994	21,173	22,423	23,746	25,147	5.9%	5.9%

Source: USI, Feb. 2024

(V) Analysis of investment**Overall analysis of foreign equity investment**√Applicable Not Applicable

As of the end of this reporting period, the Company's long-term equity investment was RMB 498 million, a decrease of RMB 113 million or 18.45% from the beginning of the year. The main reason is the disposal of joint ventures and associates in current period. For details, refer to Note VII 17 Long-term Equity Investment.

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 in the current period	Cumulative changes in fair value included in equity	Impairment provision in the current period	Purchase amount in the current period	Sales/redemption amount in the current period	Other changes	Ending balance
Stocks	96,195,976.11	61,663.54	27,162,804.05	-	-	-77,284,965.48	16,283,539.89	62,419,018.11
Private equity funds	112,351,085.15	2,865,221.57	-	-	54,130,858.29	-8,455,456.44	9,619,372.95	170,511,081.52
Derivatives	32,939,594.28	-12,381,158.46	-	-	-	-31,866,142.64	33,290,271.18	21,982,564.36
Others: Wealth management products	-	-	-	-	-	-60,903,020.88	60,903,020.88	-
Others: Accounts receivable factoring	135,812,841.71	-	-	-	1,309,113,715.53	-1,230,949,631.30	9,424,644.28	223,401,570.22
Others: Contingent consideration	99,372,192.22	-17,653,478.47	-	-	-	-104,865,130.40	23,146,416.65	-
Total	476,671,689.47	-27,107,751.82	27,162,804.05	-	1,363,244,573.82	-1,514,324,347.14	152,667,265.83	478,314,234.21

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 Glory Ventures Equity Investment Partnership

3. Derivatives: foreign exchange forward contract
 4. Other changes include realized income and foreign currency translation in the current period

Investment in securities

√Applicable Not Applicable

Unit: yuan Currency: RMB

Type of security	Stock code	Stock abbreviation	Initial cost of investment	Source of fund	Beginning book value	Gain or loss from change in fair value in the current period	Cumulative changes in fair value included in equity	Purchase amount in the current period	Sales amount in the current period	Gains and losses on investments in the current period	Ending book value	Accounting items
Stocks		TriKnight Capital Corporation	66,414,298.60	Self-owned funds	38,420,782.40	-	27,162,804.05	-	-27,680,312.65	1,031,963.78	38,935,237.58	Investments in other equity instruments
Stocks		GaN System Inc.	34,822,962.11	Self-owned funds	33,022,365.35	1,330,711.37	-	-	-49,604,652.83	15,251,576.11	-	Other non-current financial assets
Stocks		Senscomm Semiconductor Co., Ltd.	20,000,000.00	Self-owned funds	24,752,828.36	-1,269,047.83	-	-	-	-	23,483,780.53	Other non-current financial assets
Total	/	/	121,237,260.71	/	96,195,976.11	61,663.54	27,162,804.05	-	-77,284,965.48	16,283,539.89	62,419,018.11	/

Investment in securities

√Applicable Not Applicable

During the reporting period, the Company sold its entire equity in GaN System Inc. and realized an investment gain of RMB15,251,576.11.

Investment in private equity funds

√Applicable Not Applicable

1. Glory Ventures

The Company signed the Suzhou Glory Ventures Equity Investment Partnership (Limited Partnership) Agreement with Shanghai Glory Ventures Investment Management Co.,LTD and 21 other limited partners (LP). USI invested in Suzhou Glory Ventures Equity Investment Partnership (Limited Partnership) as an LP. The total target subscribed capital contribution of the partnership shall not exceed RMB 1.5 billion, and can be raised through multiple deliveries. The total subscribed capital contribution after the first and the second closing were RMB 793 million and RMB 1.128 billion respectively, of which the Company subscribed RMB 30 million. As of December 31, 2023, the Company had contributed RMB 21 million, including RMB 9 million paid during the current period, and RMB 9 million remained unfunded.

2. PHI FUND

According to the partnership agreement signed by UGE and the investee PHI FUND, L.P., UGE shall pay a total of USD 25,000,000.00 for subscribed capital contribution, and USD 6,245,794 was paid in the current period, equivalent to RMB 45,130,858.29. UGE's obligation of capital contribution has been fully fulfilled.

Investment in derivatives

Applicable Not Applicable

(1). Derivative investments for hedging purposes during the reporting period

Applicable Not Applicable

(2). Derivative investments for speculative purposes during the reporting period

Applicable Not Applicable

Other explanations

The Nineteenth Meeting of the Fifth Session of the Board of Directors of the Company considered and approved the Proposal on the Estimated Amount of Financial Derivatives Transactions in Q1 2023, agreeing that the Company shall carry out financial derivatives transactions business, and that it is expected that the total amount of foreign exchange hedging transactions in Q1 2023 will be limited to USD 500 million (or the equivalent of other currencies, and the same transaction rolled over will not be repeatedly calculated); the Twenty-second Meeting of the Fifth Session of the Board of Directors and the 2022 Annual General Meeting of the Company considered and approved the Proposal on the Amount of Financial Derivatives Transactions, agreeing that the Company shall carry out financial derivatives transactions business, and it is expected that the total amount of foreign exchange hedging transactions from the Q2 2023 to Q1 2024 will be subject to a limit of USD 1 billion (or the equivalent of other currencies), and that such amount can be utilized on a recurring basis within the quota. The total transaction amount for 2023 was USD 2,432 million, of which USD 2,143 million was settled and USD 289 million was not settled yet as of December 31, 2023, with a realized gain of RMB 33,290,271.18 and an unrealized loss of RMB 12,381,158.46.

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 February, 2023, as SUMA-USI completed the change of business license, the equity transfer was completed, and Kunshan Factory no longer holds equity in SUMA-USI. This equity transfer is the transfer of the listed company's minority stake in a joint stock company, an adjustment made by the listed company based on its business strategy. It is conducive to the Company's business development and optimization of its business structure, and will not have a significant impact on the Company's financial status and operating results.

(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 R&D	NTD	1,980,000,000	650,525	248,905	19,650
UNIVERSAL GLOBAL TECHNOLOGY(KUNSHAN) CO., LTD.	Production and sales	RMB	550,000,000	375,294	215,936	31,447
Universal Global Technology Co., Limited	Trade and Investment	USD	480,803,000	913,057	463,365	-11,550
Universal Global Technology (Shanghai) Co., Ltd.	Production and sales, product design and R&D	RMB	1,330,000,000	315,615	226,799	22,591
Universal Global Technology (Huizhou) Co., Ltd	Production and sales	RMB	800,000,000	225,660	102,655	23,508
USI Electronics (Shenzhen) Co., Ltd.	Production and sales	USD	75,000,000	105,012	98,971	1,252
Universal Global Industrial Co., Limited	Trade and Investment	USD	31,000,000	209,871	26,189	1,016
Universal Scientific Industrial De México S.A. De C.V.	Contract manufacturing, product repair and related services	Mexico MXN	2,293,299,926	354,604	70,671	-1,555
UNIVERSAL SCIENTIFIC INDUSTRIAL VIETNAM COMPANY LIMITED	Production and sales, product design and R&D	USD	105,000,000	152,494	85,611	11,748
Universal Scientific Industrial (France)	Investment	EUR	321,374,822	281,203	256,297	-633
Universal Scientific Industrial Co., Ltd.	Production and sales, product maintenance	NTD	1,399,727,400	137,596	84,725	5,772
Universal Scientific Industrial Poland Sp. z o.o.	Production and sales	PLN	80,852,300	44,445	37,600	5,478
Asteelflash(Suzhou)Co.,Ltd.	Production and sales	USD	18,000,000	115,303	69,887	7,614

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
M-Universe Investments PTE.LTD.	42.23	USD	138,969,126	162,073	113,318	3,446

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(KUNSHAN)CO., LTD.	544,834	36,199	31,447	16.13%
Universal Global Technology (Shanghai) Co., Ltd.	682,842	24,029	22,591	11.59%
Universal Global Scientific Industrial Co., Ltd.	1,290,108	18,817	19,650	10.08%

(VIII) Structured entities controlled by the Company

Applicable Not Applicable

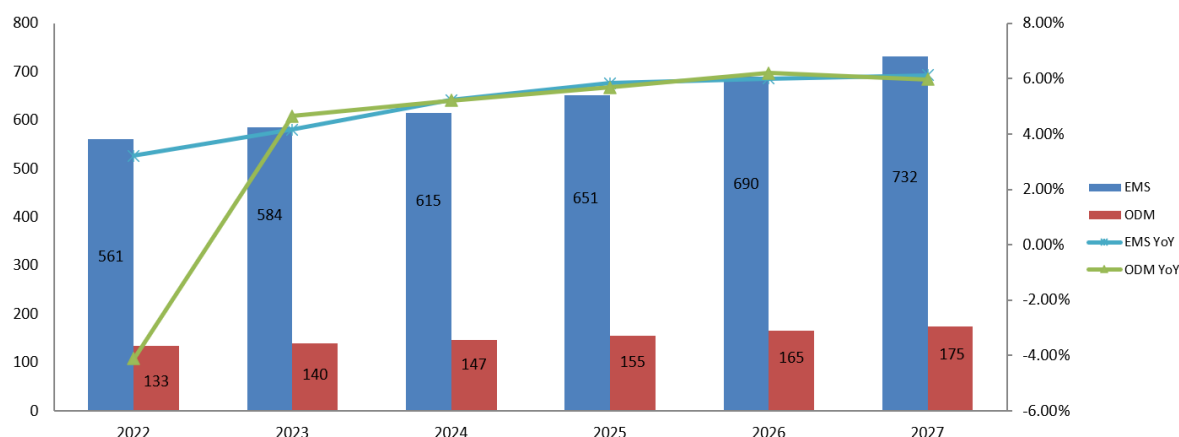
VI. Discussion and analysis of corporate development in the future

(I) Industry landscape and trends

Applicable Not Applicable

1. Global market capacity of the industry

According to industry statistics, the revenue of global EMSs was approximately USD 724 billion in 2023, and the revenue of global EMSs is expected to exceed USD 900 billion in 2027, with an average CAGR of approximately 5.5% from 2022 to 2027. The overall market shows a stable growth trend, and the Asia-Pacific region will continue to maintain its leading growth rate.



Data source: Summarized by USI, February 2024

Global CM, EMS and ODM market capacity (2022-2027) (unit: USD 100 million)

The Worldwide CM, EMS and ODM Market by Region, 2022-2027							
	2022	2023	2024	2025	2026	2027	CAGR
CM Revenue							
Americas	1,199	1,248	1,301	1,359	1,420	1,484	4.3 %
EMEA	927	966	1,005	1,045	1,086	1,127	4.0 %
APAC	4,818	5,025	5,311	5,655	6,041	6,456	6.0 %
Total	6,944	7,239	7,617	8,060	8,547	9,067	5.5 %
EMS Revenue							
Americas	1,157	1,204	1,255	1,311	1,370	1,432	4.4 %
EMEA	881	918	955	994	1,032	1,072	4.0 %
APAC	3,573	3,722	3,939	4,203	4,497	4,818	6.2 %
Total	5,611	5,844	6,149	6,508	6,899	7,321	5.5 %
ODM Revenue							
Americas	43	44	46	47	49	51	3.9 %
EMEA	46	48	50	52	54	56	3.9 %
APAC	1,244	1,303	1,372	1,452	1,544	1,638	5.7 %
Total	1,333	1,395	1,468	1,551	1,647	1,746	5.5 %

Data source: Summarized by USI, February 2024

2. Global competition landscape and industry rankings

According to the latest ranking of global EMS providers (2022), the Company's operating revenue ranks twelfth.

Ranking	Manufacturer name	Operating revenue (USD 100 million)	Operating revenue (USD 100 million)	Annual growth rate	Net operating margin
	Year	2021	2022	21'22	2022
1	Foxconn	2,144	2,228	3.9 %	2.3 %
2	BYD	335	623	85.8 %	4.1 %
3	Pegatron	453	444	-2.0 %	1.6 %
4	Quanta	404	432	6.9 %	2.3 %
5	Compal	443	363	-18.0 %	0.8 %
6	Jabil	300	345	15.1 %	2.8 %
7	Wistron	309	329	6.4 %	1.9 %
8	Luxshare	240	316	32.0 %	4.9 %
9	Flextronics	255	297	16.8 %	2.8 %
10	Inventec	186	181	-2.8 %	1.1 %
11	Delta Electric	113	129	15.0 %	9.6 %
12	USI	86	101	18.2 %	4.4 %

	Whole industry	6,827	6,944	1.7 %	2.6 %
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Data source: Summarized by USI, February 2024

2. Change trends in industry profit levels and analysis of net profit margins

The Company's net profit margin in 2022 was approximately 4.5%, which is better than the average level of the world's top ten EMS providers. The Company's net profit margin in 2023 was 3.2%, a decrease of 1.3 percentage points compared with 2022, mainly due to an 11.3% drop in revenue, a 0.9 percentage point drop in gross profit margin and a significant decrease in exchange-related revenue.

Electronic products were still in the destocking stage of the supply chain in 2023. Combined with the impact of the economic cycle on the demand for consumer electronics, the restructuring of the global electronics supply chain, and the exchange rate of RMB against the USD, domestic companies in the same industry generally experienced declines in revenue and profit margin in 2023. By contrast, companies in the same industry in North America benefited from an increase in product mix and regional orders, resulting in increased revenue and improved profit margins.

3. Industry development pattern

(1) Industry demand pattern

The current destocking of the global supply chain is coming to an end, and demand for electronic products has begun to recover. However, the global economy is still facing more uncertainties, and consumers are less willing to purchase optional consumer products. "AI+" consumer electronics products such as AI Phones and AI PCs have attracted consumer attention. Generative artificial intelligence and large models have driven significant growth in demand for GPUs, AI servers, optical communications and related industries. The penetration rate of vehicle electrification will continue to increase, but the growth rate will slow down significantly.

(2) Capacity supply pattern

With the increase of trade protectionism and geopolitical factors, European and American companies are paying more attention to strengthening the supply chain within the region in order to reduce the uncertainty and risk of the supply chain, causing the EMS industry to shift to Southeast Asia, India, Mexico, and Eastern Europe. In order to improve production efficiency and quality, the EMS industry will increase investment in automation and intelligent manufacturing, reduce the use of direct labor, and improve the flexibility and response speed of production capacity.

(3) Supply chain development trends

Under the pressure of customers to reduce costs, EMS companies are accelerating the optimization of supply chains, improving the local supply chain of production bases, and giving priority to alternative suppliers. Customers are also paying more attention to the flexibility of the supply chain and tend to cooperate with supply chain partners or increase outsourcing of some production processes to achieve resource sharing and risk sharing.

(4) Technological development

In order to better meet the diverse needs of the market, the EMS industry will pay more attention to the development of flexible manufacturing technology and realize small batch and multi-variety production models in the future. Technologies such as artificial intelligence, big data and the Internet of Things will be more widely used in the production process to achieve intelligent production scheduling, quality control and equipment maintenance.

In addition, the EMS industry will also strengthen the digital management of the supply chain, improve the transparency and efficiency of the supply chain through technologies such as blockchain and cloud computing, and realize the visualization and collaborative management of the supply chain. With the improvement of environmental protection and carbon reduction, electronic manufacturing

companies will pay more attention to the R&D and application of green manufacturing technology to reduce energy consumption and environmental pollution.

(5) Changes in customer service needs

In order to reduce supply chain risks, well-known brand manufacturers tend to cooperate with EMS companies with global layout, requiring manufacturing service companies to have rapid response capabilities to cope with changes in market demand. In order to maintain cost competitiveness, customers expect manufacturing service companies to provide more technologically innovative solutions, including hardware design and software design, and to establish closer R&D partnerships with customers. In addition, as consumers pay more attention to environmental protection and sustainable development, manufacturing service companies are increasingly paying attention to energy conservation and carbon reduction issues and sustainable development.

4. Industry entry barriers

(1) Barriers to R&D and manufacturing capabilities

The technological innovation of electronic products is changing with each passing day, and the product upgrade cycle is shortening, requiring manufacturing service providers to continuously improve their product design and process R&D capabilities. The EMS industry is transforming and upgrading towards intelligent manufacturing, using automated production and Industry 4.0 technology to improve product quality, process stability and delivery on time. The threshold for manufacturing service providers to have high-level product development and intelligent manufacturing capabilities, economic scale of production capacity, and quality control systems is very high.

(2) Barriers to qualification of entering the supply chain of large brands

Since the EMS industry is highly competitive, establishing cooperative relationships with large-scale brand customers and entering their global supply chain systems require strict quality management system and product performance certification. Therefore, strict supplier qualification builds a barrier to entry for new entrants. In addition, the solid relationships established by manufacturing service providers through long-term cooperation with customers and their supply chain vendors are also barriers faced by new entrants.

(3) Barriers to capital investment

Large electronic product brands require that the manufacturing service providers they cooperate with must have manufacturing capabilities that match their business scale, which requires high investment in fixed assets such as equipment, factories, supporting facilities, a large scale of initial investment, and additional equipment investment in the future based on new orders or product upgrade requirements. In addition, large quantities of materials need to be purchased for large-scale production and manufacturing, and a large amount of working capital is required to establish and improve the material procurement system and maintain its efficient operation.

(4) Barriers to global business layout

Large brand manufacturers hope that EMS providers with long-term cooperation can provide turnkey solutions covering R&D, design, manufacturing and after-sales, have intelligent manufacturing and global manufacturing service capabilities, and can provide customers with globalized manufacturing services and delivery solutions, so as to meet customers' needs for supply chain diversification and risk management. Therefore, global presence is crucial to serving top-level customers in the industry.

(II) Company development strategy

Applicable Not Applicable

1. Difficulties faced by the Company

(1) Industry competitors are striving for market share with more active competition methods, and competition pressure is increasing.

(2) In the face of cost reduction and R&D requirements from customers, the Company needs to speed up the optimization of the supply chain and increase investment to improve R&D capabilities, which is urgent in time.

(3) The supply chain of the electronics industry is shifting to Southeast Asia, Mexico, Eastern Europe and other regions. The comprehensive cost of new investment in production capacity is relatively high and the profit margin is low. It is necessary to optimize costs and improve quality and efficiency in operations.

(4) The Company accelerates its global layout and vertical integration through mergers and acquisitions and strategic investments, and there are management and operational difficulties in post-investment integration and coordination.

(5) The Company has become a globally operating enterprise. Facing an operating environment with multi-cultural backgrounds, multi-languages, multi-ethnicities, and multi-time zones, it needs to establish better institutional system in terms of strategy execution, operational management, internal collaboration, team building, and incentive mechanisms, etc.

2. The Company's coping strategy

(1) Relying on the Company's technological advantages, capital advantages, and resource integration advantages, the Company deeply cultivates existing customers in the field of modular products and strives for more potential customers to expand its business territory.

(2) Following the development trend of "global demand, local services", the Company rationally deploys global production capacity, uses advanced processes, flexible production capacity and local services to introduce new technologies, develop new products, shorten the time from design concept to mass production, and provide more added value for customers.

(3) The Company increases R&D investment in key technologies and application areas, strengthens the ability to design and provide JDM/ODM services for customers, strengthens vertical integration and industrial cooperation in the upstream and downstream of the industry chain through the integration of group resources, technology sharing, and independent innovation, and actively deploys new products and new customers in the fields of industrial and automotive electronics.

(4) The Company deepens business collaboration with Financière AFG and Hirschmann to jointly expand business growth.

(5) To serve the development strategy, the Company establishes a more competitive salary and incentive system, strengthens employee work skills training, improves the internal talent cultivation mechanism, and cultivates and recruits global talents.

(6) The Company adheres to a sound financial structure to meet the funding needs for global operations and M&A investments.

(III) Business plan

Applicable Not Applicable

1. Growth plan

The Company will adhere to the development strategy of "modularization, diversification, and globalization", enhance vertical integration and intelligent manufacturing capabilities, and improve the global production and operation system to promote endogenous growth. Meanwhile, it will continue to invest in M&A activities and actively seek external growth opportunities.

Faced with the challenge of slowing macroeconomic growth, the Company will make more prudent arrangements for human resources and capital expenditures, strike a balance between annual financial goals and long-term growth plans, expand the application scope of digital management systems based on the needs of business development and global operations, and continuously improve the level of intelligent and automated production in factories.

The Company's growth plan mainly includes:

- (1) Striving to maintain the market share in the core customer SiP module business, strengthen the application and promotion of miniaturization technology and SiP modules, new product R&D and new customer development, and continuing to expand the revenue scale of the module business;
- (2) Continuing to invest in production capacity in North America, Eastern Europe, and Asia-Pacific, establish regional EMS business departments to directly serve local customers, and leverage local manufacturing services and differentiated competitive advantages to expand automotive electronics and industrial businesses;
- (3) Improving the cost competitiveness of automotive power modules and powertrain products;
- (4) Improving software design and solution capabilities to serve customer needs;
- (5) Continuing to strengthen digital transformation, promote the process of intelligent manufacturing in each factory area, and use IT technology platforms to upgrade to create future-oriented industrial competitiveness.

2. Supply chain plan

Against the backdrop of global supply chain restructuring as well as economic and trade regionalization, large enterprises are increasingly paying attention to supply chain diversification and risk management, hoping to improve supply chain risk management capabilities and enhance supply chain flexibility and resilience. In line with the needs of its global operations, the Company's supply chain department actively builds a more resilient supply chain to provide flexible, stable, and efficient services to meet customer needs. The main strategies are as follows:

- (1) Strategically cooperating with large-scale international manufacturing factories or agents, integrating the needs of the entire company, and striving for better support policies from suppliers to satisfy the needs of each factory locally in the Company's production area;
- (2) Developing local suppliers in each region to reduce transportation time and costs, and increasing supply flexibility and response speed, including exploring suppliers for large-volume materials (such as mechanical components, packaging materials, wires, etc.), and processing materials, chemicals and consumables with shelf life or requiring special delivery at major production bases; developing printed circuit board manufacturers outside Greater China, and focusing on suppliers from Southeast Asia; developing production equipment, automation equipment or other non-raw material suppliers that can be localized in various regions;
- (3) Working with existing partners to set up factories near the new base and provide services nearby;
- (4) Continuing to develop local suppliers in China, and leveraging the advantages of scale and efficiency to serve customers with requirements in scale;
- (5) Actively assessing risks, pre-arranging supply bases and formulating supply chain emergency plans to fully prevent and disperse risks.

3. Global production base plan

As of the end of 2023, the Company has 30 production bases in 12 countries (or regions) around the world, and the overseas factory revenue accounts for approximately 41% of total revenue.

In mid-2024, the Company's new factory in Poland and the second factory in Mexico will be completed and put into production. The newly added production capacity will be used to serve customers in the automotive electronics and industrial fields. The Company's newly built Tanzi factory in Taiwan and the second phase of the Vietnam factory are expected to be completed and put into production in early 2025. The Tanzi factory in Taiwan will be used to produce automotive power modules, and the second phase of the Vietnam factory will be used to serve customers in the consumer electronics and industrial fields.

4. Human resources plan

According to the global localization development strategy, the Company will formulate global human resources planning, predict and plan the Company's future manpower needs, talent introduction and employee training to cope with the complex challenges of multi-cultural backgrounds, multi-languages, multi-ethnicities and multi-time zones faced in the integration of global operations. The Company will continue to improve the people-oriented corporate culture, provide space for the development of talents,

plan employee career development and performance appraisal, and continue to optimize the long-term incentive mechanism with equity incentives as the core to attract and retain outstanding talents, and provide strong talent guarantee for the Company to achieve its development goals.

5. R&D plan

At present, the Company's products have developed towards being thin, light, short, low power consuming, interconnected, and AI intelligent. In 2024, the Company will continue to study the functional integration of SiP system modules and communication antennas, and expand more application functions of SiP modules by introducing more process technologies into SiP module design; develop new post-laser cutting water washing technology to overcome the damage to sensitive components in current dry ice cleaning. In addition, the importance of environmental protection and sustainability issues has increased year by year. Plastic casings of electronic products have begun to use recycled plastics (PCR, Post-Consumer Plastics) in large quantities, and carbon footprint inventory has been taken into consideration when selecting materials. The Company plans to take the following R&D directions as its main focus in the future:

- (1) Developing wireless communication module products, and establishing 5G new wireless radio frequency design capabilities; continuing to focus on development based on Qualcomm's latest 5G IoT platform, and upgrading product specifications in line with the mainstream market trends; the Company is expected to invest in B5G (Beyond 5 Generation) technology development, while taking into account the product lifecycle;
- (2) Automotive electronics power modules, powertrains, automotive communication solutions and intelligent cabin products;
- (3) Continuing to expand the application fields of miniaturized products, even covering the application of IoT products in addition to existing products, and continuing to improve the manufacturing process;
- (4) Cooperating with industry-leading technology companies to produce module products with higher integration and more functions, and establishing a presence in the Internet of Things and other fields;
- (5) Developing technologies related to network storage for cloud computing, cooperating with major chip companies to launch high-performance solid-state drives, and developing miniaturized solid-state drives;
- (6) Miniaturization and automation, and developing design automation tools;
- (7) Continuously developing green design products to reduce material and energy consumption.

6. Sustainable business plan

The Company integrates the core corporate values of "Realizing IDEAS together" into the its business strategy and operation management, constantly pursues sustainable development, and actively promotes the improvement of environment (E), society (S) and governance (G): in terms of environment (E), it reduces environmental impact, promotes resource recycling development, and actively seeks climate governance solutions to address climate change; in terms of society (S), it continues to care for employees and promote social participation activities to increase corporate influence and achieve global partnerships; in terms of governance (G), it upholds the corporate governance structure of safeguarding the rights and interests of investors, strengthening operational risk management, and implementing information security control.

The Company established the Group Sustainability Committee in 2020 to jointly promote and achieve the specific implementation of various sustainable development goals and actions. The committee's mission has been divided into five taskforces, Corporate Governance, Green Product & Innovation, Value Chain Management, Employee & Society Well-being Engagement, and Environmental Protection & Occupational Safety. In March 2022, the Company's board of directors reviewed and approved the *ESG Code of Practice*, which clearly specifies relevant requirements such as implementing corporate governance, developing a sustainable environment, safeguarding social welfare, and strengthening information disclosure on corporate sustainable development.

USI continues to strengthen its resilience in dealing with climate change, and carries out Task Force on Climate-related Financial Disclosures (TCFD) with the "low-carbon mission" as its focus. The Company constructs climate change management based on four core elements of TCFD: "governance, strategy, risk

management, metrics and targets.”, assesses the risks and opportunities brought by climate change, discloses the Company's strategies and measures to face the risks and opportunities brought by climate change, and allocates capital more rationally and effectively in order to achieve the low-carbon economic transformation and the net-zero carbon emission target by 2040.

(IV) Possible risks

Applicable Not Applicable

1. Risk of weak macroeconomic recovery and insufficient demand

The EMS industry chain has shifted from being supply chain-driven to demand-driven, which has a strong correlation with the macroeconomic environment. Many unfavorable factors such as the Russia-Ukraine war, geopolitics, inflation, and USD interest rate hikes have affected global economic growth and terminal demand. The supply chain destocking is now nearing an end, and the demand is expected to recover significantly in the second half of this year. The Company will continue to pay attention to the trend of the industrial chain pattern, maintain close interaction with customers to grasp customer needs, and strengthen the collection and analysis of market information to reduce the impact of changes in product demand on the Company.

2. Risk of industry competition

The EMS industry with many global manufacturers is a fully competitive industry, and the overall concentration within the industry is on the rise. Under the trend of restructuring of the international market supply chain and economic and trade regionalization, Chinese mainland's EMS industry and upstream supply chain will face even severe competition. Through the new operating model of “global platform, localized service”, the Company combines its own advantages to compete with its peers in a differentiated manner. However, if the Company cannot maintain cost competitiveness and product technology advantages, its market share and profit margins will be at risk of being squeezed.

3. Risk of high customer concentration

During the reporting period, the sales revenue from the Company's top five direct customers accounted for 50.59% of the Company's total revenue, indicating a high degree of customer concentration. Although these customers are all well-known international electronics brands and have established long-term and stable cooperative relationships with the Company and served as a sufficient source of business orders, if customer demand declines, or the Company fails to meet customer requirements in terms of product R&D, design, product quality control, qualified supplier certification, delivery period and other aspects in a timely manner, it may cause certain fluctuations in customer orders, which will adversely affect the Company's business scale and operating performance. Therefore, the Company is exposed to the risk of high customer concentration to a certain extent.

4. Risk of insufficient R&D and innovation

Technological progress continues to drive the upgrading and iteration of electronic products and equipment. Enterprises in the EMS industry have been under great operating pressure for a long time, such as product innovation, quality improvement, cost reduction, continuous investment, etc., and only by sticking to R&D investment and technological innovation can enterprises cope with rapid changes in the market and competitive pressure. Under the restructuring of the supply chain, customers have also put forward higher demands and service standards for the Company's hardware R&D, software R&D, intelligent manufacturing, low-carbon environmental protection, etc. The Company must accelerate the improvement of its R&D strength, and make up for weaknesses to explore new business opportunities. The Company is at risk of insufficient R&D and innovation.

5. Risk of transnational business

In order to better serve its major customers, the Company has a global layout of production, sales and logistics to quickly respond to the product delivery needs of major customers. The Company has 30 manufacturing bases in 12 countries and regions. Overseas companies conducting business and establishing branches overseas need to comply with the laws and regulations of the country and region where the overseas business is located. In case of any material changes in the laws, regulations, industrial

policies or political and economic environment of the country and region where the overseas business is located, or due to international tensions, wars, trade sanctions and other unpredictable factors or other force majeure events, it may have potential adverse effects on the normal development and sustainable development of overseas businesses of overseas companies. Moreover, in consideration of differences between operating bases in various countries or regions and listed companies in terms of accounting and taxation systems, business practices, company management systems, corporate culture, etc., the Company needs to integrate financial management, customer management, resource management, business development, corporate culture, and etc. If relevant integration plans are not effectively implemented, the Company may face risks such as the effect of the merger or new enterprise is not up to expectations, the loss of core personnel, and the decline in performance.

6. Risk of exchange rate fluctuations

As a global EMS provider, most of its production bases are overseas, main customers and suppliers are overseas enterprises, and its purchases and sales are mainly settled in foreign currencies. The Company usually uses foreign exchange hedging operations to deal with the risk of exchange rate fluctuations. However, the significant fluctuation of the exchange rate, if any, will still incur a large amount of exchange gains and losses. The Company will pay close attention to changes in the international foreign exchange market, conduct reasonable foreign exchange hedging operations, and actively hedge major exchange rate risks when necessary to minimize exchange losses.

7. Emerging risks

The Company has set up a Risk Management Committee to identify internal and external risk factors that may affect the Company's sustainable business goals, evaluate the level of each risk and the effectiveness of related control activities, and implement appropriate measures and responses based on the risk assessment results to ensure that risks can be effectively monitored.

(1) Risk of cyber attack

Cyberattack risks refer to various potential threats from the Internet, which may lead to adverse consequences such as system intrusion, data theft, or business interruption. By taking advantage of vulnerabilities, malware, social engineering and other means, attackers may have a serious impact on individuals, businesses and critical infrastructure, paralyze corporate networks and affect production and operations. In order to deal with the risk of ransomware and network attacks, the Company's information security department actively tracks the latest information security technology and virus protection methods, deploys and upgrades the security level of the front-end system in advance, to reduce the risk of hacker penetration and intrusion, regularly conducts system vulnerability scans, repairs system vulnerabilities in a timely manner, and continues to strengthen information security education for employees to improve awareness of prevention of emerging cyber attacks. In addition, through the Information Security Committee, the Company has made a thorough information security plan to protect the Company's intellectual property and business secrets.

(2) Risk of economic conditions and industry trends

The current global economic situation and trade pattern are faced with many uncertain factors, such as geopolitics, inflation, interest rates, exchange rates, financial investment, policies of major countries, etc. In the post-epidemic era, companies need to face the challenge of restructuring the global supply chain, adjust business strategies and industrial layout under the trend of regional economic and trade development, and respond to business risks under industry trends. However, due to many uncertain factors, the business decision-making risks faced by companies have increased significantly. The Company will strengthen industry analysis and cooperate with professional research institutions to gain insight into global economic changes and industry trends, objectively judge their impact on the company's operations, formulate response strategies and take timely action plans, and strive to achieve the Company's business goals.

(IX) 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. 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 Major 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 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	Resolution
2022 Annual General Meeting of Shareholders	April 24, 2023	www.sse.com.cn (Announcement No.: 2023-048)	April 25, 2023	<ol style="list-style-type: none"> 1. Proposal on 2022 Work Report of the Board of Directors 2. Proposal on 2022 Work Report of the Board of Supervisors 3. Proposal on 2022 Financial Final Report 4. Proposal on the 2022 Annual Report and its Summary 5. Proposal on Profit Distribution Plan for 2022 6. Proposal on Actual Regular Related Party Transactions in 2022 and Predicted Regular Related Party Transactions in 2023 7. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2023 8. Proposal on Bank Credit Lines in 2023 9. Proposal on the Amount of Financial Derivative Transactions 10. Proposal on Guarantee Between Holding Subsidiaries 11. Proposal on Renewing the Contract with the Financial Audit Institution 12. Proposal on Renewing the Contract with the Internal Control Audit Institution 13. Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives 14. Proposal on Procedures for the Acquisition or Disposal of Assets 15. Proposal on the Remuneration of Directors of the Sixth Session of the Board of Directors 16. Proposal on the Remuneration of Supervisors of the Sixth Session of the Board of Supervisors 17. Proposal on Election of Non-independent Directors 18. Proposal on Election of Independent Directors 19. Proposal on Election of Non-Employee Supervisors
The First Extraordinary General Meeting of Shareholders in 2023	September 15, 2023	www.sse.com.cn (Announcement No.: 2023-084)	September 16, 2023	<ol style="list-style-type: none"> 1. Proposal on 2023 Incentive Stock Option Plan and its summary 2. Proposal on Assessment and Management Measures for the Implementation of 2023 Incentive Stock Option Plan 3. Proposal on Requesting the

				<p>Shareholders' Meeting to Authorize the Board of Directors to Handle Formalities Related to 2023 Incentive Stock Option Plan</p> <p>4. Proposal on 2023 Employee Stock Ownership Plan and its summary</p> <p>5. Proposal on Administrative Rules for 2023 Employee Stock Ownership Plan</p> <p>6. Proposal on Requesting Shareholders' Meeting to Authorize the Board of Directors to Handle Formalities Related to 2023 Employee Stock Ownership Plan</p> <p>7. Proposal on Adjustment, Extension of Some Raised Fund Projects, and Closure and Change of Some Raised Fund Projects</p>
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Convening of an extraordinary general meeting of shareholder 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) Changes in shareholding and remuneration of current directors, supervisors, and senior management and those who left the position during the reporting period**

√Applicable □ Not Applicable

Unit: Share

Name	Position	Gender	Age	Start of tenure	End of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shareholding during 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	60	2018-06-28	2026-04-23	93,200	163,100	69,900	Exercise of stock options	189	Yes
	Director			2016-04-19	2026-04-23					30	
Chen-Yen Wei	Director and President	Male	70	2008-06-20	2026-04-23	80,000	140,000	60,000	Exercise of stock options	653	No
Dtuang Wang	Director	Male	65	2018-07-16	2026-04-23	0	0	0	N/A	30	Yes
Rutherford Chang	Director	Male	45	2010-03-10	2026-04-23	0	0	0	N/A	30	Yes
Neng Chao Chang	Director	Male	46	2017-04-17	2026-04-23	0	0	0	N/A	30	Yes
(Gilles Baruk Benhamou)	(Former) Director	Male	70	2021-04-23	2023-04-23	0	0	0	N/A	58	Yes
Yiyun Chu	(Former) Independent director	Male	60	2017-04-17	2023-04-23	0	0	0	N/A	12	No
Yunwei Tang	(Former) Independent director	Male	80	2017-04-17	2023-04-23	0	0	0	N/A	12	No
Michael Chung	(Former)	Male	62	2020-04-28	2023-04-23	0	0	0	N/A	12	No

	Independent director										
Yifan Li	Director	Male	57	2023-04-24	2026-04-23	0	0	0	N/A	20	No
Yongtao Cang	Independent director	Male	47	2023-04-24	2026-04-23	0	0	0	N/A	24	No
Jiangdong Huang	Independent director	Male	45	2023-04-24	2026-04-23	0	0	0	N/A	24	No
Wei Guo	Independent director	Male	42	2023-04-24	2026-04-23	0	0	0	N/A	24	No
Meng-Kuo Shih	Chairman of the Board of Supervisors	Male	61	2008-06-19	2026-04-23	0	0	0	N/A	30	Yes
Andrew Robert Tang	(Former) Supervisor	Male	49	2016-04-19	2023-04-23	0	0	0	N/A	10	Yes
Jye-Shing Lin	Supervisor	Male	50	2023-04-24	2026-04-23	0	0	0	N/A	20	Yes
David Huang	Employee supervisor	Male	52	2020-04-28	2026-04-23	0	0	0	N/A	88	No
Ta-I Lin	Vice President	Male	61	2011-02-09	2026-04-23	89,900	141,800	51,900	Excercise of stock options	205	No
Feng-Ta Chen	Vice President	Male	62	2008-06-20	2026-04-23	69,200	121,100	51,900	Excercise of stock options	201	No
Yuan-Hsin Sheng	(Former) Vice President	Male	66	2009-12-09	2023-04-23	0	0	0	N/A	26	No
Jing Cao	Vice President	Male	65	2017-04-27	2026-04-23	0	0	0	N/A	557	No
Chen-Lung Wei	Vice President	Male	61	2017-04-27	2026-04-23	0	0	0	N/A	184	No
Jeh-Chang Lee	(Former) Vice President	Male	61	2020-04-28	2023-04-23	0	0	0	N/A	28	No
Yung-Che Fang	(Former) Vice President	Male	59	2020-04-28	2023-04-23	0	0	0	N/A	30	No
Chia-Hsiung Yu	(Former) Vice President	Male	65	2020-04-28	2023-04-23	40,000	100,000	60,000	Increase in holdings on the	27	No

									secondary market		
Yueh-Ming Lin	(Former) Vice President	Male	58	2020-04-28	2023-04-23	47,000	47,000	0	N/A	26	No
Tan-Yang Liu	Vice President and Chief Financial Officer	Male	59	2008-06-20	2026-04-23	40,000	70,000	30,000	Excercise of stock options	160	No
Jinpeng Shi	Vice President and Secretary to the Board of Directors	Male	48	2018-06-28	2026-04-23	52,000	91,000	39,000	Excercise of stock options	384	No
Total	/	/	/	/	/	511,300	874,000	362,700	/	3,122	/

Note: The fixed allowances received by the directors (including independent directors) of the Sixth Session of the Board of Directors and the supervisors of the Sixth Session of the Board of Supervisors of the Company have been considered and approved at the 2022 Annual General Meeting of the Company. Based on the data of professional surveys on the remuneration of senior executives of companies in the same industry in Chinese mainland, Taiwan and the United States, the remuneration level of the Company's senior executives is at the 50th to 75th percentile of the remuneration of senior executives of companies in the same industry. In 2023, the remuneration of Jing Cao, Vice President of the Company, was higher than that of other executives of the same rank, mainly due to the fact that the revenue generated by the business unit under his leadership accounted for more than 50% of the Company's consolidated revenue for the current year, and the level of profit was in line with expectation; the remuneration of Chen-Yen Wei, President of the Company, was higher than that of the remuneration level for the rank of Vice President, which was in compliance with the Company's employee performance evaluation and management system; and Jeffrey Chen, Chairman of the Board of Directors, in addition to receiving remuneration from the Company, also served as director of ASE Technology Holding and its affiliates and received the remuneration for the directorship, and his remuneration arrangement was in compliance with the relevant rules of ASE Technology Holding.

Name	Work Experience
Jeffrey Chen	Mr. Jeffrey Chen, from Taiwan, China, graduated from the University of British Columbia with a master's degree in business administration. Mr. Chen previously worked for Citibank Taiwan as the general manager assistant and Bankers Trust Taipei Branch as the deputy general manager. 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. In addition to serving as Chairman of the Board of the Company, he serves as director of ASE Technology Holding Co., Ltd., director (representative) and general manager of Shanghai headquarters of Advanced Semiconductor Engineering, Inc. Currently he also takes a position as an independent director of Mercuries & Associates Holding, LTD.
Chen-Yen Wei	Mr. 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 director and president of the Company.
Dtuang Wang	Mr. 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 Cultural and Education 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., professor and 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 honorary professor of Ming Chuan University Law School.
Rutherford Chang	Mr. 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 director of USI, he also serves as director of Advanced Semiconductor Engineering, Inc.
Neng Chao Chang	Mr. 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 general manager of ASE Global Sales, director of ASE Test Inc., director of USI Inc., and director of Advanced Semiconductor Engineering, Inc.
Gilles Baruk Benhamou (former director)	Mr. 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 (former independent director)	Mr. 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., and Maitrox Enterprise Services Inc. (not listed).
Yiyun Chu (former independent director)	Mr. 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 and Second 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 (resigned in December 2023). 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	Mr. Michael Chung, from Taiwan, China, has a bachelor's degree in Electrical Engineering from National Tsing Hua University, Taiwan. Mr.

Chung (former independent director)	Chung served as the general manager of the business group of Hon Hai Precision Industry Co., Ltd. and the CEO 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., and CEO of Feng Tay Enterprises Co., Ltd.
Yifan Li	Mr. Yifan Li, American, holds a bachelor's degree in World Economy from Fudan University, an MBA degree from the University of Chicago, master's degree in Accounting from the University of Texas. Mr. Li is qualified as the United States Certified Public Accountant, Chartered Global Management Accountant, and member of the American Institute of Certified Public Accountants and the Texas Society of CPAs. He worked as Executive Vice President and CFO of Zhengxing Wheel Group Co.,Ltd., Vice President and CFO of Sanpower Group Co.,Ltd., director, Vice President and CFO of Zhejiang Geely Holding Group Co.,Ltd., founding partner and CFO of Human Horizons. In addition to serving as a director of USI, he also serves as an independent director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. Mr. Li was appointed as a director of the Company in April 2023.
Yongtao Cang	Mr. Yongtao Cang, Chinese, holds a doctorate degree in accounting from Shanghai University of Finance and Economics. Mr. Cang is a non-practicing member of the Chinese Institute of CPA, and a member of CPA Australia. He worked as lecturer, assistant dean and associate professor of accounting successively at the School of Economics and Finance, Shanghai International Studies University (SISU). Currently he serves as professor of accounting and deputy dean at the School of Economics and Finance, SISU. Additionally, he served as an independent director of Zhejiang Founder Motor Co., Ltd (resigned in April 2023) and Zhejiang Qinglian Food Co.,Ltd. Mr. Cang was appointed as an independent director of the Company in April 2023.
Jiangdong Huang	Mr. Jiangdong Huang, Chinese, has a doctorate degree in law from East China University of Political Science and Law and qualifications to practice law in China. Mr. Huang worked as deputy director, director and deputy researcher of the Second Division of the China Securities Regulatory Commission (CSRC) Shanghai Office, deputy researcher of the CSRC Legal Affairs Department, deputy researcher of the Review Division of the CSRC Shanghai Commissioner Office, director of the Third Division of Investigation of the CSRC Shanghai Commissioner Office. He currently serves as partner of Grandall Law Firm, and independent director of Changjiang Pension Insurance Co.,Ltd., Sinopec Shanghai Petrochemical Company Limited and Fuanda Fund Management Co.,Ltd., and outside director of China Shipping Environment Technology (Shanghai) Co.,Ltd. Mr. Huang was appointed as an independent director of the Company in April 2023.
Wei Guo	Ms. Wei Guo, from Hong Kong, China, holds a doctorate degree in strategic management from the University of Maryland, an MBA degree from Marshall University, and a bachelor's degree in business from Auckland University of Technology. Ms. Guo used to work as assistant professor of strategy at Hong Kong Polytechnic University, and currently serves as associate professor of strategy and entrepreneurship at China Europe International Business School. Ms. Guo was appointed as an independent director of the Company in April 2023.
Meng-Kuo Shih	Mr. 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 supervisor of USI, he holds the position of director of USI Inc.
Jye-Shing Lin	Mr. Jye-Shing Lin, from Taiwan, China, holds a master's degree in engineering from Massachusetts Institute of Technology (MIT) and National Taiwan University. Mr. Lin used to work for Accenture as a consultant and joined Advanced Semiconductor Engineering, Inc. in 2006. He currently serves as vice president of Advanced Semiconductor Engineering, Inc. Shanghai headquarters, and supervisor of USI Inc.

Andrew Robert Tang (former supervisor)	Mr. Andrew Robert Tang, American, graduated from Yale University. Mr. Tang previously worked for Morgan Stanley, and joined Advanced Semiconductor Engineering, Inc. in 2014 where he currently assumes director (representative), Vice Chairman, and deputy CEO, and he also serves as the chief procurement officer of ASE Technology Holding Co., Ltd.
David Huang	Mr. David Huang, from Taiwan, China, holds an EMBA degree from Shanghai Jiaotong University. Mr. Huang previously worked for Universal Scientific Industrial Co., Ltd. Currently he serves as the director of USI's Manufacturing Service Division 1.
Chen-Lung Wei	Mr. Chen-Lung Wei, from Taiwan, China, holds an MBA's degree from Tunghai University. In July 1987, Mr. Wei joined in Universal Scientific Industrial Co., Ltd. where he served as the manager of the engineering department, the director of the development unit, the vice president of the business unit, the senior vice general manager of the business group, and the general manager of the Company. Currently, he serves as the vice president of the Company.
Ta-I Lin	Mr. 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 head of engineering, production, and business divisions, the general manager of information products business group, president of USI Electronics (Shenzhen) Co., Ltd., and manager of Universal Scientific Industrial Co., Ltd. Taiwan Factory. Currently, he serves as the Vice President of the Company.
Feng-Ta Chen	Mr. Feng-Ta Chen, from Taiwan, China, once served as deputy manager of SAMPO CORP., manager of wireless network card operation management of Universal Scientific Industrial Co., Ltd., associate manager of ERP project management, associate manager of global human resources administration, and general manager of Shanghai Zhangjiang Factory, Jinqiao Factory, and Shengxia Factory of USI. Currently, he serves as head of global business and after-sales service, global operations development, North American operations, special application products and green energy products business group, and vice president of the Company.
Jing Cao	Mr. 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 , and the senior Vice President of UTAC Semiconductor Co., Ltd. Currently, serves as vice president of the Company.
Allen Sheng (former senior executive)	Mr. 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.
Tan-Yang Liu	Mr. 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, he serves as the vice president and chief financial officer of the Company.
Jinpeng Shi	Mr. 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 vice president and the secretary to the Board of Directors of the Company.
Yung-Che Fang (former senior executive)	Mr. 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.
Jeh-Chang Lee (former senior executive)	Mr. 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.
Chia-Hsiung Yu (former senior executive)	Mr. Chia-Hsiung Yu, from Taiwan, China, holds a MBA's degree from National Chiao Tung University.
Yueh-Ming Lin (former senior executive)	Mr. 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.

Particulars on other information

Applicable Not Applicable

(II) Employment of current directors, supervisors and senior management and those who left the position 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	Start of tenure	End of tenure
Jeffrey Chen	ASE Technology Holding Co., Ltd.	Director (representative)	2018-04-30	
	Advanced Semiconductor Engineering, Inc.	Director (representative)	2003-06-19	
	ASE Test Inc.	Director (representative)	1998-06-30	
	ASE (Shanghai) Inc.	Supervisor	2018-06-19	
	ASE (Korea) Inc.	Supervisor	2021-03-30	
	Wuxi Tongzhi Microelectronics Co.,Ltd.	Director	2022-05-27	
	ASE Test Limited (Singapore)	Director	1998-03-31	
	ASE Test Holdings Ltd.	Director	1999-04-12	
	Omniquest Industrial Ltd.	Director	2001-06-01	
	ASE Assembly & Test (Shanghai) Limited	Supervisor	2023-06-05	
	Shanghai Ding Hui Real Estate Development Co., Ltd.	Director	2005-04-18	
	ASE Electronics Inc.	Director (representative)	2006-03-14	
	Advanced Semiconductor Engineering (HK) Limited	Director	2008-05-05	
	Shanghai Ding Wei Real Estate Development Co., Ltd.	Director	2010-06-01	
	Shanghai Ding Yu Real Estate Development Co., Ltd.	Director	2010-05-12	
	KunShan Ding Hong Real Estate Development Co., Ltd.	Director	2012-02-01	
	Shanghai Ding Qi Property Management Co., Ltd.	Director	2005-05-11	
	Shanghai Dingfan Business Management Co., Ltd	Director	2016-03-18	
	Shanghai DingXu Property Management Co., Ltd.	Director	2017-06-19	
	Real Tech Holdings Limited	Director	2008-12-04	
	USI Inc.	Chairman of the Board of Directors and director (representative)	2018-06-26	
	Huntington Holdings International Co., Ltd.	Director	2012-06-30	
	Shanghai Dingxu Property Management Co., Ltd. –	Director	2016-03-31	
Real Tech Holdings Limited	Director	2012-06-30		
ASE Environmental Protection and Sustainability Foundation	Director	2020-09-14		
ASE Cultural and Educational Foundation	Director	2020-06-10		

	ASE Enterprise Service (Shanghai) Co., Ltd	Supervisor	2023-11-01	
Chen-Yen Wei	USI Inc.	Director (representative)	2015-04-01	2025-06-23
	HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD.	Director	2012-06-30	
	UNITECH HOLDINGS INTERNATIONAL CO. LTD.	Director	2012-06-30	
	Real Tech Holdings Limited	Director	2012-06-30	
	USI Enterprise Limited	Director	2012-12-28	
Dtuang Wang	ASE Technology Holding Co., Ltd.	Chief executive and corporate governance director, member of the Risk Management Committee and chief risk officer, chief information security officer	2018-04-30	
	Advanced Semiconductor Engineering, Inc.	Director (representative) and chief executive	2018-04-30	
	Advanced Semiconductor Engineering (China) Ltd.	Chairman of the Board of Directors and General Manager	2018-07-05	
	ASE Assembly & Test (Shanghai) Limited	Director and President	2021-07-29	
	Sino Horizon Holdings Limited	Director	2014-06-18	
	Hung Ching Development & Construction Co., Ltd.	Director	2011-07-13	
	Hung Chin Hsin Co., Ltd.	Director and President	2011-08-08	
	ASE Social Enterprise Co., Ltd.	Director and President	2022-04-21	
	ASE Environmental Protection and Sustainability Foundation	Director and CEO	2020-09-14	
	Goodcare Holdings Inc.	Director	2023-03-14	
Rutherford Chang	ASE Technology Holding Co., Ltd.	Director	2018-04-30	
	Advanced Semiconductor Engineering, Inc.	Director (representative)	2009-06-26	
	ASE Test Inc.	Director (representative)	2011-07-27	
	ASE Investment (Kunshan) Limited	Director and General Manager	2012-05-24	
	USI Inc.	Director (representative)	2015-04-01	
Neng Chao Chang	Advanced Semiconductor Engineering, Inc.	Director (representative)	2018-04-30	
	ASE Test Inc.	Director (representative)	2015-08-06	
	USI Inc.	Director (representative)	2015-04-01	

Meng-Kuo Shih	USI Inc.	Director	2015-04-01	2025-06-23
	HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD.	Director	2012-06-30	
	UNITECH HOLDINGS INTERNATIONAL CO. LTD.	Director	2012-06-30	
	Real Tech Holdings Limited	Director	2012-06-30	
	Universal ABIT Holding Co.,Ltd.	Director	2008-12-31	
	USI Enterprise Limited	Director	2012-12-28	2024-06-22
Andrew Robert Tang (former supervisor)	Advanced Semiconductor Engineering, Inc.	Deputy chairman of the Board of Directors	2018-04-30	
		Director (representative)	2022-12-15	
		Deputy CEO	2023-01-01	
	ASE Test Inc.	Supervisor (representative)	2018-05-30	
	Shanghai Ding Hui Real Estate Development Co., Ltd.	Director	2018-08-29	
	Shanghai Ding Wei Real Estate Development Co., Ltd.	Director	2018-10-31	
	Shanghai Ding Yu Real Estate Development Co., Ltd.	Director	2018-10-17	
	USI Inc.	Supervisor (representative)	2018-06-26	
	ASE Cultural and Educational Foundation	Director	2020-06-10	
	ASE Environmental Protection and Sustainability Foundation	Director	2020-09-14	
ASE Technology Holding Co., Ltd.	Chief procurement officer	2023-09-01		
Chen-Lung Wei	USI Inc.	Director	2015-04-01	2025-06-23
	HUNTINGTON HOLDINGS INTERNATIONAL CO. LTD.	Director	2012-06-30	
	Universal ABIT Holding Co.,Ltd.	Director	2008-12-31	
Tan-Yang Liu	USI Enterprise Limited	Director	2020-12-30	
Jye-Shing Lin	Advanced Semiconductor Engineering, Inc.	Deputy general manager of Shanghai headquarters	2016-09-22	
	Shanghai Ding Wei Real Estate Development Co., Ltd.	Vice President	2015-02-01	
	USI Inc.	Supervisor (representative)	2018-06-26	2025-06-23
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	Start of tenure	End of tenure
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Jeffrey Chen	Mercuries & Associates Holding, LTD	Independent director	2015-06-24	
Chen-Yen Wei	MUtek Electronics Co.,Ltd., etc	Director	2022-05-12	2025-05-11
	Lelon Electronics Corp.	Independent director	2022-06-29	2025-06-28
Dtuang Wang	Chang Yao Hong-Ying Social Welfare & Charity Foundation	Director and CEO	2020-07-25	
	Bank of Kaohsiung Co., Ltd.	Independent director	2023-05-25	
	School of Law of Ming Chuan University, etc.	Honorary Professor	2020-08-06	
Gilles Baruk Benhamou (former director)	Saphir, etc.	CEO	1995-09	
	Decelect	Director	1987-07	
	Retail Evolution	CEO	2020-07	
	ASDI Assistance Direction	CEO	1994-12	
Meng-Kuo Shih	MUtek Electronics Co.,Ltd., etc	Supervisor	2022-05-12	2025-05-11
	Global Venture Capital Co., Ltd.	Director	2023-06-12	2026-06-11
Yunwei Tang (former independent director)	Ping An Healthcare and Technology Company Limited, etc.	Independent director	2018-05-03	
	China Jushi Co., Ltd.	Independent director	2019-05-10	2025-09-07
	Maitrox Enterprise Services Inc. (not listed)	Independent director	2022-06-09	
Yiyun Chu (former independent director)	School of Accounting, Shanghai University of Finance and Economics	Professor	2003-07-03	
		PhD advisor	2003-12-31	
	Ping An Insurance (Group) Company Of China, Ltd.	Independent director	2019-07-17	
	Bank Of Hebei Co.,Ltd.	Independent director	2021-08-05	
	Bank Of China Limited	External supervisor	2022-06-30	
Michael Chung (former independent director)	AcSiP	Chairman of the Board of Directors	2019-06	
	LuxNet Corp.	Director	2021-07	
	Savitech Corp.	Director	2019-06	2023-07
	Dasheng Venture Capital Co., Ltd.	Director	2021-08	2023-02
	FENG TAY ENTERPRISES CO., LTD.	Director	2021-07	
	LOROM INDUSTRIAL CO., LTD	CEO	2020-06-01	2023-03-31
Yifan Li	Human Horizons	Chief Financial and Investment Advisor	2022-03-17	2023-12-31
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent director	2019-06-25	

Yongtao Cang	School of Economics and Finance, Shanghai International Studies University	Professor of accounting	2021-12-31	
		Deputy dean	2023-11-19	
	Zhejiang Founder Motor Co., Ltd.	Independent director	2019-09-23	2023-04-07
	Zhejiang Qinglian Food Co.,Ltd.	Independent director	2018-07-19	
Jiangdong Huang	Grandall Law Firm	Partner	2019-05-10	
	, Sinopec Shanghai Petrochemical Company Limited and Fuanda Fund Management Co.,Ltd., and outside director of China Shipping Environment Technology (Shanghai) Co.,Ltd.	Independent director	2023-06-28	
	Changjiang Pension Insurance Co.,Ltd.	Independent director	2021-09-16	
	Fuanda Fund Management Co.,Ltd.	Independent director	2023-07-25	
	China Shipping Environment Technology (Shanghai) Co.,Ltd.	Outside director	2023-05-30	
Wei Guo	China Europe International Business School	Associate professor of strategy and entrepreneurship	2020-06-01	
Jinpeng Shi	GJS Capital Co., Ltd.	Director	2023-05-28	2026-05-27
	Questyle Audio Technology Co.,Ltd	Director	2022-11-29	2025-11-28
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 Proposal on the Remuneration of Directors of the Sixth Session of the Board of Directors was considered and approved at the Twenty-second Meeting of the Fifth Session of the Board of Directors and the 2022 Annual General Meeting of Shareholders; the Proposal on the Remuneration of Supervisors of the Sixth Session of the Board of Supervisors was considered and approved at the Twentieth Meeting of the Fifth Session of the Board of Supervisors and the 2022 Annual General Meeting of Shareholders; the Proposal on the Remuneration of the Senior Management for 2023 was considered and approved at the Fifth Meeting of the Remuneration Committee of the Sixth Session of the Board of Directors, and the Tenth Meeting of the Sixth Session of the Board of Directors.
Whether a director abstained from voting in discussion of his or her own remuneration issues	Yes
Opinion of the Remuneration Committee or the Special	The Company held the Twenty-second Meeting of the Fifth Session of the Board of Directors on March 31, 2023, at which the

Meeting of Independent Directors on matters relating to the remuneration of directors, supervisors and senior Management	<p>Independent Directors verified the remuneration of the directors of the Sixth Session of the Board of Directors of the Company, and commented that: the remuneration of the directors drawn up by the Board of Directors of the Company was determined after taking into account the characteristics of the industry in which the Company is operating, the scale of operation of the Company, the level of corporate governance, the backgrounds and professional qualities of the directors, and in the light of the actual circumstances of the Company, which is conducive to the enhancement of scientific decision-making by the Board of Directors of the Company, and ensures the realization of the Company's development strategy objectives, and is in line with the interests of investors. We approve the Proposal on the Remuneration of Directors of the Sixth Session of the Board of Directors, and agree to submit the proposal to shareholders' meeting for deliberation.</p> <p>The Company held the Fifth Meeting of the Remuneration Committee of the Sixth Session of the Board of Directors on March 29, 2024, and the Remuneration Committee deliberated and approved the Proposal on the Chairman's Actual Remuneration for 2023 and the Remuneration Plan for 2024 with a view that the Chairman of the Board of Directors of the Company, Mr. Jeffrey Chen, in addition to holding the position of director in ASE Technology Holding and its affiliated companies, works exclusively for the Company, and the assessment and issuance of his remuneration for 2023 and his remuneration plan for 2024 are in compliance with the Company's operation and management and remuneration assessment systems and would not jeopardize the interests of the Company and its shareholders.</p>
Determination basis for the remuneration of directors, supervisors and members of the senior management	<p>The Company adopted fixed remuneration for directors and supervisors taking into account the characteristics of the industry in which the Company operates, the scale of business operations, the level of corporate governance, the backgrounds and professional qualities of the directors and supervisors, as well as the actual situation of the Company.</p> <p>Remuneration of senior management shall be determined according to their performance appraisal, combined with the Company's financial status, profitability and progress of annual business objectives.</p>
Actual payment of the remuneration of directors, supervisors and members of the senior management	For details, see Section IV-I (I) Changes in shareholding and remuneration of current directors, supervisors, and senior management and those who left the position 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 31.22 million

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

√Applicable □ Not Applicable

Name	Position	Change	Reason for change
Gilles Baruk Benhamou	Director	Termination	Expiry of tenure
Yunwei Tang	Independent director	Termination	Expiry of tenure
Yiyun Chu	Independent director	Termination	Expiry of tenure
Michael Chung	Independent director	Termination	Expiry of tenure

Yifan Li	Director	Appointment	Appointment by shareholders' meeting
Yongtao Cang	Independent director	Appointment	Appointment by shareholders' meeting
Jiangdong Huang	Independent director	Appointment	Appointment by shareholders' meeting
Wei Guo	Independent director	Appointment	Appointment by shareholders' meeting
Andrew Robert Tang	Supervisor	Termination	Expiry of tenure
Jye-Shing Lin	Supervisor	Appointment	Appointment by shareholders' meeting
Yuan-Hsin Sheng	Vice President	Termination	Expiry of tenure
Yung-Che Fang	Senior Vice President	Termination	Expiry of tenure
Jeh-Chang Lee	Senior Vice President	Termination	Expiry of tenure
Chia-Hsiung Yu	Vice President	Termination	Expiry of tenure
Yueh-Ming Lin	Vice President	Termination	Expiry of tenure

(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 Twenty-first Meeting of the Fifth Session of the Board of Directors	March 17, 2023	<ol style="list-style-type: none"> 1. Proposal on Using Idle Raised Funds of Convertible Bonds for Cash Management 2. Proposal on the Establishment of a Joint Venture to Purchase the Automotive Wireless Business of TE Connectivity
The Twenty-second Meeting of the Fifth Session of the Board of Directors	March 31, 2023	<ol style="list-style-type: none"> 1. Proposal on 2022 Work Report of the Board of Directors 2. Proposal on 2022 Work Report of the General Manager 3. Proposal on 2022 Financial Final Report 4. Proposal on the 2022 Annual Report and its Summary 5. Proposal on 2022 Annual Internal Control Self-Assessment Report 6. Proposal on 2022 ESG Report 7. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in 2022 8. Proposal on Profit Distribution Plan for 2022 9. Proposal on Recognition of Loss of Assets Deductible Against Taxable Income in 2022 10. Proposal on Actual Regular Related Party Transactions in 2022 and Predicted Regular Related Party Transactions in 2023 11. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2023 12. Proposal on Bank Credit Lines in 2023 13. Proposal on the Amount of Financial Derivative Transactions 14. Proposal on the Company's Provision of Financial Assistance to Subsidiaries 15. Proposal on Guarantee Between Holding Subsidiaries 16. Proposal on 2023 Internal Audit Plan 17. Proposal on Renewing the Contract with the Financial Audit Institution

		<p>18. Proposal on Renewing the Contract with the Internal Control Audit Institution</p> <p>19. Proposal on the Remuneration of the Company's Senior Management in 2022</p> <p>20. Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Executives</p> <p>21. Proposal on Election of the Sixth Session of the Board of Directors</p> <p>22. Proposal on the Remuneration of Directors of the Sixth Session of the Board of Directors</p> <p>23. Proposal on Formulating the Rules of the Group Sustainability Committee</p> <p>24. Proposal on Procedures for the Acquisition or Disposal of Assets</p> <p>25. Proposal on Amending the Rules of Information Disclosure Management</p> <p>26. Proposal on Amending the Rules for Shareholding by Directors, Supervisors and Senior Executives and Related Changes</p> <p>27. Proposal on Amending the Control Measures for Financial Derivatives Trading</p> <p>28. Proposal on Holding 2022 Annual General Meeting of Shareholders</p>
The First Meeting of the Sixth Session of the Board of Directors	April 25, 2023	<p>1. Proposal on Quarterly Report for Q1 2023</p> <p>2. Proposal on the Election of the Chairman of the Sixth Board of Directors of the Company</p> <p>3. Proposal on the Election of Special Committees of the Sixth Session of the Board of Directors of the Company</p> <p>4. Proposal on the Appointment of General Manager of the Company</p> <p>5. Proposal on the Appointment of the Company's Senior Management</p> <p>6. Proposal on Election of the Secretary to the Board of Directors</p> <p>7. Proposal on Appointing Securities Affairs Representative</p> <p>8. Proposal on Completion and Termination of 2021 Employee Stock Ownership Plan</p> <p>9. Proposal on Adjusting the Exercise Price of 2019 Incentive Stock Option Plan After Profit Distribution</p> <p>10. Proposal on Capital Increase to the Company's Wholly-owned Subsidiary Universal Scientific Industrial De México S.A.De C.V.</p>
The Second Meeting of the Sixth Session of the Board of Directors	May 19, 2023	Proposal on Not Making Downward Adjustment to the Conversion Price of USI Convertible Bonds
The Third Meeting of the Sixth Session of the Board of Directors	31 July 2023	<p>1. Proposal on Environment, Health, Safety (EHS) & Energy Policy and Biodiversity and No Deforestation Commitment</p> <p>2. Proposal on Amending Rules of Procedure for the Remuneration Committee of the Board of Directors</p>
The Fourth Meeting of the Sixth Session of the Board of Directors	August 25, 2023	<p>1. Proposal on 2023 Semi-Annual Report and its Summary</p> <p>2. Proposal on 2023 Incentive Stock Option Plan and its summary</p> <p>3. Proposal on Assessment and Management Measures for the Implementation of 2023 Incentive Stock Option Plan</p> <p>4. Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Formalities Related to 2021 Employee Stock Ownership Plan</p>

		<p>5. Proposal on 2023 Employee Stock Ownership Plan and its summary</p> <p>6. Proposal on Administrative Rules for 2023 Employee Stock Ownership Plan</p> <p>7. Proposal on Requesting Shareholders' Meeting to Authorize the Board of Directors to Handle Formalities Related to 2023 Employee Stock Ownership Plan</p> <p>8. Proposal on Providing Financial Assistance to Subsidiaries</p> <p>9. The Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2023</p> <p>10. Proposal on Closure, Adjustment, Extension of Some Raised Fund Projects, and Change of Usage of Some Raised Fund Projects</p> <p>11. Proposal on Holding the First Bondholders' Meeting in 2023</p> <p>12. Proposal on Holding the First Extraordinary General Meeting of Shareholders in 2023</p>
The Fifth Meeting of the Sixth Session of the Board of Directors	September 7, 2023	Proposal on Revising 2023 Employee Stock Ownership Plan and its summary
The Sixth Meeting of the Sixth Session of the Board of Directors	October 13, 2023	<p>1. Proposal on Adjustment of Participants and Number of Granted Options in the 2023 Incentive Stock Option Plan</p> <p>2. Proposal on Granting Stock Options to Participants of 2023 Incentive Stock Option Plan</p> <p>3. Proposal on the Third Exercise Period of 2019 Incentive Stock Option Plan Part II and the Method of Independent Exercise</p>
The Seventh Meeting of the Sixth Session of the Board of Directors	October 24, 2023	<p>1. Proposal on Quarterly Report for Q3 2023</p> <p>2. Proposal on the Adjustment of Participants and Cancellation of Part of the Options in the 2015 Incentive Stock Option Plan</p> <p>3. Proposal on the Adjustment of Participants and Cancellation of Part of the Stock Options in the Incentive Stock Option Plan 2019 Part I</p> <p>4. Proposal on the Second Exercise Period of 2019 Incentive Stock Option Plan Part I and the Method of Independent Exercise</p> <p>5. Proposal on Using Idle Raised Funds of Convertible Bonds for Cash Management</p> <p>6. Proposal on Amending the Rules for Independent Directors</p> <p>7. Proposal on Amending the Rules of Procedure for the Audit Committee of the Board of Directors</p> <p>8. Proposal on Amending the Rules of Procedure for the Strategy Committee of the Board of Directors</p> <p>9. Proposal on Amending Rules of Procedure of Remuneration Committee of the Board of Directors</p> <p>10. Proposal on Amending the Rules of Procedure for the Nomination Committee of the Board of Directors</p> <p>11. Proposal on Amending Procedures for Loaning of Funds</p>

VI. Performance of functions and duties by directors

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

Director Name	Independent director or not	Attendance at the Board of Directors meetings	Attendance at the shareholders' meetings
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		Number of meetings held this year	Number of attendance in person	Number of attendance by telecommunication	Number of attendance by proxy	Number of absence	Absence for two consecutive meetings	Number of attendance
Jeffrey Chen	No	9	9	4	0	0	No	2
Chen-Yen Wei	No	9	9	4	0	0	No	0
Rutherford Chang	No	9	9	4	0	0	No	1
Neng Chao Chang	No	9	9	4	0	0	No	1
Dtuang Wang	No	9	9	4	0	0	No	1
Gilles Baruk Benhamou (former director)	No	2	2	0	0	0	No	0
Yiyun Chu (former independent director)	Yes	2	2	0	0	0	No	1
Yunwei Tang (former independent director)	Yes	2	0	0	2	0	No	0
Michael Chung (former independent director)	Yes	2	2	0	0	0	No	0
Yifan Li	No	7	7	4	0	0	No	1
Yongtao Cang	Yes	7	7	4	0	0	No	1
Jiangdong Huang	Yes	7	7	4	0	0	No	1
Wei Guo	Yes	7	6	4	1	0	No	1

Particulars on absence of two consecutive meetings of the Board of Directors

Applicable Not Applicable

Number of meetings of the Board of Directors held in 2023	9
Including: on site meetings	5
Meetings held by telecommunication	4

Number of meetings held both on site and by telecommunication	0
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(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

(I) Members of special committees under the Board of Directors

Type of special committees	Name of members of special committees
Audit Committee	Yongtao Cang, Jiangdong Huang, Wei Guo, Jeffrey Chen, Yifan Li
Nomination Committee	Wei Guo, Jiangdong Huang, Yongtao Cang, Jeffrey Chen, Chen-Yen Wei
Remuneration Committee	Jiangdong Huang, Yongtao Cang, Wei Guo, Jeffrey Chen, Chen-Yen Wei
Strategy Committee	Jeffrey Chen, Chen-Yen Wei, Neng Chao Chang, Wei Guo

(II) 5 meetings held by the Audit Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on performance of duties
March 17, 2023	The following proposals were deliberated and adopted: Proposal on Using Idle Raised Funds of Convertible Bonds for Cash Management	Under the premise of ensuring that the implementation of the raised fund investment projects and the safety of the raised funds are not affected, the Company will use part of the idle raised funds for cash management, which can improve the efficiency of the use of the raised funds, obtain investment income, improve the overall performance of the Company, and seek more investment returns for the shareholders of the Company, which is in line with the interests of the Company and all shareholders.	None
March 31, 2023	The following proposals were deliberated and adopted: 1. Proposal on Financial Statements and Audit Report for 2022 2. Proposal on 2022 Financial Final Report 3. Proposal on 2022 Annual Internal Control Self-Assessment Report 4. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in 2022	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	Communicated with the management on the Company's operations and development.

	<p>5. Proposal on Actual Regular Related Party Transactions in 2022 and Predicted Regular Related Party Transactions in 2023</p> <p>6. Proposal on the Amount of Wealth Management Products Using Self-owned Idle Funds Allowed for 2023</p> <p>7. Proposal on Renewing the Contract with the Financial Audit Institution</p> <p>8. Proposal on Renewing the Contract with the Internal Control Audit Institution</p> <p>9. Proposal on Internal Audit Work Report for 2022</p> <p>10. Proposal on 2023 Internal Audit Plan</p> <p>11. Proposal on 2022 Performance Report of the Audit Committee</p>	<p>matters resulting other type of audit report than standard unqualified audit report. After the internal audit work report was reviewed, no major problems were found in the internal audit work.</p> <p>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.</p>	
April 25, 2023	<p>The following proposals were deliberated and adopted:</p> <p>1. Proposal on Quarterly Report for Q1 2023</p> <p>2. Proposal on Work Report on Internal Control for Q1 2023</p>	<p>The Company operates strictly in accordance with the standard financial rules for the listed companies, and the Company's Quarterly Report for Q1 2023 fully and fairly reflected the financial condition and operating results for the reporting period.</p>	<p>Communicated with the management on the Company's operations and development.</p>
August 25, 2023	<p>The following proposals were deliberated and adopted:</p> <p>1. Proposal on the 2023 Semi-Annual Report and its Summary</p> <p>2. Proposal on Internal Audit Work Report for the First Half of 2023</p> <p>3. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2023</p> <p>4. Proposal on Closure, Adjustment, Extension of Some Raised Fund Projects, and Change of Usage of Some Raised Fund Projects</p>		<p>Communicated with the management on the Company's operations and development.</p>
October 24, 2023	<p>The following proposals were deliberated and adopted:</p> <p>1. Proposal on Quarterly Report for Q3 2023</p> <p>2. Proposal on Internal Audit Work Report for Q3 2023</p>	<p>The Company operates strictly in accordance with the standard financial rules for the listed companies, and the Company's Quarterly Report for Q3 2023 fully and fairly reflected the financial condition and operating results for the reporting period.</p>	<p>Communicated with the management on the Company's operations and development.</p>

(III) 2 meetings held by the Nomination Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on
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			performance of duties
March 31, 2023	The following proposals were deliberated and adopted: Proposal on Nominating Candidates for the Sixth Session of the Board of Directors	The nominated non-independent director candidates have the qualifications and ability to serve as directors of the Company, and have not been found to have any circumstances prohibiting them from serving as directors of the Company as stipulated by laws and regulations; the independent director candidates have the qualifications and experience to perform the duties of an independent director, and have the independence required for serving as an independent director, and have not been determined by the China Securities Regulatory Commission (CSRC) to be currently market banned. All the members agreed on the proposal.	None
April 25, 2023	The following proposals were deliberated and adopted: 1. Proposal on the Nomination of the General Manager of the Company 2. Proposal on the Nomination of Senior Management of the Company 3. Proposal on Nomination of the Secretary to the Board of Directors	The senior management personnel nominated herein are not in a situation where they are not allowed to be nominated as senior management; they have not been punished by the CSRC and other relevant authorities or disciplined by the stock exchange; they have not been investigated by the judicial authorities for suspected crimes or suspected of violating laws and regulations or subject to criminal investigation by the CSRC; they do not have any affiliation with the shareholders who hold more than 5% of the Company's shares, actual controllers, and the Company's other directors, supervisors and senior management; they are not the persons responsible for breach of trust or the targets of punishment for breach of trust, and they are not the persons subject to execution for breach of trust; and they do not have	None

		any other material matters requiring disclosure.	
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(IV) 5 meetings held by the Remuneration Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on performance of duties
February 6, 2023	The following proposals were deliberated and adopted: Proposal on Confirming the Eligibility of Participants of 2021 Employee Stock Ownership Plan	Based on the data provided by the human resources department, a comprehensive assessment was conducted on the performance of participants of the 2021 Employee Stock Ownership Plan in 2022.	None
August 25, 2023	The following proposals were deliberated and adopted: 1. Proposal on 2023 Incentive Stock Option Plan and its summary 2. Proposal on Assessment and Management Measures for the Implementation of 2023 Incentive Stock Option Plan 3. Proposal on 2023 Employee Stock Ownership Plan and its summary 4. Proposal on Administrative Rules for 2023 Employee Stock Ownership Plan	The 2023 Incentive Stock Option Plan is conducive to attracting and retaining outstanding talents, fully mobilizing the enthusiasm of the Company's middle managers and core technical and business personnel, and effectively combining the interests of shareholders, the Company interests and the employees of the core team, so that all parties will pay attention to the Company's long-term development. The 2023 Employee Stock Ownership Plan can bind the interests of the operating team with the Company through equity incentives, inspire team morale, enhance growth momentum, actively promote the realization of the Company's operating goals, and lay a solid foundation for the Company's sustainable and healthy development.	None
September 7, 2023	The following proposals were deliberated and adopted: Proposal on Revising 2023 Employee Stock Ownership Plan and its summary	In accordance with laws, regulations and relevant rules and regulations, the Remuneration Committee fully communicated and discussed the submitted proposal and unanimously agreed.	None
October 13, 2023	The following proposals were deliberated and adopted: 1. Proposal on Adjustment of Participants and Number of Granted	The adjustment and granting of options are in line with the relevant provisions of the	None

	Options in the 2023 Incentive Stock Option Plan 2. Proposal on Granting Stock Options to Participants of 2023 Incentive Stock Option Plan 3. Proposal on the Third Exercise Period of 2019 Incentive Stock Option Plan Part II and the Method of Independent Exercise	Company's 2023 Stock Option Incentive Plan. The requirements for the exercise of the third exercise period of the 2019 Incentive Stock Option Plan Part II have been fulfilled, and the implementation of this exercise by the Company is in compliance with the 2019 Stock Option Incentive Plan and relevant regulations.	
October 24, 2023	The following proposals were deliberated and adopted: 1. Proposal on Adjustment of Participants and Cancellation of Part of the Options in the 2015 Incentive Stock Option Plan 2. Proposal on the adjustment of participants and cancellation of part of the stock options in the 2019 Incentive Stock Option Plan Part I 3. Proposal on the Third Exercise Period of Incentive Stock Option Plan 2019 Part I and the Method of Independent Exercise	The adjustment and cancellation are in line with the relevant provisions of the Company's Incentive Stock Option Plan and Appraisal Administrative Measures for Implementation of the Incentive Stock Option Plan. The adjustment and cancellation are in line with the relevant provisions of the Company's 2019 Incentive Stock Option Plan and Assessment and Management Measures for the Implementation of 2019 Incentive Stock Option Plan. The requirements for the exercise of the third exercise period of the 2019 Incentive Stock Option Plan Part I have been fulfilled, and the implementation of this exercise by the Company is in compliance with the 2019 Incentive Stock Option Plan and relevant regulations.	None

(V) 2 meetings held by the Strategy Committee during the reporting period

Date	Contents	Important comments and suggestions	Other information on performance of duties
March 17, 2023	Proposal on the Establishment of a Joint Venture to Purchase the Automotive Wireless Business of TE Connectivity	This acquisition will help the company deepen the layout of Internet of Vehicles products, optimize the customer structure and increase the number of customers, and realize the business layout extending from modules to system solutions.	None

April 25, 2023	Proposal on Capital Increase to the Company's Wholly-owned Subsidiary Universal Scientific Industrial De México S.A.De C.V.	The Company's capital increase in the Mexican factory will be used for the construction of the new factory, which will make better use of Mexican factory's geographical advantages and increase production capacity to meet the needs of North American customers, improve its operational scale and production efficiency, enhance its profitability and market competitiveness, and consolidate and enhance the Company's position in the industry.	None
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(VI) 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	2,011
Number of on-the-job employees of the main subsidiaries	20,998
Total number of on-the-job employees	23,009
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	35
Breakdown by function	
Function	Number
Production	14,562
Sales	712
Technical	4,387
Financial	209
Administrative	3,139
Total	23,009
Breakdown by education background	
Education background	Number
Doctor's degree	16
Master's degree	1,646
Bachelor's degree	6,325
Junior college	2,576
Senior high school and below	12,446
Total	23,009

(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

In order to enhance the effectiveness of organizational learning and create a learning corporate culture, the Company has set up the "USI University" (USIU), which continuously improves and develops the professional knowledge, skills and abilities of employees through the USIU online and offline courses, so as to achieve the strategic goals of the Company. USIU offers internal training courses in different categories designed systematically and arranged by five colleges, so that employees can take required courses, join training sessions held by internal lecturers as well as workshops organized by external professional lecturers. The Company also promotes the Individual Development Program, so as to ensure the depth and breadth of employees' career development and contribute to the Company's sustainable development.

(IV) Labor outsourcing

Applicable Not Applicable

Total working hours of labor outsourcing	4,227,429
Total remuneration paid for labor outsourcing	129,807,115

X. Plan for profit distribution or conversion of capital reserve into share capital

(I) Formulation, implementation or adjustment of the cash dividend policy

Applicable Not Applicable

1. Formulation of the cash dividend policy

In order to improve and perfect the Company's scientific, sustainable, stable and active dividend distribution and monitoring mechanism, and to actively reward investors, the Company has formulated a clear cash dividend policy and its decision-making and adjustment mechanism in the Articles of Association in accordance with the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies and other relevant policies.

2. Implementation of the cash dividend policy

During the reporting period, the Company formulated the profit distribution plan for 2022 in accordance with the relevant regulations, the cash expenditure needs of the Company and the relevant provisions of the Articles of Association and taking into account the actual operation of the Company as the following: 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 capital reserve into share capital, and all the remaining undistributed profits shall be carried forward for distribution in the following years. The total share capital of the Company on the record date for implementing the plan for 2022 was 2,207,290,610 shares. USI paid out the cash dividends on the basis of 2,183,573,065 shares, excluding 23,717,545 shares in its special buy-back securities account. 2022 profit distribution was completed on May 30, 2023.

3. Adjustment of cash dividend policy

During the reporting period, the Company did not adjust its cash dividend policy.

(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	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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Whether the dividend standard and ratio are definite and clear	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the related procedures and mechanisms for decision-making are complete	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether independent directors performed their duties responsibly and played their due roles	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether minority shareholders were given the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests were fully protected	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

Applicable Not Applicable

(IV) Plan of 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 for every 10 shares held (RMB yuan) (tax included)	2.70
Number of shares transferred from capital reserve for every 10 shares held	0
Amount of cash dividend (tax included)	590,481,938.88
Net profits attributable to common shareholders of the listed company in 2023	1,947,846,866.12
Proportion of cash dividend to net profits attributable to common shareholders of the listed company (%)	30.31
Amount of share repurchase included in the cash dividend distribution	0
Total amount of dividend (tax included)	590,481,938.88
Proportion of total dividend distributed to net profits attributable to common shareholders of the listed company (%)	30.31

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
The non-trade transfer of shares for Core Employee Stock Ownership Plan Phase III: 1,715,250 shares held in the Company's special buy-back securities account (B882423910) were transferred to the Company's Core Employee Stock Ownership Plan Phase III securities account in the form of non-trading transfer, at a price of RMB 12.405 per share (the total transaction consideration was RMB 21,277,676.25)	For details, see the announcement (No.: 2023-019) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on March 7, 2023
Option exercise in Q1 2023: The 2015 Incentive Stock Option Plan: In Q1 2023, a total of 47,767 shares were exercised and registered for transfer; by the end of Q1 2023, a total of 8,602,087 shares were exercised and registered,	For details, see the announcement (No.: 2023-041) disclosed by the Company on the website of

<p>accounting for 41.89% of the total number of exercisable stock options.</p> <p>The 2019 Incentive Stock Option Plan Part I: In Q1 2023, a total of 233,250 shares were exercised and registered for transfer; by the end of Q1 2023, a total of 5,972,805 shares were exercised and registered for transfer, accounting for 44.45% of the total number of exercisable stock options.</p> <p>The 2019 Incentive Stock Option Plan Part II: By the end of Q1 2023, no option was exercised yet.</p>	<p>Shanghai Stock Exchange (www.sse.com.cn) on April 4, 2023</p>
<p>Termination of the 2021 Employee Stock Ownership Plan: The First Meeting of the Sixth Session of the Board of Directors held on April 25, 2023 approved the Proposal on Completion and Termination of the 2021 Employee Stock.</p>	<p>For details, see the announcement (No.: 2023-051) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on April 26, 2023.</p>
<p>Proposal on the Adjustment of the Exercise Price of 2019 Incentive Stock Option Plan Part I and Part II: Due to the implementation of the annual dividend distribution, the exercise price of the 2019 Incentive Stock Option Plan Part I was adjusted from RMB 12.41 yuan per share to RMB 11.98 yuan per share and the exercise price of 2019 Incentive Stock Option Plan Part II was adjusted from RMB 20.89 yuan per share to RMB 20.46 yuan per share.</p>	<p>For details, see the announcement (No.: 2023-052) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on April 26, 2023</p>
<p>Option exercise in Q2 2023: The 2015 Incentive Stock Option Plan: In Q2 2023, a total of 0 shares were exercised and registered for transfer; by the end of Q2 2023, a total of 8,602,087 shares were exercised accounting for 41.89% of the total number of exercisable stock options. The 2019 Incentive Stock Option Plan Part I: In Q2 2023, a total of 230,800 shares were exercised and registered for transfer; by the end of Q2 2023, a total of 6,203,605 shares were exercised, accounting for 46.16% of the total number of exercisable stock options. The 2019 Incentive Stock Option Plan Part II: By the end of Q2 2023, no option was exercised yet.</p>	<p>For details, see the announcement (No.: 2023-063) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on July 4, 2023</p>
<p>Option exercise in Q3 2023: The 2015 Incentive Stock Option Plan: In Q3 2023, a total of 16,700 shares were exercised and registered for transfer; by the end of Q3 2023, a total of 8,618,787 shares were exercised, accounting for 41.97% of the total number of exercisable stock options. The 2019 Incentive Stock Option Plan Part I: In Q3 2023, a total of 311,030 shares were exercised and registered for transfer; by the end of Q3 2023, a total of 6,514,635 shares were exercised and registered for transfer, accounting for 48.48% of the total number of exercisable stock options. The 2019 Incentive Stock Option Plan Part II: By the end of Q3 2023, no option was exercised yet.</p>	<p>For details, see the announcement (No.: 2023-091) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 10, 2023</p>
<p>The First Extraordinary General Meeting of Shareholders in 2023 considered and approved the 2023 Stock Option Incentive Plan, the 2023 Employee Stock Ownership Plan and related proposals.</p>	<p>For details, see the announcement (No.: 2023-084) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on September 16, 2023</p>
<p>Adjustment of Participants and Number of Granted Options in the 2023 Incentive Stock Option Plan:</p>	<p>For details, see the announcement (No.: 2023-</p>

<p>Among the 421 participants, 23 were no longer eligible due to giving up (including failure to open securities accounts in a timely manner), resignation and other reasons. After the adjustment, the number of participants was adjusted from 421 to 398 and the number of stock options to be granted was adjusted from 15,232,200 to 14,560,000.</p>	<p>098) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 14, 2023</p>
<p>Granting stock options to participants of the 2023 Incentive Stock Option Plan: The Company granted 14,560,000 stock options to 398 eligible participants with October 13, 2023 as the granting date, and RMB14.54 per share as the exercise price of the stock options.</p>	<p>For details, see the announcement (No.: 2023-099) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 14, 2023.</p>
<p>The third exercise period of the 2019 Incentive Stock Option Plan Part II met the requirements for Exercise.</p>	<p>For details, see the announcement (No.: 2023-100) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 14, 2023.</p>
<p>The granted options of the 2023 Incentive Stock Option Plan were registered.</p>	<p>For details, see the announcement (No.: 2023-101) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 14, 2023</p>
<p>Adjustment of participants and cancellation of part of the options in the 2015 Incentive Stock Option Plan: As from October 26, 2022 to October 24, 2023, 37 participants resigned and 13 participants retired, the Company agreed to cancel 219,083,000 stock options granted but not yet exercised by the above mentioned participants; and the aforementioned 13 retired participants whose stock options granted but not yet exercised were approved to exercise the options prior to their retirement, therefore continue to retain the right to exercise without the need for cancellation. After this adjustment, the number of participants was adjusted to 917 and the number of stock options granted was adjusted to 20,317,367,000.</p>	<p>For details, see the announcement (No.: 2023-104) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 26, 2023</p>
<p>The third exercise period of the 2019 Incentive Stock Option Plan Part I meeting the requirements for exercise and cancellation of part of the options 2019 Incentive Stock Option Plan Part I: As from October 26, 2022 to October 24, 2023, 15 participants resigned and 10 participants retired, and the number of participants of the 2019 Incentive Stock Option Plan Part I was adjusted from 448 to 423; 9 incentive recipients failed the performance appraisal in 2022 and were required to cancel 50% or 100% of the number of stock options granted in the third exercise period (50% for 7 participants and 100% for 2 participants), therefore, it is proposed to cancel 299,550,000 stock options granted but not yet exercised by the above-mentioned participants, and the number of stock options in Part I was adjusted from 13,438,255,000 to 13,138,705,000 after this adjustment.</p>	<p>For details, see the announcement (No.: 2023-105) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on October 26, 2023</p>
<p>The trust deed for 2023 Employee Stock Ownership Plan was signed.</p>	<p>For details, see the announcement (No.: 2023-108) disclosed by the Company on the website of Shanghai Stock Exchange</p>

	(www.sse.com.cn) on October 27, 2023
The non-trade transfer of shares for 2023 Employee Stock Ownership Plan was completed.	For details, see the announcement (No.: 2023-116) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on November 25, 2023

(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 102,600 shares on December 31, 2023, the same number as on December 31, 2022; Core Employee Stock Ownership Plan Phase II held a total of 1,271,500 shares on December 31, 2022, and 590,150 shares on December 31, 2023 with 680,900 shares sold during the year 2023.

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 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 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 financial position, 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

In accordance with legal and regulatory requirements such as the Company Law, Basic Standards for Enterprise Internal Control and its supporting guidelines, the Company has established internal control rules for various businesses and strictly implemented the rules. Besides, the company continues to develop and improve internal control. In accordance with the newly issued Opinions of the General Office of the State Council and the Measures for the Administration of Independent Directors of Listed Companies, the Company has sorted out the conditions of independent directors of the Company and confirmed that the three independent directors of the Company are in compliance with the requirements of the laws and

regulations. During the reporting period, the Company revised a total of 10 rules, including the Rules for Independent Directors, the rules for various special committees and the Rules of Information Disclosure, and instructed its subsidiaries to implement the internal control system, improve the relevant business processes, and ensure the effectiveness of the internal control.

The Company maintained effective internal control over all material aspects of financial and non-financial reporting during the reporting period, as detailed in the 2023 Internal Control Evaluation Report disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) at the same time as this report.

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. In order to strengthen the compliance management of subsidiaries and enhance management efficiency and convenience, in 2023, the Company developed and put on line a software platform of corporate governance system, which integrates a series of functions such as entity management, meeting management, and reporting of major issues, which enhances the digitalization of the compliance management of 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 available on the website of the Shanghai Stock Exchange at www.sse.com.cn.

Whether disclosed the internal control audit report: Yes

Type of internal control audit report opinion: standard unqualified opinion

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

N/A

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)	4,749.6

(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

The companies included in the key pollutant discharge units during the reporting period are USI (not including subsidiaries) and wholly-owned subsidiary Asteelflash Suzhou.

1. Pollutant Discharge Information

Applicable Not Applicable

(1) The information of wastewater detection and waste treatment in USI (not including subsidiaries) in 2023 is as follows:

Information on Wastewater Discharge in 2023			
Number & position of wastewater discharge port	DW001	Monitoring units and methods	Entrust Shanghai Huihuan Environmental Testing Co., Ltd. to test
Discharge standard	GB 39731-2020 Electronic Industry Water Pollutant Discharge Standard, DB31/199-2018 “Integrated Wastewater Discharge Standard”	Discharge mode and destination	It is discharged from the pipe and enters the urban sewage treatment plant
Testing items	Standard value	Test date	
		2023/9/27	
pH	6-9	6.9	
Chemical Oxygen Demand (COD) (mg/L)	500	48	
Anionic Surfactant (mg/L)	20	0.28	
Biochemical Oxygen Demand (BOD5) (mg/L)	300	21.7	
Ammonia Nitrogen (NH3-N) (mg/L)	45	9.84	
Total Phosphorus (mg/L)	8	0.82	
Total Nitrogen (mg/L)	70	10.85	
Suspended Solids (SS) (mg/L)	400	55	
Petroleum (mg/L)	15	0.065	

Animal and Vegetable Oils (mg/L)	100	0.38
Dissolved Solids (mg/L)	2000	326.8
Note	/	Qualified

Information on Solid (Hazardous) Waste Discharge in 2023						
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	50.939	50.939	0	Handed over to a qualified unit for processing
Empty barrels, rags, filter elements and sludge contaminated with chemicals	Hazardous waste	900-041-49	41.511	41.511	0	Handed over to a qualified unit for processing
Organic resin	Hazardous waste	900-014-13	38.89	38.89	0	Handed over to a qualified unit for processing
Bromopropane	Hazardous waste	900-404-06	134.138	134.138	0	Handed over to a qualified unit for processing
Waste isopropanol and other solvents	Hazardous waste	900-402-06	22.858	22.858	0	Handed over to a qualified unit for processing
Waste oil	Hazardous waste	900-249-08	0.545	0.545	0	Handed over to a qualified unit for processing
Waste cutting fluid	Hazardous waste	900-006-09	0.291	0.291	0	Handed over to a qualified unit for processing
Waste activated carbon	Hazardous waste	900-039-49	12.064	12.064	0	Handed over to a qualified unit for processing
200L iron drum	Hazardous waste	900-041-49	0	0	0	Handed over to a qualified unit for processing
Waste fluorescent tubes	Hazardous waste	900-023-29	0.044	0.044	0	Handed over to a qualified unit for processing
Lead accumulator	Hazardous waste	900-052-31	1	1	0	Handed over to a qualified unit for processing
Lead-tin paste and tin slag	Hazardous waste	900-025-31	1.964	1.964	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
Potassium dichromate	Hazardous waste	900-999-49	0.00049	0.00049	0	Handed over to a qualified unit for processing

Information on Industrial Exhaust Emission in 2023

Sampling point position	Standard dry flue gas flow rate	Test result				Remarks:
		Particulate matter		Voc		
		Emission concentration Mg/m ³	Emission rate Kg/h	Emission concentration Mg/m ³	Emission rate Kg/h	
DA001	62800	ND	ND	1.68	0.106	Reporting date: April 23, 2023 Entrusted third party: Shanghai Huihuan Environmental Testing Co., Ltd. to test
DA002	15700	ND	ND	1.87	0.0294	
DA003	20900	ND	ND	1.56	0.0326	
Integrated Emission Standard of Air Pollutants (DB 31/933-2015)		30	1.5	70	3.0	

(2) Information on wastewater detection and waste treatment of Asteelflash Suzhou in 2023 is as follows:

Information on Wastewater Discharge in 2023			
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	Wastewater quality standards for discharge to municipal 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	
		2023/09/07	2023/12/7
PH	6.5-9.5	7.3	8.6
Suspended Solids (SS) (mg/L)	≤400	23	56
Chemical Oxygen Demand (COD) (mg/L)	≤500	128	316
Biochemical Oxygen Demand (BOD5) (mg/L)	≤350	67.7	142
Ammonia Nitrogen (NH ₃ -N) (mg/L)	≤45	23.4	36.9
Total Nitrogen (mg/L)	≤70	29.0	39.0
Total Phosphorus (mg/L)	≤8	2.93	4.98
Animal and Vegetable Oils (mg/L)	≤100	0.06L	0.66
Note	/	Qualified	Qualified

Information on Solid (Hazardous) Waste Discharge in 2023						
Name	Category	Code	Output (tons)	Transfer amount (tons)	Storage capacity (tons)	Disposal or recovery
Empty barrels for chemicals	Hazardous waste	900-041-49	34.6725	34.6725	0	Handed over to a qualified unit for processing
Wipes containing chemicals	Hazardous waste	900-041-49	14.603	14.603	0	Handed over to a qualified unit for processing
Waste soldering flux	Hazardous waste	900-402-06	4.095	4.095	0	Handed over to a qualified unit for processing

Waste activated carbon	Hazardous waste	900-039-49	0.131	0.131	0	Handed over to a qualified unit for processing
Waste cleaning agent	Hazardous waste	900-402-06	3.962	3.962	0	Handed over to a qualified unit for processing
Waste circuit board scraps	Hazardous waste	900-045-49	49.3105	49.3105	0	Handed over to a qualified unit for processing
Scruff with lead	Hazardous waste	900-000-31	4.776	4.776	0	Handed over to a qualified unit for processing
Dust	Hazardous waste	900-451-13	0.6985	0.6985	0	Handed over to a qualified unit for processing

2. Construction and operation of pollution prevention and treatment facilities

Applicable Not Applicable

(1) USI (not including subsidiaries)

Construction status: In 2023, the waste gas treatment facilities and wastewater treatment facilities are in good operation, and consumables such as activated carbon and filter cotton are replaced regularly. The outsourced monitoring results show that the wastewater and waste gas emissions meet the standards.

1 discharge port in Building A: Water spray + defogger + activated carbon adsorption + dry dust removal

2 discharge ports in Building B: Activated carbon adsorption + dry dust removal, water spray + defogger + activated carbon adsorption + dry dust removal (The two ports have been merged into one in October 2023, and the port started discharges after tests shows that it has reached the standard)

Total emissions: hazardous waste 304.431 tons / VOCs 1.399 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) Asteelflash Suzhou

Construction status: There is no change in pollution source treatment facilities in 2023 compared with that in 2022.

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: Tin and its compounds 0.007 tons, non-methane total hydrocarbon 0.317 tons, particulate matter 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 license	Project file name	Production or approval unit	License No.	Description
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) 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
Annual output of 7.7 million pieces of automotive electronic circuit boards	Suzhou Ecological Environment Bureau	May 6, 2023	S.H.J.N.[2023] 09 No. 0049

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
Environmental Emergency Plan of Asteelflash Suzhou	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.
Resource consumption in 2023	USI (not including subsidiaries): 204,032 tons of water, 68,034,750 KWH of electricity Asteelflash Suzhou: 122,140 tons of water, 11,748,822 KWH of electricity
Environmental violations of law in 2023	None
Environmental awards in 2023	On March 28, 2023, the Office of Shanghai Pudong New Area Work Safety Commission organized the creation and evaluation of safety culture demonstration enterprises in the district, and a total of 23 enterprises in Pudong New Area were included in safety culture demonstration enterprises, including Zhangjiang Factory and Jinqiao Factory. On June 28, 2023, USI ranked in the Top 1% for its S&P Global ESG score and the Best Improvement Enterprise in the industry. On November 1, 2023, USI won the 2023 Advanced Collective of Fire Safety in Pudong New Area.

(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 2023, the recovery rate of waste reached 95%. 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.

3. Renewable energy

In order to reduce the energy consumption of buildings and mitigate the impact of climate change, the Company's Nantou Nankang No. 1 Factory successfully obtained the first EEWH green building certification in 2020. In addition, the Nantou factory has cooperated with a photovoltaic panel construction manufacturer to build a photovoltaic power generation system, which has produced a total of 2,753.2 megawatt hours of renewable energy by 2023 since it is officially put into power production since October 2019. In 2023, the Huizhou factory set up a photovoltaic power generation system on the roof of the factory, with an annual power generation of 551.9 megawatt hours, and the Company's cumulative total photovoltaic power generation was 3,305 megawatt hours. In the future, the Company will continue to strive to promote cleaner production and green buildings, and establish green factories for USI.

(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)	54,073
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 2023, USI (not including subsidiaries) used 100% renewable energy certificates to offset greenhouse gas emissions from electricity consumption; 2. In 2023, USI (not including subsidiaries) completed various energy-saving schemes.

Detailed introductions

Applicable Not Applicable

1. In 2023, USI (not including subsidiaries) used 100% renewable energy certificates to offset greenhouse gas emissions generated by electricity use, totaling approximately 52,911 tons of CO₂;

2. In April 2023, USI (not including subsidiaries) completed the energy-saving project of changing the drying method of roof exhaust fans, and actual operation verified that it reduced carbon emissions by 142 tons of CO₂;

In September 2023, USI (not including subsidiaries) completed the energy-saving project of air compressor heat recovery for production line cleaning water heating, and actual operation verified that it reduced carbon emissions by 157 tons of CO₂;

In May 2023, USI (not including subsidiaries) completed the energy-saving project of water washing machine drainage heat recovery, and actual operation verified that it reduced carbon emissions by 552 tons of CO₂;

In March 2023, USI (not including subsidiaries) completed the energy-saving project of installing frequency converters on cooling pumps, and actual operation verified that it reduced carbon emissions by 311 tons of CO₂.

II. Work on corporate social responsibility

(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>).

(II) Specific situation of corporate social responsibility

Applicable Not Applicable

Donations, public welfare projects	Quantity/Content	Remark
Total investment (Unit: RMB 10,000 yuan)	800.8	
Including funds (Unit: RMB 10,000 yuan)	711.2	
Materials (Unit: RMB 10,000 yuan)	89.6	
Number of beneficiaries	8,977	

Detailed introductions

Applicable Not Applicable

USI 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. The Company gathered internal resources and manpower, and invested RMB 8,008,387 yuan in support of social welfare projects in 2023, and promoted 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 expanding education for poverty alleviation and actively carrying out public welfare actions such as rural education and rural revitalization, in the fields of education, society, environment and literature and art, factories of the Company sponsored such projects as "Performances of Same Root and Same Origin - Cross-Strait Cooperation to Tell the Story of Chinese Peking Opera", “the 4th Cross-Strait Student Baseball League”, "China Go League", "Book Library of Love", "Million Tree Planting Plan", "Stream Cleaning Activities", "Campus LED Project" and other artistic performances.

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)	53.1	
Including funds (Unit: RMB 10,000 yuan)	40.5	
Materials (Unit: RMB 10,000 yuan)	12.6	
Number of beneficiaries	2,732	
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

In order to help eliminate poverty and provide quality education, USI focuses on expanding the achievements of poverty alleviation through education, actively carries out public welfare actions such as rural education and rural revitalization to subsidize children in remote areas to obtain better educational resources, and fully consolidates the achievements of poverty alleviation, to help more students realize their dreams and achieve harmonious social development. In 2023, USI promoted revitalization activities such as “Rural Science and Technology Education Program”, “Hope for Pearl”, “Love Library”, “Western Student Assistance Plan”, “Loving and Grateful Mother’s Home of Shanghai Soong Ching Ling Foundation”, “Rural Revitalization ‘Embracing Autistic Children’ of Kunshan Charity Federation”, “Lucheng Love Charity” and “Heartfelt Wishes” with a total investment of RMB 531,000 to help 2,732 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 helped 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. The Company’s efforts extended to two schools in Yunnan Province in 2023, and provided a total of 8 schools with customized and step-by-step technological support for their teachers, by developing video teaching contents and materials on technology applications and conducting interesting quizzes and computer typing competitions to reinforce students' learning outcome, and helped teachers to achieve the purpose of developing students' scientific and technological knowledge, benefiting 2,235 students.

2. Hope for Pearl

The Company's Shenzhen factory and Kunshan factory have actively participated in the "Hope for Pearl" program, and supported outstanding students from poor families to complete their studies for eight consecutive years. In 2023, "Charity Sale and Auction" activity was held within the Company to allow employees to directly support Pearl students, and the employees used their creativity and enthusiasm to promote a wide range of charity products. In addition to donating RMB 100,000 yuan to Anhui Province Qianshan Yezhai Middle School, to help 50 impoverished students in the “2021 USI Shuijing Pearl Class” complete their studies, the funds raised were used to customize school supplies for students to encourage them to study. Under the escort of love every year, all students of the "2020 USI Shuijing Pearl Class" were successfully admitted to their favorite undergraduate schools.

3. Love Library

Reading is the basis for accumulating innovative R&D capabilities. In order to implement the concept of “promoting education”, the Company built a Love Library in Malibao Primary School, Donggan Town, Malipo County, Yunnan 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”, bringing better educational resources to 345 children in remote areas. When the library was completed, USI sent 1,237 books and 20 speakers loaded with 200 audiobooks donated by 42 colleagues and the company 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. Loving and Grateful Mother's Home of Shanghai Soong Ching Ling Foundation

In order to pay more attention to education in rural areas, especially in Sichuan Province and Tibet, the Company donated RMB 20,000 yuan to the student aid program to provide children with necessary daily necessities and school supplies to promote the healthy development of school children.

6. “Rural Revitalization ‘Embracing Autistic Children’ of Kunshan Charity Federation, “Lucheng Love Charity” and “Heartfelt Wishes”

In an unstable environment, vulnerable groups are often the first to be affected. Adhering to the heart of great love, the Company participated in the "Embracing Autistic Children" and "Lucheng Great Love Charity" program and donated materials worth a total of RMB 29,000 yuan to care for 60 seriously ill patients, disabled people, children in need, and groups in special positions and in need, to provide them with warmth and care. Besides, the Company once again fulfilled the Children's Day "Heartfelt Wishes" of 30 children in need from remote rural areas.

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	Whether there is a deadline for performance	Commitment duration	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 and actual controllers of USI	Note 1	December 12, 2019	No	Long term	Yes		
	Settlement of horizontal competition	USI Enterprise Limited and actual controllers of USI	Note 2	December 12, 2019	No	Long term	Yes		
	Settlement of related transactions	USI Enterprise Limited and actual controllers of USI	Note 3	December 12, 2019	No	Long term	Yes		
	Restriction on sale of shares	ASDI	Note 4	February 12, 2020	Yes	December 8, 2020 to	Yes		

						December 7, 2023			
Commitments related to IPO	Settlement of horizontal competition	USI Enterprise Limited and ASE Inc.	Note 5	May 3, 2010	No	Long term	Yes		
	Settlement of horizontal competition	Actual controller of USI	Note 6	May 3, 2010	No	Long term	Yes		
	Others	USIE	Note 7	June 17, 2010	No	Long term	Yes		
	Others	ASE Shanghai	Note 8	June 25, 2010	No	Long term	Yes		
	Others	Actual controller of USI	Note 9	June 17, 2010	No	Long term	Yes		

Note 1: 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 2: 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 3: 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 4:

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 5:

(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 6:

(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 7:

(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 8

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 9:

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 other type of audit report than standard unqualified audit report issued by the accounting firm

Applicable Not Applicable

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

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

Applicable Not Applicable

(II) Analysis by the Company on reasons and impacts of the correction of significant accounting errors

Applicable Not Applicable

(III) Communication with the previous accounting firm

Applicable Not Applicable

(IV) Approval process and other explanations

Applicable Not Applicable

During the reporting period, the Company made corresponding changes in accounting policies in accordance with the Notice on Issuance of Interpretation of Enterprise Accounting Standards No. 16 issued by the Ministry of Finance of the People's Republic of China, which did not require the approval by the Board of Directors or the General Meeting of Shareholders of the Company. For details, see the announcement (No.: 2023-107) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn).

VI. Appointment and dismissal of the accounting firm

Unit: 10,000 Currency: RMB

	Current accounting firm
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic accounting firm	440
Number of years of audit services by the domestic accounting firm	13
Name of CPAs from domestic accounting	Yuan Shouqing, and Hu Ke

Number of consecutive years of audit services of CPAs in domestic accounting firms	13
------------------------------------------------------------------------------------	----

	Name	Remuneration
Internal control audit accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	73.6
Sponsor	Haitong Securities Co., Ltd.	0

Particulars on appointment and dismissal of the accounting firm

Applicable Not Applicable

The Company's 2022 annual general meeting of shareholders was held on April 24, 2023, and this meeting deliberated and approved the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's 2023 financial audit agency and internal control audit agency.

Particulars on the change of accounting firm during the auditing period

Applicable Not Applicable

Explanation of the decrease of 20% or more (including 20%) in audit fees compared to the previous year

Applicable Not Applicable

VII. Risk of suspension of listing

(I) Reasons for the suspension of listing risk warning

Applicable Not Applicable

(II) Measures to be taken by the Company

Applicable Not Applicable

(III) Circumstances and reasons for termination of listing

Applicable Not Applicable

VIII. Matters related to bankruptcy and reorganisation

Applicable Not Applicable

IX. Material litigation and arbitration

Applicable Not Applicable

X. The listed company, directors, supervisors, senior management, controlling shareholders and actual controllers suspected of violating laws and regulations, penalized and relevant rectifications

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 fail 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 Actual Regular Related Party Transactions in 2022 and Predicted Regular Related Party Transactions in 2023	For details, see the announcement (No.: 2023-034) on the website of the Shanghai Stock Exchange (www.sse.com.cn).

1. Events disclosed in temporary announcements and with further progress or change in subsequent implementation Applicable Not Applicable**2. Events not disclosed in temporary announcements** Applicable Not Applicable**(II) Related transactions as a result of acquisition and disposal of assets or equity****2. Events disclosed in temporary announcements and without further progress or change in subsequent implementation** Applicable Not Applicable**3. Events disclosed in temporary announcements and with further progress or change in subsequent implementation** Applicable Not Applicable**4. Events not disclosed in temporary announcements** Applicable Not Applicable**5. 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

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: EUR

The Company's external guarantees (excluding guarantees to subsidiaries)														
Guarantor	Relationship between the guarantor 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 fulfilled	Whether overdue	Guarantee overdue amount	Counter-guarantee situation	Whether 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										2,100				
Total balance of guarantees to subsidiaries at the end of the reporting period (B)										2,100				
Total amount of the Company's guarantees (including guarantees to subsidiaries)														
Total amount of guarantees (A+B)										2,100				
Proportion of the total amount of guarantees in the Company's net assets (%)										1.01				
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 party whose asset-liability ratio exceeds 70% (D)										2,100				
Amount of the total guarantee exceeding 50% of the net assets (E)										0				
Total amount of the above three guarantees (C+D+E)										2,100				
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.
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(III) Entrusting others to manage cash assets

1. Entrusted wealth management

(1) Overall condition of entrusted wealth management

Applicable Not Applicable

Unit: 10,000 Currency: RMB

Type	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Bank wealth management products	Self-owned funds	925,800.00	0	0
Bank wealth management products	Raised funds	106,700.00	0	0

Others

Applicable Not Applicable

(2) Individual entrusted wealth management

Applicable Not Applicable

Unit: 10,000 Currency: RMB

Trustee	Type of Entrusted Investment	Amount	Start Date	End date	Source	Direction	Restricted circumstances	Type of Returns	Annual Return	Expected return (If any)	Actual gain or loss	Undue balance	Overdue uncollected amount	Legal procedures conducted	Future entrusted investment plan	Impairment provision (if any)
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/1/4	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1400%	148.28	148.28	0	0	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	10,000	2023/1/6	2023/2/28	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	45.01	45.01	0	0	Yes	No	

China Construction Bank Shanghai Branch	Bank wealth management products	24,000	2023/1/6	2023/3/30	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	169.18	169.18	0	0	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	8,800	2023/1/4	2023/3/29	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1500%	63.79	63.79	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/4/4	2023/5/16	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	74.67	74.67	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	152.89	152.89	0	0	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	29,000	2023/4/4	2023/6/29	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	211.82	211.82	0	0	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	20,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	146.08	146.08	0	0	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	5,400	2023/4/4	2023/6/29	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	40.71	40.71	0	0	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	30,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	226.19	226.19	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/5/17	2023/5/31	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3500%	25.28	26.06	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/6/1	2023/6/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2500%	46.94	46.94	0	0	Yes	No	

China Construction Bank Shanghai Branch	Bank wealth management products	29,500	2023/7/3	2023/9/27	Raised funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9741%	208.52	206.72	0	0	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	40,000	2023/7/3	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9741%	282.74	280.30	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	20,000	2023/7/4	2023/9/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	152.89	152.89	0	0	Yes	No	
China Construction Bank Shanghai Branch	Bank wealth management products	80,000	2023/10/9	2023/12/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.5000%	526.03	438.36	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,600	2023/1/4	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1400%	34.10	34.10	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,600	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	35.16	35.16	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,600	2023/7/4	2023/9/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	35.16	35.16	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,600	2023/10/10	2023/10/31	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0200%	8.10	8.10	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,700	2023/11/3	2023/11/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0200%	10.65	10.65	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	4,700	2023/12/1	2023/12/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0200%	10.65	10.65	0	0	Yes	No	

Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	20,000	2023/1/4	2023/3/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1500%	144.99	144.99	0	0	Yes	No	
Fubon Bank Shanghai Xuhui Branch	Bank wealth management products	30,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	226.19	226.19	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	30,000	2023/7/4	2023/9/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	232.92	232.92	0	0	Yes	No	
Xiamen International Bank Shanghai Branch	Bank wealth management products	55,000	2023/10/10	2023/12/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0200%	364.50	364.50	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000	2023/1/4	2023/2/1	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	12.27	12.27	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000	2023/1/4	2023/3/1	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3000%	25.32	25.32	0	0	Yes	No	
Bank of Suzhou Kunshan Qiangeng Branch	Bank wealth management products	5,000	2023/1/5	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3100%	39.08	39.08	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	20,000	2023/1/10	2023/3/28	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.4000%	143.45	143.45	0	0	Yes	No	
Bank of Suzhou Kunshan Qiangeng Branch	Bank wealth management products	5,000	2023/1/19	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2500%	32.05	32.05	0	0	Yes	No	

Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/2/6	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1500%	23.63	23.63	0	0	Yes	No	
Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	36.60	36.60	0	0	Yes	No	
Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	36.60	36.60	0	0	Yes	No	
Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	36.60	36.60	0	0	Yes	No	
Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1400%	37.07	37.07	0	0	Yes	No	
Bank of Suzhou Kunshan Qiadeng Branch	Bank wealth management products	5,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1400%	37.07	37.07	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/4/28	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	52.66	52.66	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000	2023/5/8	2023/6/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	21.23	21.23	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000	2023/6/2	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2500%	12.02	12.02	0	0	Yes	No	

Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	5,000	2023/6/2	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2500%	12.02	12.02	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/7/5	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	73.64	73.64	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/7/5	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	73.64	73.64	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/7/5	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	73.64	73.64	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/7/5	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2000%	73.64	73.64	0	0	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	10,000	2023/7/7	2023/9/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0600%	68.85	67.15	0	0	Yes	No	
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	10,000	2023/7/7	2023/9/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0600%	68.85	67.15	0	0	Yes	No	
Kunshan Rural Commercial Bank Development Zone Branch	Bank wealth management products	10,000	2023/10/10	2023/12/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.0000%	63.29	63.29	0	0	Yes	No	
Kunshan Rural Commercial Bank	Bank wealth management products	10,000	2023/10/10	2023/12/26	Self-owned funds	Money market:	No	Principal protected,	3.0000%	63.29	63.29	0	0	Yes	No	

Development Zone Branch						cash&deposit		floating rate									
Bank of Suzhou Kunshan Qiangdeng Branch	Bank wealth management products	10,000	2023/10/11	2023/12/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9500%	110.63	61.46	0	0	Yes	No		
Bank of Ningbo Kunshan Branch	Bank wealth management products	20,000	2023/10/13	2023/12/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	125.70	125.70	0	0	Yes	No		
Bank of Ningbo Kunshan Branch	Bank wealth management products	5,000	2023/10/13	2023/12/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.8500%	28.89	28.89	0	0	Yes	No		
Bank of Ningbo Kunshan Branch	Bank wealth management products	5,000	2023/10/23	2023/12/26	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.8500%	24.99	24.99	0	0	Yes	No		
Bank of Shanghai Shenzhen Branch	Bank wealth management products	10,000	2023/1/5	2023/2/8	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.8000%	26.08	26.08	0	0	Yes	No		
Industrial Bank Shenzhen Bank	Bank wealth management products	10,000	2023/1/4	2023/3/31	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.2200%	70.21	75.87	0	0	Yes	No		
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000	2023/1/5	2023/3/31	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3000%	76.85	76.85	0	0	Yes	No		
Industrial Bank Shenzhen Bank	Bank wealth management products	10,000	2023/1/5	2023/3/31	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9200%	62.41	68.00	0	0	Yes	No		
Bank of Shanghai Shenzhen Branch	Bank wealth management products	8,000	2023/1/19	2023/2/22	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.7000%	20.12	20.12	0	0	Yes	No		
China Construction	Bank wealth management products	10,000	2023/3/3	2023/3/31	Self-owned funds	Money market:	No	Principal protected,	3.0100%	23.78	23.10	0	0	Yes	No		

Bank South Keyuan Branch						cash&deposit		floating rate									
China Merchants Bank Daya Bay Branch	Bank wealth management products	5,000	2023/3/3	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.2500%	10.17	8.32	0	0	Yes	No		
Bank of Communications Shanghai Branch	Bank wealth management products	10,000	2023/3/6	2023/3/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9500%	19.40	19.40	0	0	Yes	No		
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3000%	77.75	77.75	0	0	Yes	No		
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000	2023/4/4	2023/6/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3000%	78.66	78.66	0	0	Yes	No		
E.SUN Bank Shenzhen Bank	Bank wealth management products	10,000	2023/4/4	2023/6/30	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.3000%	78.66	78.66	0	0	Yes	No		
Industrial Bank Shenzhen Bank	Bank wealth management products	10,000	2023/4/4	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9600%	64.79	69.74	0	0	Yes	No		
Bank of Communications Shenzhen Huaqiang Branch	Bank wealth management products	10,000	2023/4/6	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9500%	67.89	67.89	0	0	Yes	No		
China Construction Bank Shenzhen South Keyuan Branch	Bank wealth management products	10,000	2023/4/7	2023/6/29	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	3.1000%	20.38	70.49	0	0	Yes	No		
Bank of Communications Shenzhen Huaqiang Branch	Bank wealth management products	10,000	2023/7/5	2023/9/27	Self-owned funds	Money market: cash&deposit	No	Principal protected, floating rate	2.9000%	66.74	66.74	0	0	Yes	No		

Bank SinoPac Guangzhou Branch	Bank wealth managemen t products	10,000	2023/7/5	2023/9/27	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	3.0500%	70.19	70.19	0	0	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth managemen t products	10,000	2023/7/4	2023/9/28	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	3.3000%	77.75	77.75	0	0	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth managemen t products	20,000	2023/7/4	2023/9/28	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	3.3000%	155.51	155.51	0	0	Yes	No	
China Construction Bank Shenzhen South Keyuan Branch	Bank wealth managemen t products	10,000	2023/7/6	2023/9/27	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	2.8909%	68.22	65.74	0	0	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth managemen t products	10,000	2023/10/ 9	2023/12/11	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	2.6278%	50.92	45.36	0	0	Yes	No	
Bank SinoPac Guangzhou Branch	Bank wealth managemen t products	15,000	2023/10/ 9	2023/12/29	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	3.0500%	101.53	101.53	0	0	Yes	No	
E.SUN Bank Shenzhen Bank	Bank wealth managemen t products	20,000	2023/10/ 10	2023/12/29	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	3.0000%	131.51	131.51	0	0	Yes	No	
China Construction Bank Shenzhen South Keyuan Branch	Bank wealth managemen t products	20,000	23/10/12	2023/12/12	Self- owned funds	Money market: cash&dep osit	No	Principal protected, floating rate	2.8125%	100.27	94.01	0	0	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. Progress of the use of raised funds

Applicable Not Applicable

(I) An overview of the use of raised funds

Applicable Not Applicable

Unit: RMB 10,000 yuan

Source of raised funds	Time of receiving funds raised	Total amount of raised funds	Including over-raised funds	Net amount of raised funds after deducting flotation costs	Total amount of committed investment from raised funds	Adjusted amount of committed investment from raised funds (1)	Total investment amount from raised funds by the end of the reporting period (2)	Investment progress (3)= (2)/(1)	Investments in 2023	Proportion of investment amount in 2023 (%) (5)= (4)/(1)	Amount of raised funds for changed purpose
Issuance of convertible bonds	March 10, 2021	345,000.00	0	342,957.00	342,957.00	349,719.79	319,210.12	91.28	35,212.00	10.07	36,716.99

(II) Details of investment projects with raised funds

√Applicable □ Not Applicable

Unit: RMB 10,000 yuan

Name of project	Nature of project	Whether involving any change in investment purpose	Source of raised funds	Time of receiving funds raised	Whether used over-raised funds	Total amount of committed investment from raised funds	Adjusted amount of committed investment from raised funds	Investments in 2023	Total investment amount from raised funds by the end of the reporting period (2)	Investment progress (%) (3)= (2)/(1)	Date when the project reaches intended usable status	Whether the project is closed	Whether the investment progress was in line with the plan	Reasons why investment progress fell short of the plan	Income generated during the year	Income generated or R&D results of the project	Explanation for changes in project feasibility	Surplus Balance
Chip module project in	Production and construction	Yes	Issuance of convertible bonds	March 10, 2021	No	86,000.00	79,283.01	1,544.39	79,283.01	100.00	July 2023	Yes	Yes	N/A			No	0

Shengxia site																		
Wearable device project in Vietnam site	Production and construction	Yes	Issuance of convertible bonds	March 10, 2021	No	56,000.00	56,000.00	5,540.26	50,649.55	90.45	December 8, 2022	No	Yes	N/A	11,748.00		No	N/A
Electronic product project in Huizhou site	Production and construction	Yes	Issuance of convertible bonds	March 10, 2021	No	100,000.00	70,000.00	9,733.26	69,926.48	99.89	September 2023 (Note 2)	Yes	Yes	N/A	23,507.79		No	73.52 Note 6
Supplementary Working Capital Project	Supplementary working capital and loan repayment	No	Issuance of convertible bonds	March 10, 2021	No	100,957.00	100,957.00	80.47	101,037.47	100.08	N/A	Yes	Yes	N/A		N/A	No	0
Construction and loan repayment of Mexico Second Factory Project	Production and construction	Yes	Issuance of convertible bonds	March 10, 2021	No	N/A	43,479.78	18,313.61	18,313.61	42.12	December 2024	No	Yes	N/A		N/A	No	N/A

Note 1: Due to the epidemic, the investment progress of the chip module project in Shengxia Factory lagged behind, and the market demand and customer order situation also changed. The total amount of fund raised and invested in the project by July 31, 2023 was RMB 792,830,100, and the production capacity formed by the invested funds could already meet the customer demand. In view of the above, the Company held the Fourth Meeting of the Sixth Session of the Board of Directors and the Second Meeting of the Sixth Session of the Board of Supervisors on August 25, 2023 to close the chip module project in Shengxia Factory, as detailed in the

announcement of the Company dated August 29, 2023 (Announcement No.: 2023-076). In addition, given that the project is a technological upgrade project of the Shengxia factory, the income realized cannot be singled out and calculated separately.

Due to the epidemic, the market demand and customer order situation have changed. In this case, the Company held the Fourth Meeting of the Sixth Session of the Board of Directors and the Second Meeting of the Sixth Session of the Board of Supervisors on August 25, 2023 and approved the adjustment and extension of some projects, and change of investment purpose of some projects, as detailed in the announcement of the Company dated August 29, 2023 (Announcement No.: 2023-076).

Note 3: The investment in the wearable device production project of the Vietnam factory has not yet been completed. The project achieved a net profit equivalent to RMB 117.48 million in 2023 and a net profit equivalent to RMB 44.33 million in 2022.

Note 4: In FY2023, the electronic product production project of the Huizhou Plant realized a net profit of RMB23,507,900; in FY2022, the electronic product production project of the Huizhou Plant realized a net profit of RMB4,724,500.

Note 5: The total amount of investment by raised funds for the Mexico factory project includes the interest generated from the raised funds for the chip module project in Shengxia factory and the electronic product production project in Huizhou factory, and therefore the adjusted total committed investment is larger than the original total committed investment.

Note 6: By the end of Q3 2023, the electronic product production project of Huizhou factory has been closed and had a surplus of RMB 735,207.45 yuan. As the amount is less than RMB 1 million and is less than 5% of the committed investment amount of the project from raised funds, the Company has transferred the surplus amount to the special account for Mexico factory construction project, which is in compliance with the Guidelines No. 1 of the Shanghai Stock Exchange for the Self-regulation of Listed Companies - Standard Operation.

Note 7: When the supplementary working capital project was closed, the surplus raised funds (including interest) were transferred to the Company's own working capital account.

(III) Industry of the Company during the reporting period

√Applicable □ Not Applicable

Unit: 10,000 Currency: RMB						
Project name before change	Total investment from raised funds before change of investment purpose or termination of project	Total invested raised funds before change of investment purpose or termination of project	Item	Reasons for changes of investment purpose	Total amount of raised funds used for supplementary working capital after change of investment	Description of decision-making process and information disclosure

					purpose or termination of project	
Chip module project in Shengxia site	86,000.00	79,283.01	Construction and loan repayment of Mexico Second Factory Project	As of July 31, 2023, a total of RMB 792.83 million raised funds has been invested in the project, and the remaining RMB 67.17 million have not yet been invested. Due to the epidemic, the project investment progress was affected, and the market demand for the products produced by the project has also changed. The production capacity formed by the invested funds could meet the needs of customer orders. Therefore, the Company decided to close the chip module project in Shengxia Factory and change the purpose of the unused funds RMB 67.17 million as well as the interest accrued from the funds so as to effectively use the funds.	0	The Company considered and approved the Proposal on Closure, Adjustment, Extension of Some Raised Fund Projects, and Change of Usage of Some Raised Fund Projects at the Fourth Meeting of the Sixth Session of the Board of Directors and the Second Meeting of the Sixth Session of the Board of Supervisors held on August 25, 2023, the First Extraordinary Shareholders' Meeting of 2023 and the Bondholders' Meeting held on September 15, 2023 and disclosed the relevant announcement (Announcement No. 2023-076) on the website of Shanghai Stock Exchange (www.sse.com.cn).
Electronic product project in Huizhou site	100,000.00	69,926.48		Due to the adjustment of the investment arrangement of the project caused by the epidemic and the change of the market environment during the construction of the project, the Company intended to adjust investment in the project according to the change of the market demand and customers' orders by postponing the investment progress without adjusting the total investment amount of the project. In order to improve the efficiency of the use of proceeds, the Company decided to reduce the amount of raised funds used in the project and change the purpose of surplus raised fund for another project.	0	

(IV) Other information on the usage of raised funds during the reporting Period

1. Replacement of pre-issuance investment with raised funds

Applicable Not Applicable

2. Use idle raised funds as working capital

Applicable Not Applicable

3. Cash management of idle raised funds

Applicable Not Applicable

Unit: 100 million Currency: RMB

Date of approval by the Board of Directors	Amount of raised funds approved for cash management	Start date	End date	Cash management balance at the end of the reporting period	Whether the maximum balance during the period exceeds the authorized amount
March 17, 2023	5	March 17, 2023	March 16, 2024	0	No
October 24, 2023	4	October 24, 2023	October 23, 2024	0	No

Other explanations

None

4. Use excessive raised funds for working capital or bank loan repayment permanently

Applicable Not Applicable

5. Others

Applicable Not Applicable

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

Applicable Not Applicable

Section VII Changes in Shares and Information of Shareholders

I. Changes in share capital

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

	Before the change		Change					After the change	
	Number	%	New Issue	Bonus Issue	Shares converted from capital reserve	Others	Subtotal	Number	%
I. Shares subject to selling restrictions	25,939,972	1.18	0	0	0	-25,939,972	-25,939,972	0	0
1. Shares held by the foreign capital	25,939,972	1.18	0	0	0	-25,939,972	-25,939,972	0	0
Including: Shares held by the foreign legal person	25,939,972	1.18	0	0	0	-25,939,972	-25,939,972	0	0
II. Tradable shares held not subject to selling restrictions	2,180,924,267	98.82	3,127,341	0	0	25,939,972	29,067,313	2,209,991,580	100
1. RMB ordinary shares	2,180,924,267	98.82	3,127,341	0	0	25,939,972	29,067,313	2,209,991,580	100
III. Total number of shares	2,206,864,239	100	3,127,341	0	0	0	3,127,341	2,209,991,580	100

2. Particulars on changes in ordinary shares

Applicable Not Applicable

During the reporting period, the Company's total share capital increased from 2,206,864,239 to 2,209,991,580 shares, an increase of 3,127,341 shares due to option exercise and conversion of convertible bonds.

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

Applicable Not Applicable

During the reporting period, the Company's total shares increased by 3,127,341 shares due to exercise of stock options and conversion of convertible bonds, accounting for 0.14% of its total share capital after

these changes, with little impact on financial indicators such as earnings per share and net asset 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 subject to selling restrictions

Applicable Not Applicable

Unit: share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Increase in the number of shares subject to selling restrictions during the year	Number of shares subject to selling restrictions at the end of the year	Reason for selling restrictions	Date of release from restriction
ASDI Assistance Direction S.A.S.	25,939,972	25,939,972	0	0	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, and the lock-up period has expired.	December 8, 2023
Total	25,939,972	25,939,972	0	0	/	/

II. Issuance and listing of securities

(I) Issuance of securities during the reporting period

Applicable Not Applicable

Particulars on issuance of securities during the reporting period (please explain separately 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 reporting period, the Company's total shares increased by 3,127,341 shares due to exercise of stock options and conversion of convertible bond.

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 diluted from 76.30% to 76.19% due to the above change 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 38.57 billion and total liabilities of RMB 22.82 billion, with the asset-liability ratio of 59.17%; at the end of the reporting period, the Company had total assets of RMB 39.31 billion and total liabilities of RMB 22.22 billion, with the asset-liability ratio of 56.52%. The Company's asset-liability ratio decreased YoY by 2.65 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	36,434
Total number of shareholders of ordinary shares at the end of previous month prior to the disclosure date of this annual report	36,832
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

Unit: share

Shareholdings of the top ten shareholders (Excluding share lending through refinancing business)							
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	76.19	0	None		Foreign legal person
Hong Kong Securities Clearing Company Ltd.	1,430,114	64,704,857	2.93	0	Unknown		Foreign legal person
ASDI ASSISTANCE DIRECTION	-2,174,050	23,765,922	1.08	0	Pledged	1,758,914	Foreign legal person

China Securities Finance Co., Ltd.	-8,608,037	22,917,636	1.04	0	Unknown		State-owned legal person
ASE (Shanghai) Inc.	0	18,098,476	0.82	0	None		Domestic non-state-owned legal person
Taikang Life Insurance Co., Ltd. - Traditional - General Insurance Products - 019L - CT001 Shanghai	11,308,900	12,015,400	0.54	0	Unknown		Others
Taikang Life Insurance Co., Ltd. - Dividends - Personal Dividends - 019L - FH002 Shanghai		10,931,332	0.49	0	Unknown		Others
Taikang Life Insurance Co., Ltd. - Investment-linked Insurance - Multi-Strategy Selection		8,463,900	0.38	0	Unknown		Others
Fuguo Enhanced Bond Securities Investment Fund - Industrial and Commercial Bank of China limited		6,700,299	0.30	0	Unknown		Others
Taikang Life Insurance Co., Ltd - Universal - Personal Universal Products (D)		5,491,422	0.25	0	Unknown		Others
Shareholding of top 10 shareholders subject to no selling restrictions							
Name of shareholder	Number of tradable shares held not subject to selling restrictions	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.	64,704,857	RMB ordinary shares	64,704,857				

ASDI ASSISTANCE DIRECTION	23,765,922	RMB ordinary shares	23,765,922
China Securities Finance Co., Ltd.	22,917,636	RMB ordinary shares	22,917,636
ASE (Shanghai) Inc.	18,098,476	RMB ordinary shares	18,098,476
Taikang Life Insurance Co., Ltd.- Traditional - General Insurance Products - 019L - CT001 Shanghai	12,015,400	RMB ordinary shares	12,015,400
Taikang Life Insurance Co., Ltd. - Dividends - Personal Dividends - 019L - FH002 Shanghai	10,931,332	RMB ordinary shares	10,931,332
Taikang Life Insurance Co.,ltd. - Investment-linked Insurance - Multi-Strategy Selection	8,463,900	RMB ordinary shares	8,463,900
Fuguo Enhanced Bond Securities Investment Fund - Industrial and Commercial Bank of China limited	6,700,299	RMB ordinary shares	6,700,299
Taikang Life Insurance Co.,ltd - Universal - Personal Universal Products (D)	5,491,422	RMB ordinary shares	5,491,422
Particulars on the special buy-back securities account of the top ten shareholders	<p>There were 25,402,195 tradable shares not subject to selling restrictions in the Company's special buy-back securities account at the beginning of the reporting period and 23,345,545 shares at the end of the reporting period, a decrease of 2,056,650 shares during the reporting period. The details of change are as follows:</p> <ol style="list-style-type: none"> 1. On February 27, 2023, 30,600 share swas transferred back from the account of 2021 Employee Stock Ownership Plan to the Company's special buy-back securities account; 2. On March 3, 2023, 1,715,250 shares were transferred from the Company's special buy-back securities account to the Company's Core Employee Stock Ownership Plan Phase III account in the form of non-trade transfer; 3. On November 23, 2023, 372,000 shares were transferred from the Company's special buy-back securities account to the Company's 2023 Employee Stock Ownership Plan account in the form of non-trade transfer. 		
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	<p>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.</p>		

Particulars on the preference shareholders with voting rights restored and their shareholdings	None
------------------------------------------------------------------------------------------------	------

Top ten shareholders participating in share lending through refinancing business

Applicable Not Applicable

Changes in the top 10 shareholders compared with the previous period

Applicable Not Applicable

Unit: share

Changes in the top 10 shareholders compared with the end of the previous period					
Shareholder name	New/withdrew during the reporting period	Number of shares lent through refinancing and not yet returned at the end of the period		Number of shares held in shareholders' general accounts and credit accounts, and shares lent through refinancing and not yet returned at the end of the period	
		Total	Proportion (%)	Total	Proportion (%)
Taikang Life Insurance Co., Ltd.- Traditional - General Insurance Products - 019L - CT001 Shanghai	New	0	0	12,015,400	0.54
Taikang Life Insurance Co., Ltd. - Dividends - Personal Dividends - 019L - FH002 Shanghai	New	0	0	10,931,332	0.49
Taikang Life Insurance Co.,Ltd. - Investment-linked Insurance - Multi-Strategy Selection	New	0	0	8,463,900	0.38
Fuguo Enhanced Bond Securities Investment Fund - Industrial and Commercial Bank of China limited	New	0	0	6,700,299	0.30
Taikang Life Insurance Co.,Ltd - Universal - Personal Universal Products (D)	New	Unknown	Unknown	5,491,422	0.25

Abu Dhabi Investment Authority	Withdrawal	0	0	Unknown	Unknown
CSI 500 Exchange Traded fund - Agricultural Bank of China	Withdrawal	1,058,000	0.05	3,568,200	0.16
Wanjia CSI 300 Index enhanced securities investment fund - Bank of Ningbo	Withdrawal	0	0	Unknown	Unknown
All China Bond - Ninety One Global Strategy Fund - Ninety One UK Ltd. - RQFII	Withdrawal	0	0	3,590,390	0.16
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	Withdrawal	154,700	0.01	3,654,569	0.17

Number of shares held by the top ten shareholders subject to selling restrictions and description of the selling restrictions

Applicable Not Applicable

(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 actual 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 shareholder

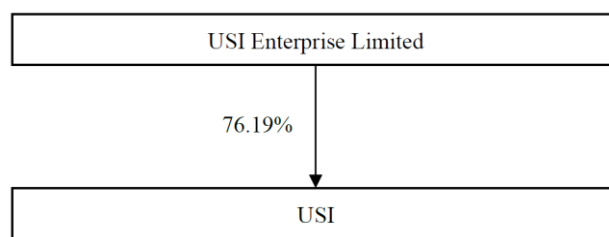
Applicable Not Applicable

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 21.66% equity in ASE Investment Holding Co., Ltd. (a company listed in Taiwan, with the stock code of 3711), holds 32.23% equity in Hung Ching Development & Construction Co. (a company listed in Taiwan, with the stock code of 2527) including 26.22% through ASE Investment Holding Co., Ltd., and controls 48.69% equity in SINO HORIZON (a company listed in Taiwan, with the stock code of 2923). He once controlled Advanced Semiconductor Engineering, Inc., a company listed on the Taiwan Stock Exchange, with the stock code of 2311, which was terminated from listing on April 30, 2018, and held Universal Scientific Industrial Co., Ltd., a company listed on the Taiwan Stock Exchange, with the stock code of 2311, which was terminated from listing on April 30, 2018.
Name	Richard H.P. Chang

Nationality	Hong Kong, China
Acquire right of residence in other countries or regions or not	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 2.83% 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

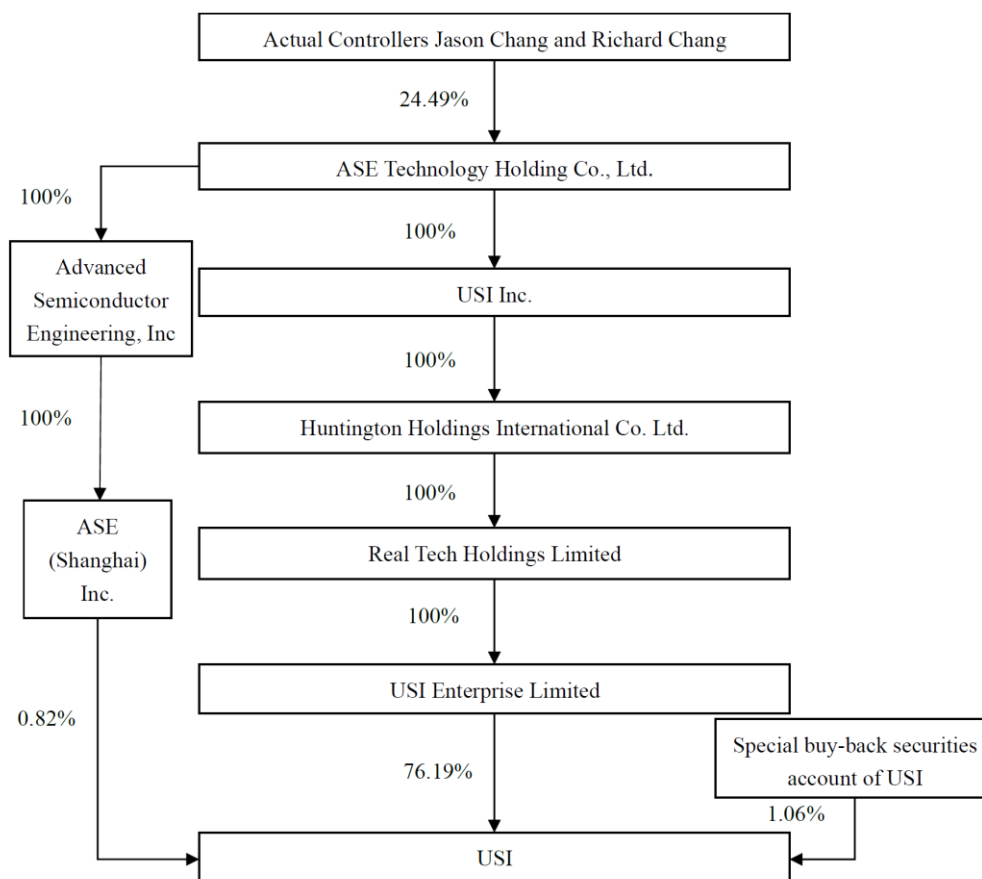
Applicable Not Applicable

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 their shareholding in the Company

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

Section VIII Information on Preferred Shares

Applicable Not Applicable

Section IX Information on Bonds

I. Corporate bonds and debt financing instruments issued by non-financial entities

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	6,655	
Guarantor of the Company's convertible bonds	None	
Top ten convertible bond holders:		
Name of holders of convertible corporate bonds	Amount of bonds held at the end of the period (RMB)	Holding ratio (%)
USI Enterprise Limited	983,828,000	28.52
Northwest Feilong Fund Limited - Northwest Investment Management (Hong Kong) Limited	132,412,000	3.84
E Fund Stable Income Bond Securities Investment Fund - Bank of China	99,403,000	2.88
Tianhong Yongli Convertible Bond Securities Investment Fund - Industrial Bank Co.,Ltd.	81,920,000	2.37
GF Jiyu Convertible Bond Securities Investment Fund - Industrial Bank Co.,Ltd.	80,000,000	2.32
Huashang Credit Enhanced Bond Securities Investment Fund - China Construction Bank Corporation	62,886,000	1.82
UBS AG	58,386,000	1.69

China Life AMP Asset Management Co.,Ltd. - Construction Bank -Life Insurance - Mixed Portfolio entrusted to China Life AMP Asset Management Co.,Ltd. by China Life Insurance (Group) Company	47,400,000	1.37
E Fund Dual Enhanced Bond Securities Investment Fund - China Construction Bank Corporation	46,460,000	1.35
Shenzhen Guosen Securities Co.,Ltd.	45,924,000	1.33

(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
		Converted into shares	Redeemed	Put	
Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021	3,449,932,000	54,000	0	0	3,449,878,000

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	54,000
Number of shares converted during the reporting period	2,776
Cumulative number of converted shares	6,215
Proportion of cumulative number of converted shares to the total number of shares of the Company issued before the conversion (%)	0.0003
Unconverted amount (RMB)	3,449,878,000
Proportion of unconverted convertible bonds to the total convertible bonds issued (%)	99.9965

(IV) Historical adjustments of conversion price√Applicable Not Applicable

Unit: yuan Currency: RMB

Name of convertible corporate bonds		Convertible corporate bonds publicly issued by Universal Scientific Industrial (Shanghai) Co., Ltd. in 2021		
Conversion price adjustment date	Adjusted conversion price	Disclosure time	Disclosure media	Particulars on conversion price adjustment Note
June 3, 2021	19.75	June 1, 2021	Shanghai Securities News, China Securities Journal, and Securities Times	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
May 30, 2023	19.07	May 24, 2023		2022 profit distribution
November 29, 2023	19.06	November 28, 2023		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		19.06		

(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 38.57 billion and total liabilities of RMB 22.82 billion, with the asset-liability ratio of 59.17%; at the end of the reporting period, the Company had total assets of RMB 39.31 billion and total liabilities of RMB 22.22 billion, with the asset-liability ratio of 56.52%. The Company's asset-liability ratio decreased YoY by 2.65 percentage points.

On May 29, 2023, 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 (2023): The Company's corporate credit rating remained AA+, the credit rating for USI Convertible Bonds remained 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 auditor's report for more details.

Universal Scientific Industrial (Shanghai) Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2023

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (24) No. P01508
(Page 1 of 5)

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

I. 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 2023, 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 at 31 December 2023, 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.

II. 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 ("the Code"), 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.

III. 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 (24) No. P01508
(Page 2 of 5)

III. Key Audit Matters - continued

Cut-off of Revenue Recognition

Matter Description

As set out in Notes (V), 48 to the financial statements, the Company's operating income in 2023 in the consolidated financial statements is RMB 60,791,909,537.87, 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 goods 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 (24) No. P01508
(Page 3 of 5)

IV. 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 2023, 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.

V. 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 the 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 has no realistic alternative but to do so.

Those charged with governance is responsible for supervising the financial reporting process of the Company.

AUDITOR'S REPORT (continued)

De Shi Bao (Shen) Zi (24) No. P01508
(Page 4 of 5)

VI. 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. 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.

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 for one 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 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.

AUDITOR'S REPORT (continued)

De Shi Bao (Shen) Zi (24) No. P01508
(Page 5 of 5)

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

29 March 2024

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 2023

Consolidated Balance Sheet

Unit: RMB

ITEM	Note	31/12/2023	31/12/2022
Current Assets:			
Cash and bank balances	(V)1	11,218,698,389.32	7,695,016,173.40
Held-for-trading financial assets	(V)2	245,558,007.22	271,243,519.53
Notes receivable	(V)3	65,545,008.33	45,627,553.57
Accounts receivable	(V)4	10,023,562,062.11	11,119,120,760.11
Prepayments	(V)5	55,649,536.45	73,390,129.45
Other receivables	(V)6	208,748,837.09	137,008,284.72
Inventories	(V)7	8,311,911,001.74	10,909,893,675.82
Non-current assets due within one year	(V)8	123,989.32	322,815.55
Other current assets	(V)9	838,262,285.94	599,581,332.72
Total Current Assets		30,968,059,117.52	30,851,204,244.87
Non-current Assets:			
Long-term receivables	(V)10	13,647,410.80	12,385,894.30
Long-term equity investments	(V)11	498,271,541.60	611,007,676.15
Other equity instrument investments	(V)12	38,935,237.58	38,420,782.40
Other non-current financial assets	(V)13	193,994,862.05	170,126,278.86
Investment properties	(V)14	4,324,045.51	-
Fixed assets	(V)15	4,697,977,110.39	4,456,780,136.30
Construction in progress	(V)16	641,030,985.98	303,432,536.69
Right-of-use assets	(V)17	605,954,561.75	479,869,246.55
Intangible assets	(V)18	368,303,316.37	415,104,934.14
Goodwill	(V)19	607,706,955.17	576,729,182.74
Long-term prepaid expenses	(V)20	212,629,008.92	175,835,331.45
Deferred tax assets	(V)21	387,273,954.10	358,956,591.39
Other non-current assets	(V)22	68,274,790.92	124,611,895.32
Total Non-current Assets		8,338,323,781.14	7,723,260,486.29
TOTAL ASSETS		39,306,382,898.66	38,574,464,731.16

At 31 December 2023

Consolidated Balance Sheet - continued

Unit: RMB

ITEM	Note	31/12/2023	31/12/2022
Current Liabilities:			
Short-term borrowings	(V)24	4,378,428,691.47	4,499,463,404.21
Derivative financial liabilities	(V)25	173,872.64	3,118,891.32
Accounts payable	(V)26	10,574,123,769.47	11,056,190,855.43
Contract liabilities	(V)27	348,380,131.33	411,898,442.43
Employee benefits payable	(V)28	922,911,255.08	1,161,885,093.89
Taxes payable	(V)29	355,654,414.38	388,090,724.55
Other payables	(V)30	1,044,770,045.86	716,932,703.77
Non-current liabilities due within one year	(V)31	3,564,025,750.56	506,820,025.23
Other current liabilities	(V)32	3,944,775.07	3,661,569.01
Total Current Liabilities		21,192,412,705.86	18,748,061,709.84
Non-current Liabilities:			
Long-term borrowings	(V)33	47,385,951.10	59,427,538.88
Bonds payable	(V)34	-	3,243,085,241.27
Lease liabilities	(V)35	486,775,229.42	381,725,722.17
Long-term payables	(V)36	25,526,297.84	31,113,295.71
Long-term employee benefits payable	(V)37	273,605,892.45	199,342,510.02
Provisions	(V)38	48,279,064.03	7,350,296.14
Deferred income	(V)39	59,885,005.66	63,195,209.30
Deferred tax liabilities	(V)21	81,636,655.83	87,631,726.67
Other non-current liabilities	(V)40	1,046,909.26	3,692,335.61
Total Non-current Liabilities		1,024,141,005.59	4,076,563,875.77
TOTAL LIABILITIES		22,216,553,711.45	22,824,625,585.61
SHAREHOLDERS' EQUITY:			
Share capital	(V)41	2,209,991,580.00	2,206,864,239.00
Other equity instruments	(V)42	409,890,710.14	409,897,126.04
Capital reserve	(V)43	2,283,965,543.00	2,234,529,885.62
Less: Treasury shares	(V)44	321,730,995.54	351,392,965.86
Other comprehensive income	(V)45	261,726,655.45	111,850,168.58
Surplus reserve	(V)46	966,801,754.40	862,080,832.26
Retained profits	(V)47	11,179,762,376.22	10,275,564,894.22
Total owners' equity attributable to equity holders of the Company		16,990,407,623.67	15,749,394,179.86
Minority interests		99,421,563.54	444,965.69
TOTAL SHAREHOLDERS' EQUITY		17,089,829,187.21	15,749,839,145.55
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		39,306,382,898.66	38,574,464,731.16

The accompanying notes form part of the financial statements.

The financial statements on pages 6 to 148 were signed by the following:

Head of the Company

Chief Financial Officer

Person in charge of the Accounting Body

At 31 December 2023

Balance Sheet of the Company

Unit: RMB

ITEM	Note	31/12/2023	31/12/2022
Current Assets:			
Cash and bank balances		3,166,517,228.25	2,382,458,769.33
Held-for-trading financial assets		1,470,156.89	16,418,892.46
Notes receivable	(XVI)1	49,427,125.85	39,485,239.31
Accounts receivable	(XVI)2	2,871,903,374.08	2,821,443,968.15
Prepayments		6,942,635.46	8,633,332.74
Other receivables	(XVI)3	733,104,536.58	1,060,187,690.24
Inventories		1,654,172,789.68	2,397,469,138.27
Other current assets		34,001,587.46	71,354,221.23
Total Current Assets		8,517,539,434.25	8,797,451,251.73
Non-current Assets:			
Long-term equity investments	(XVI)4	6,733,236,951.63	6,211,289,445.49
Other non-current financial assets		46,933,111.53	36,593,525.36
Fixed assets		1,185,256,610.21	1,359,118,713.20
Construction in progress		15,109,116.60	40,679,185.87
Right-of-use assets		36,821,679.59	50,972,562.94
Intangible assets		9,809,422.12	10,560,811.31
Long-term prepaid expenses		46,354,232.90	56,986,536.23
Deferred tax assets		60,805,635.89	66,972,703.95
Other non-current assets		19,775,697.94	6,417,503.72
Total Non-current Assets		8,154,102,458.41	7,839,590,988.07
TOTAL ASSETS		16,671,641,892.66	16,637,042,239.80

At 31 December 2023

Balance Sheet of the Company - continued

Unit: RMB

ITEM	Note	31/12/2023	31/12/2022
Current Liabilities:			
Short-term borrowings		109,505,392.33	210,000,000.00
Accounts payable		3,605,760,600.86	3,338,643,535.03
Contract liabilities		39,365,501.07	72,651,784.47
Employee benefits payable		127,557,430.98	170,460,131.98
Taxes payable		23,281,137.14	40,877,633.86
Other payables		51,640,284.57	56,141,755.46
Non-current liabilities due within one year		3,396,626,721.03	364,938,654.98
Total Current Liabilities		7,353,737,067.98	4,253,713,495.78
Non-current Liabilities:			
Bonds payable		-	3,243,085,241.27
Lease liabilities		29,464,371.43	43,636,944.67
Deferred income		34,345,491.81	32,434,642.39
Other non-current liabilities		-	576,266.50
Total Non-current Liabilities		63,809,863.24	3,319,733,094.83
TOTAL LIABILITIES		7,417,546,931.22	7,573,446,590.61
SHAREHOLDERS' EQUITY:			
Share capital	(V)41	2,209,991,580.00	2,206,864,239.00
Other equity instruments	(V)42	409,890,710.14	409,897,126.04
Capital reserve		2,343,866,940.28	2,294,431,282.90
Less: Treasury shares	(V)44	321,730,995.54	351,392,965.86
Surplus reserve	(V)46	966,801,754.40	862,080,832.26
Retained profits		3,645,274,972.16	3,641,715,134.85
TOTAL SHAREHOLDERS' EQUITY		9,254,094,961.44	9,063,595,649.19
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,671,641,892.66	16,637,042,239.80

Universal Scientific Industrial (Shanghai) Co., Ltd.

For the year ended 31 December 2023

Consolidated Income Statement

Unit: RMB

ITEM	Note	Amount incurred in the current year	Amount incurred in the prior year
I. Operating income	(V)48	60,791,909,537.87	68,516,075,963.26
Less: Operating costs	(V)48	54,939,136,481.69	61,327,074,531.73
Taxes and levies	(V)49	95,769,988.19	55,429,927.51
Selling expenses	(V)50	367,994,662.03	323,833,862.87
Administrative expenses	(V)51	1,215,427,939.02	1,421,848,997.88
Research and development expenses	(V)52	1,807,204,128.27	2,034,461,775.71
Financial expenses	(V)53	212,029,208.10	18,865,406.63
Including: Interest expenses		400,215,716.04	234,999,925.44
Interest income		236,527,756.09	87,996,958.46
Add: Other income	(V)54	90,221,824.09	56,144,655.78
Investment income	(V)55	142,700,250.52	138,630,023.72
Including: Income from investments in associates and joint ventures		8,752,751.61	73,531,247.72
Gains (losses) from changes in fair values	(V)56	(27,107,751.82)	31,839,197.50
Impairment loss of credit	(V)57	(21,981,473.91)	(10,116,849.95)
Impairment losses of assets	(V)58	(166,836,089.16)	(98,869,591.53)
Gains from disposal of assets	(V)59	6,334,307.77	8,615,113.60
II. Operating profit		2,177,678,198.06	3,460,804,010.05
Add: Non-operating income	(V)60	18,086,136.60	25,331,702.16
Less: Non-operating expenses	(V)61	6,076,478.46	8,940,490.96
III. Total profit		2,189,687,856.20	3,477,195,221.25
Less: Income tax expenses	(V)62	239,978,749.21	417,205,449.46
IV. Net profit		1,949,709,106.99	3,059,989,771.79
(I) Net profit classified by operating continuity:			
1. Net profit from continuing operations		1,949,709,106.99	3,059,989,771.79
2. Net profit from discontinued operations		-	-
(II) Net profit classified by ownership ascription:			
1. Net profit attributable to owners of the Company		1,947,846,866.12	3,059,967,081.20
2. Net profit attributable to minority interests		1,862,240.87	22,690.59
V. Other comprehensive income, net of tax	(V)45	150,654,063.55	195,467,967.43
Other comprehensive income attributable to owners of the Company, net of tax		149,876,486.87	195,450,567.53
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		12,172,076.30	15,832,855.55
1. Changes from re-measurement of defined benefit plans		(14,990,727.75)	51,762,656.96
2. Changes in fair values of other equity instrument investments		27,162,804.05	(35,929,801.41)
(II) Other comprehensive income that will be reclassified to profit or loss		137,704,410.57	179,617,711.98
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		(7,656,754.91)	(35,958,792.78)
2. Translation differences of financial statements denominated in foreign currencies		216,849,856.44	104,279,975.58
3. Hedging reserves of net investment in foreign operations		(71,488,690.96)	111,296,529.18
Other comprehensive income attributable to minority interests, net of tax		777,576.68	17,399.90
VI. Total comprehensive income		2,100,363,170.54	3,255,457,739.22
Total comprehensive income attributable to owners of the Company		2,097,723,352.99	3,255,417,648.73
Total comprehensive income attributable to minority interests		2,639,817.55	40,090.49
VII. Earnings per share			
(I) Basic earnings per share	(XVII)2	0.89	1.40
(II) Diluted earnings per share	(XVII)2	0.87	1.35

For the year ended 31 December 2023

Income Statement of the Company

Unit: RMB

ITEM	Note	Amount incurred in the current year	Amount incurred in the prior year
I. Operating income	(XVI)5	19,677,036,021.69	21,944,772,780.72
Less: Operating costs	(XVI)5	17,928,507,549.98	19,816,085,335.43
Taxes and levies		28,574,670.28	13,964,679.96
Selling expenses		77,474,832.09	71,561,295.65
Administrative expenses		163,145,034.68	221,654,870.72
Research and development expenses		677,138,253.59	751,375,491.00
Financial expenses		76,585,926.77	(13,892,465.55)
Including: Interest expenses		172,202,443.99	146,896,320.84
Interest income		109,201,065.07	59,559,776.94
Add: Other income		31,164,163.32	19,864,804.92
Investment income	(XVI)6	325,724,208.11	183,568,627.78
Including: Loss from investments in associates and joint ventures		(3,294,727.52)	-
Gains (losses) from changes in fair values		(13,609,149.40)	12,430,908.18
Gains (losses) from impairment of credit		3,685,934.28	(3,658,149.19)
Impairment gains of assets		762,694.28	5,135,027.84
Gains from disposal of assets		3,442,727.96	865,008.94
II. Operating profit		1,076,780,332.85	1,302,229,801.98
Add: Non-operating income		2,306,506.80	233,682.62
Less: Non-operating expenses		172,287.02	4,830,131.32
III. Total profit		1,078,914,552.63	1,297,633,353.28
Less: Income tax expenses		31,705,331.20	56,871,730.31
IV. Net profit		1,047,209,221.43	1,240,761,622.97
(I) Net profit from continuing operations		1,047,209,221.43	1,240,761,622.97
(II) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income		1,047,209,221.43	1,240,761,622.97

For the year ended 31 December 2023

Consolidated Cash Flow Statement

Unit: RMB

ITEM	Note	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		62,945,879,717.98	71,431,108,010.54
Receipts of tax refunds		332,597,175.15	529,679,759.52
Other cash receipts relating to operating activities	(V)63(1)	444,054,452.60	514,112,449.77
Sub-total of cash inflows from operating activities		63,722,531,345.73	72,474,900,219.83
Cash payments for goods purchased and services received		51,127,038,702.23	63,752,163,109.99
Cash payments to and on behalf of employees		4,543,803,455.43	4,263,182,237.12
Payments of various types of taxes		947,833,332.58	880,937,730.02
Other cash payments relating to operating activities	(V)63(1)	280,420,362.87	143,420,887.20
Sub-total of cash outflows from operating activities		56,899,095,853.11	69,039,703,964.33
Net Cash Flow from Operating Activities	(V)64(1)	6,823,435,492.62	3,435,196,255.50
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments	(V)63(2)	10,588,663,201.29	5,049,784,248.93
Cash receipts from investment income		141,117,928.09	73,818,863.64
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		39,129,732.67	106,121,293.40
Other cash receipts relating to investing activities		2,214,334.90	-
Sub-total of cash inflows from investing activities		10,771,125,196.95	5,229,724,405.97
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,549,925,467.96	1,671,359,617.44
Cash payments to acquire investments	(V)63(2)	10,379,130,858.29	5,055,991,050.00
Net cash payments for acquisitions of subsidiaries and other business units		270,966,057.90	26,622,070.14
Sub-total of cash outflows from investing activities		12,200,022,384.15	6,753,972,737.58
Net Cash Flow from Investing Activities		(1,428,897,187.20)	(1,524,248,331.61)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		134,160,438.42	76,706,975.16
Including: cash receipts from capital contributions from minority owners of subsidiaries		96,336,780.30	-
Cash receipts from borrowings		15,773,337,049.55	19,947,391,301.87
Other cash receipts relating to financing activities	(V)63(3)	26,686,556.25	3,506,097.66
Sub-total of cash inflows from financing activities		15,934,184,044.22	20,027,604,374.69
Cash repayments of borrowings		16,428,061,798.41	19,611,483,701.31
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,179,079,074.37	644,400,298.70
Other cash payments relating to financing activities	(V)63(3)	163,296,399.80	274,135,571.27
Sub-total of cash outflows from financing activities		17,770,437,272.58	20,530,019,571.28
Net Cash Flow from Financing Activities		(1,836,253,228.36)	(502,415,196.59)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(52,036,402.36)	251,318,260.11
V. Net Increase (Decrease) in Cash and Cash Equivalents		3,506,248,674.70	1,659,850,987.41
Add: Opening balance of cash and cash equivalents	(V)64(3)	7,678,044,104.00	6,018,193,116.59
VI. Closing Balance of Cash and Cash Equivalents	(V)64(3)	11,184,292,778.70	7,678,044,104.00

For the year ended 31 December 2023

Cash Flow Statement of the Company

Unit: RMB

ITEM	Note	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		19,715,179,735.51	23,200,305,707.29
Receipts of tax refunds		88,661,201.75	134,391,059.60
Other cash receipts relating to operating activities		143,944,381.68	92,137,795.26
Sub-total of cash inflows from operating activities		19,947,785,318.94	23,426,834,562.15
Cash payments for goods purchased and services received		16,698,151,441.53	20,930,029,096.53
Cash payments to and on behalf of employees		625,256,609.26	639,606,738.62
Payments of various types of taxes		148,511,099.34	194,108,063.48
Other cash payments relating to operating activities		156,801,933.88	130,355,417.36
Sub-total of cash outflows from operating activities		17,628,721,084.01	21,894,099,315.99
Net Cash Flow from Operating Activities	(XVI)7	2,319,064,234.93	1,532,735,246.16
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		5,094,828,000.00	3,677,246,400.00
Cash receipts from investment income		329,018,935.63	237,513,927.78
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		78,422,754.70	135,709,564.48
Sub-total of cash inflows from investing activities		5,502,269,690.33	4,050,469,892.26
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		272,929,329.02	584,130,199.88
Cash payments to acquire investments		4,486,995,119.70	3,985,803,000.00
Other cash payments relating to investing activities		817,776,000.00	1,115,219,000.00
Sub-total of cash outflows from investing activities		5,577,700,448.72	5,685,152,199.88
Net Cash Flow from Investing Activities		(75,430,758.39)	(1,634,682,307.62)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		37,823,658.12	76,706,975.16
Cash receipts from borrowings		3,486,983,652.26	2,828,328,085.47
Other cash receipts relating to financing activities		26,686,556.25	-
Sub-total of cash inflows from financing activities		3,551,493,866.63	2,905,035,060.63
Cash repayments of borrowings		3,937,358,875.96	2,268,328,085.47
Cash payments for distribution of dividends or profits or settlement of interest expenses		975,226,652.63	579,509,379.54
Other cash payments relating to financing activities		22,742,198.55	136,494,552.16
Sub-total of cash outflows from financing activities		4,935,327,727.14	2,984,332,017.17
Net Cash Flow from Financing Activities		(1,383,833,860.51)	(79,296,956.54)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(75,741,157.11)	73,650,793.61
V. Net Increase (Decrease) in Cash and Cash Equivalents		784,058,458.92	(107,593,224.39)
Add: Opening balance of cash and cash equivalents		2,382,458,769.33	2,490,051,993.72
VI. Closing Balance of Cash and Cash Equivalents		3,166,517,228.25	2,382,458,769.33

For the year ended 31 December 2023

Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

ITEM	2023								Minority interests	Total shareholders' equity
	Attributable to owners of the Company									
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits			
I. Opening balance of the current year	2,206,864,239.00	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	
II. Changes for the year										
(I) Total comprehensive income	-	-	-	-	149,876,486.87	-	1,947,846,866.12	2,639,817.55	2,100,363,170.54	
(II) Owners' contributions and reduction in capital										
1. Ordinary shares contributed by shareholders (Note V, 41 and Note VI, 1)	3,124,565.00	-	34,699,093.12	-	-	-	-	96,336,780.30	134,160,438.42	
2. Capital contribution by owners of other equity instruments (Note V, 42)	2,776.00	(6,415.90)	54,888.33	-	-	-	-	-	51,248.43	
3. Share-based payment recognized in shareholders' equity (Note V, 43)	-	-	17,684,000.00	-	-	-	-	-	17,684,000.00	
4. Transfer from treasury shares (Note V, 44)	-	-	363,746.57	(364,587.57)	-	-	-	-	(841.00)	
5. Others (Note V, 44)	-	-	(3,366,070.64)	30,026,557.89	-	-	-	-	26,660,487.25	
(III) Profit distribution										
1. Transfer to surplus reserve	-	-	-	-	-	104,720,922.14	(104,720,922.14)	-	-	
2. Distributions to shareholders	-	-	-	-	-	-	(938,928,461.98)	-	(938,928,461.98)	
III. Closing balance of the current year	2,209,991,580.00	409,890,710.14	2,283,965,543.00	(321,730,995.54)	261,726,655.45	966,801,754.40	11,179,762,376.22	99,421,563.54	17,089,829,187.21	

For the year ended 31 December 2023

Consolidated Statement of Changes in Shareholders' Equity - continued

Unit: RMB

ITEM	2022								Minority interests	Total shareholders' equity
	Attributable to owners of the Company									
	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 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	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	2,234,529,885.62	(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 2023

Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

ITEM	2023						
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Surplus reserve	Retained profits	Total shareholders' equity
I. Opening balance of the current year	2,206,864,239.00	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
II. Changes for the year							
(I) Total comprehensive income	-	-	-	-	-	1,047,209,221.43	1,047,209,221.43
(II) Owners' contributions and reduction in capital							
1. Ordinary shares contributed by shareholders	3,124,565.00	-	34,699,093.12	-	-	-	37,823,658.12
2. Capital contribution by owners of other equity instruments	2,776.00	(6,415.90)	54,888.33	-	-	-	51,248.43
3. Share-based payment recognized in shareholders' equity	-	-	17,684,000.00	-	-	-	17,684,000.00
4. Transfer from treasury shares	-	-	363,746.57	(364,587.57)	-	-	(841.00)
5. Others	-	-	(3,366,070.64)	30,026,557.89	-	-	26,660,487.25
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	-	104,720,922.14	(104,720,922.14)	-
2. Distributions to shareholders	-	-	-	-	-	(938,928,461.98)	(938,928,461.98)
III. Closing balance of the current year	2,209,991,580.00	409,890,710.14	2,343,866,940.28	(321,730,995.54)	966,801,754.40	3,645,274,972.16	9,254,094,961.44

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

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 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

(I) BASIC INFORMATION ABOUT THE COMPANY

1. General

Universal Scientific Industrial (Shanghai) Co., Ltd. ("Company" or "the Company") is a joint-stock limited company changed from Universal Scientific Industrial (Shanghai) Co., Ltd. (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. 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 2,209,991,580.00 as at 31 December 2023.

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

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

2. Date of approval for issue of the financial statements

The Company's and consolidated financial statements were approved by the board of directors of the Company and authorized for issue on 29 March 2024.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. 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 2023).

2. Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2023 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.

3. 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 Company 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.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

3. 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 measured 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. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a 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 categorised 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 included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of Compliance the Accounting Standards for Business Enterprises ("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 2023, and the Company's and consolidated results of operations, changes in the shareholders' equity and cash flows for the year then ended.

2. Accounting period

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

3. Operating cycle

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

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

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the 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. Determining method and selecting basis of significance criterion

ITEM	Significance criterion
Significant construction in progress for the period	RMB 70 million
Significant non-wholly-owned subsidiary for the period	RMB 70 million
Significant joint venture and associate for the period	RMB 70 million

6. Accounting treatment of business combinations not involving enterprises under common control

6.1 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 preciously included in the goodwill shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be measured in accordance with the Accounting Standards for Business Enterprises No. 22 - Financial Instruments: Recognition and Measurement and the Accounting Standards for Business Enterprises No. 13 - Contingencies. Any change or adjustment is included in profit or loss for the current period.

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

6. Accounting treatment of business combinations not involving enterprises under common control - continued

6.1 Business combinations not involving enterprises under common control and goodwill - continued

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.

7. Criteria of control and preparation of consolidated financial statements

7.1 Criteria 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.

7.2 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control.

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.

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

7. Criteria of control and preparation of consolidated financial statements - continued

7.2 Preparation of consolidated financial statements - continued

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.

8. 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) 17.3.2 "Long-term equity investments accounted for using the equity method" for details.

9. 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.

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

10. Translation of transactions and financial statements denominated in foreign currencies

10.1 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. 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.

10.2 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.

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

10. Translation of transactions and financial statements denominated in foreign currencies - continued

10.2 Translation of financial statements denominated in foreign currencies - continued

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 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.

11. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Company recognises assets acquired and liabilities assumed on a trade date basis, or derecognises the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. Upon initial recognition of accounts receivable that does not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year under the Accounting Standards for Business Enterprises No. 14 - Revenue ("Revenue Standards"), the Group adopts the transaction price as defined in the Revenue Standards for initial measurement.

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 carrying amount of the financial asset or to the amortized cost of the financial liability. When determining the effective interest rate, the Group estimates future cash flows by considering all contractual terms of the financial asset or financial liability including early repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

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

11. Financial instruments - continued

11.1 Classification, recognition and measurement of financial assets - continued

After initial recognition, the Group's financial assets of various types are subsequently measured at amortized cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"), respectively.

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 FVTOCI 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.

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

- It has been acquired principally for the purpose of selling it in near term.
- On initial recognition, it is part of a portfolio of identifiable 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 neither a financial guarantee contract nor designated as an effective hedging instrument.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as 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 designate 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.

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

11. Financial instruments - continued

11.1 Classification, recognition and measurement of financial assets - continued

11.1.1 Financial assets 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.

11.1.2 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-held-for-trading equity instrument investments designated as financial assets at FVTOCI are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income 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 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.

11.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses on fair value changes and related dividends and interest income included in profit or loss for the period.

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

11. Financial instruments - continued

11.2 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.

11.2.1 Significant increase in 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 as a result of a change in credit risk.
- (2) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: (i) the credit spread; (ii) the credit default swap prices for the borrower; (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; and (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (3) An actual or expected significant change in the financial instrument's external credit rating;
- (4) An actual or expected decrease in the internal credit rating for the debtor;
- (5) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (6) An actual or expected significant change in the operating results of the debtor;
- (7) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (8) Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;

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

11. Financial instruments - continued

11.2 Impairment of financial instruments - continued

11.2.1 Significant increase in credit risk - continued

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

- (9) Significant changes in expected performance and repayment of the debtor;
- (10) Changes in the Group'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.

11.2.2 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) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
- (4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (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).

11.2.3 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 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.

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

11. Financial instruments - continued

11.2 Impairment of financial instruments - continued

11.2.3 Determination of expected credit loss - continued

The Group determines the ECL of relevant financial instruments using the following method:

- 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 credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at 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.

11.2.4 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.

11.3 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.

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

11. Financial instruments - continued

11.3 Transfer of financial assets - continued

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.

11.4 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.

11.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

11.4.1.1 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.

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

11. Financial instruments - continued

11.4 Classification of financial liabilities and equity instruments - continued

11.4.1 Classification, recognition and measurement of financial liabilities - continued

11.4.1.1 Financial liabilities at FVTPL - continued

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

- It has been incurred principally for the purpose of repurchasing it 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 neither a financial guarantee contract nor designated as an effective hedging instrument.

On initial recognition, financial liabilities that meet one of the following conditions are designated as financial liabilities at FVTPL: (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.

For a financial liability designated as at FVTPL, the amount of changes in the fair value of the financial liability that are attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, while other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such financial liability, the accumulated amount of changes in fair value that are attributable to changes in the credit risk of that liability, which was recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest expense on the financial liabilities is recognized in profit or loss. If the accounting treatment for the impact of the change in credit risk of such financial liability in the above ways 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 for the period.

11.4.1.2 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.

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

11. Financial instruments - continued

11.4 Classification of financial liabilities and equity instruments - continued

11.4.2 Derecognition of financial liabilities

The Group recognizes 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.

11.4.3 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 of equity. Change of 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.

11.5 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 FVTPL.

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.

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

11. Financial instruments - continued

11.6 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

11.7 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.

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.

12. Notes receivable

12.1 Determination method and accounting treatment for expected credit loss of notes receivable

The Group believes that the credit risk of the bank acceptances held by the Group was insignificant due to the high credit rating of the accepting banks. Therefore, no provision for credit loss was made.

13. Accounts receivable

13.1 Determination method and accounting treatment for expected credit loss of accounts receivable

The Group determines the expected credit loss on accounts receivable in accordance with Note (III), 11.2.3. Increase in or reversal of provision for credit loss is included in profit or loss as loss or gain on impairment.

13.2 Aging calculation method for portfolio of credit risk characteristics recognized based on aging

The Group uses the aging of accounts receivable as a credit risk characteristic to determine its credit loss using an impairment matrix. The aging is calculated from the date of initial recognition.

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

13. Accounts receivable - continued

13.3 Judgement criteria for bad debt provision assessed on an individual basis

The Group determines the expected credit loss of accounts receivable on an individual asset basis, taking into account the significant financial difficulties of the debtor.

14. Other receivables

14.1 Determination method and accounting treatment for expected credit loss of other receivables

The Group determines the expected credit loss on other receivables in accordance with Note (III), 11.2.3. Increase in or reversal of provision for credit loss is included in profit or loss as loss or gain on impairment.

14.2 Categories of portfolios for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics and the basis for determination

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.

15. Inventories

15.1 Categories of inventories, valuation method of inventories upon delivery, inventory count system and amortization method for low cost and short-lived consumable items and packaging materials

15.1.1 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.

15.1.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

15.1.3 Inventory count system

The perpetual inventory system is maintained for stock system.

15.1.4 Amortization method for other reusable materials

Other reusable materials are amortized using the multiple-stage amortization method.

15.2 Recognition criteria and provision methods for decline in 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.

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

15. Inventories - continued

15.2 Recognition criteria and provision methods for decline in value of inventories - continued

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.

16. Held-for-sale non-current assets or disposal groups

16.1 Recognition criteria and accounting treatment of non-current assets or disposal groups 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 included 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.

17. Long-term equity investments

17.1 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

17. Long-term equity investments - continued

17.2 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 Standard for Business Enterprises No.22 - Financial Instruments; Recognition and Measurement (CAS 22) and the additional investment cost.

17.3 Subsequent measurement and recognition of profit or loss

17.3.1 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 recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

17.3.2 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 recognised 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

17. Long-term equity investments - continued

17.3 Subsequent measurement and recognition of profit or loss - continued

17.3.2 Long-term equity investment accounted for using the equity method - continued

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognized. However, unrealized losses are not eliminated if they result from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

17.4 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.

18. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both, including land use rights leased out. It includes a land use right held for transfer upon capital appreciation and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

18. Investment properties - continued

The Group uses the cost model for subsequent measurement of investment property, and adopts the straight-line method for depreciation over its useful life. The depreciation method, depreciation period, estimated residual value rate and annual depreciation rate of each category of investment properties are as follows:

Category	Depreciation method	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	35 years	-	2.86

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

19. Fixed Assets

19.1 Recognition criteria

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.

19.2 Depreciation method

Land operated overseas is not depreciated. A fixed asset other than land operated overseas 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.

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, appliances and furniture	3-10 years	-	10.00-33.33
Renovation 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 was already of the age and in the condition expected at the end of its useful life.

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

19. Fixed Assets - continued

19.3 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 derecognised. 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 recognised 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.

20. 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 capitalised 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. The criteria and time points for the transfer of various types of construction in progress to fixed assets are as follows:

Category	Criteria for transfer to fixed assets	Time points for transfer to fixed assets
Buildings	(1) The main construction works and ancillary works have been completed (2) The construction works have reached the intended design requirements and completed acceptance (3) The construction works that are ready for intended use but have not been finalized are transferred to fixed assets at their estimated value based on the actual cost of the works from the date of ready for intended use	Ready for intended use
Machinery and equipment, electronic equipment, fixtures and furniture, transportation vehicles, etc. to be installed	(1) Relevant equipment and other supporting facilities have been installed (2) The equipment can maintain normal and stable operation for a period of time after commissioning	Ready for intended use

21. 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.

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

21. **Borrowing costs** - continued

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.

22. **Intangible assets**

22.1 Determination basis, estimation, amortization method and review procedure of useful life

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 cost less net residual value and any accumulated impairment losses 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:

Category	Amortization method	Useful life (Years)	Residual value rate (%)
Land use right	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.

22.2 Attribution scope and related accounting treatments of research and development expenditure

Expenditure during the research phase is recognised 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 recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised 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 Company has the intention to complete the intangible asset and use or sell it;
- (3) the Company 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.

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

22. Intangible assets - continued

22.2 Attribution scope and related accounting treatments of research and development expenditure - continued

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.

23. 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 with an indefinite useful life and 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 or asset group.

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 the above-mentioned assets is recognised, it will not be reversed in any subsequent period.

24. 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.

25. 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

26. Employee benefits

26.1 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.

26.2 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 liabilities 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.

26.3 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

27. 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.

28. 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 are equity-settled share-based payments.

28.1 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.

28.2 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 the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

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

29. Revenue

29.1 Accounting policies for revenue recognition and measurement disclosed by business types

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 expected to be refunded to a customer. In determining the transaction price, the Group considers the impact of variable consideration, significant financing elements present in the contract, non-cash consideration, consideration payable to the customer and other factors.

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 obligations. Stand-alone selling price refers to the price of a single sale 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 relative information that can be reasonably acquired 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).

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.

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

29. Revenue - continued

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.

30. 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.

31. 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.

31.1 Determination basis and accounting treatment of government grants related to assets

See Notes (V), 39 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.

31.2 Determination basis and accounting treatment of government grants related to income

See Notes (V), 54 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.

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

31. Government grants - continued

31.2 Determination basis and accounting treatment of government grants related to income - continued

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.

32. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

The Group assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

32.1 The Group as lessee

32.1.1 Right-of-use assets

Except for short-term leases and leases of low-value assets, 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 received;
- 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.

The Group depreciates right-of-use assets by reference to the relevant depreciation provisions of Accounting Standards for Business Enterprises No. 4 - Fixed Assets. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Group is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

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.

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

32. Leases - continued

32.1 The Group as lessee - continued

32.1.2 Lease liabilities

Except for short-term leases and leases of low-value assets, 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.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Group to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Group.

After the commencement date of the lease, the Group calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognizes such expenses in profit or loss or cost of related assets.

After the commencement date of the lease, the Group re-measures the lease liabilities and adjusts the right-of-use assets accordingly in the following cases. If the book value of the right-of-use asset has been reduced to zero, but the lease liability needs to be reduced further, the Group will recognize the difference in profit or loss for the period:

- there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.;
- 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.

32.1.3 Determination basis and accounting treatment of short-term leases and leases of low-value assets treated under a simplified method as lessee

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.

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

32. Leases - continued

32.1 The Group as lessee - continued

32.1.4 Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the lease modification expanded the scope of the lease by adding the right-of-use of one or more lease assets; and
- the increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Group reallocates the consideration of the contract after the change, re-determines the lease term, and re-measures lease liabilities based on the changed lease payments and the present value calculated by the revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially or fully terminated will be included in profit or loss for the period; for other lease modifications resulting in the re-measurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

32.2 The Group as lessor

32.2.1 Classification criteria and accounting treatment of leases as lessor

Leases are classified as finance leases whenever the terms of the leased assets transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

32.2.2 Subleases

As the lessor of a 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.

33. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

33.1 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.

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

33. Deferred tax assets/ deferred tax liabilities - continued

33.2 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 nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised 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.

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 realised 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.

33.3 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

34. Hedge accounting

34.1 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 for net investment in foreign operations

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.

34.2 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.

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

35. Accounting treatment in relation to the repurchase of equity instruments

The consideration and transaction costs paid to repurchase own equity instruments are deducted from equity. No gain or loss is recognized in profit or loss on the repurchase, sale or cancellation of the Company's equity instruments.

36. 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 the balance sheet date, the key assumptions and uncertainties that are probable to cause significant adjustments to the carrying amounts of assets and liabilities in future periods include:

Impairment of accounts receivables

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 2023, the balance of the Group's provision for credit losses of accounts receivable was RMB 43,964,811.88 (31 December 2022: RMB 20,564,388.62).

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 2023, the balance of the Group's provision for the decline in the value of inventories was RMB 331,096,345.17 (31 December 2022: RMB 159,032,019.03).

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 2023, the Group had recognized the deferred tax assets of RMB 490,796,164.94 (31 December 2022: RMB 367,993,139.04).

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

36. Critical Judgments in Applying Accounting Policies and Key Assumptions and Uncertainties in Accounting Estimate - continued

- Key assumptions and uncertainties in accounting estimates - continued

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) 19, 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.

37. Changes in significant accounting policies and accounting estimates

37.1 Changes in significant accounting policies

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 the deferred income tax relating to assets and liabilities arising from a single transaction to which the exemption of initial recognition does not apply. Interpretation No. 16 revised the coverage of exemption of the initial recognition of deferred income tax in the Accounting Standards for Business Enterprises No. 18 - Income Tax, and specified that the relevant provisions on the exemption of initial recognition of deferred tax liabilities and deferred tax assets are not applicable to a single transaction (not a business combination) that affects neither the accounting profit nor taxable income (or deductible losses) at the time of transaction, and where the assets and liabilities initially recognized generate equal taxable temporary differences and deductible temporary differences. The Interpretation became effective from 1 January 2023 and could be early applied. The Group early applied the Interpretation on 1 January 2023.

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

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(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.

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.	25%
Universal Global Technology (Kunshan) Co., Ltd.	15%(Note 2)
Universal Global Technology (Shanghai) Co., Ltd.	15%(Note 3)
Universal Global Electronics (Shanghai) Co., Ltd.	25%
Universal Global Technology (Huizhou) Co., Ltd.	15%(Note 4)
Universal Global Technology Co., Limited	16.5% (Note 5)
Universal Global Industrial Co., Ltd.	16.5% (Note 5)
Universal Global Electronics Co., Ltd.	16.5% (Note 5)
Universal Global Scientific Industrial Co., Ltd.	Note 6
Universal Scientific Industrial Co., Ltd.	Note 6
USI Japan Co., Ltd.	30% (Note 7)
USI America.Inc.	21% (Note 8)
Universal Scientific Industrial De México S.A. De C.V.	30% (Note 9)
Universal Scientific Industrial Poland Sp. z o.o.	19% (Note 10)
Universal Scientific Industrial (France)	25% (Note 11)
Universal Scientific Industrial Vietnam Company Limited	20% (Note 12)
Asteelflash Suzhou Co., Ltd.	15% (Note 13)
FINANCIÈRE AFG S.A.S. ("FAFG")	25% (Note 14)
USI Science and Technology (Shenzhen) Co., Ltd.	20% (Note 15)
Hirschmann Car Communication Holding S.a.r.l. ("Hirschmann ")	24.94% (Note 16)

The enterprise income tax rate applicable to the Company and its subsidiaries in China is 25%.

(IV) TAXES - continued

1. Major categories of taxes and tax rates - continued

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 2023, and obtained the High-tech Enterprise Certificate (Certificate No. is GR202331006257), which was valid for 3 years. The Company applies the enterprise income tax rate of 15% from 2023 to 2025.

Note 2: 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 3: 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 4: 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 5: Universal Global Technology Co., Limited, Universal Global Industrial Co., Ltd. and Universal Global Electronics Co., Ltd. (“UGE”) are companies in Hong Kong, China. The applicable enterprise income tax rate is 8.25% for the part with operating profits not exceeding HKD 2 million; and 16.5% for the part with operating profits exceeding HKD 2 million.

Note 6: 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 7: USI Japan Co., Ltd. is established and registered in Japan and is subject to the national tax law of Japan. According to the provisions of Japan's national tax law, the applicable tax rate is 30% to enterprises taking the taxable income as the tax base. If the taxable income of an enterprise is negative and is reported with a cyan E-Tax return (i.e. self-accounting, self-reporting and self-taxation), the accumulated deductible loss can be deducted within 9 years after the year in which the loss occurs.

Note 8: USI America. Inc. is incorporated and registered in the United States, and the applicable enterprise income tax rate is 21%. According to the tax law of California where the enterprise is registered, even if there is no profit in establishing or engaging in commercial activities in the state, it is required to pay California Regional Income Tax of USD 800 per year according to the Alternative Minimum Tax.

(IV) TAXES - continued

1. Major categories of taxes and tax rates - continued

Note 9: Universal Scientific Industrial De México S.A. De C.V. is registered and established in Mexico, and the applicable enterprise income tax rate is 30%.

Note 10: Universal Scientific Industrial Poland Sp. z o.o. (formerly known as "Chung Hong Electronics Poland sp. z o.o.", hereinafter referred to as "USI Poland") is established and registered in Poland. The applicable enterprise income tax rate is 19%. As it is located in a special economic region, it enjoys the tax preference of temporarily exempting enterprise income tax within 40% of the initial investment in 2026 and previous years.

Note 11: Universal Scientific Industrial (France) ("USI France") is established and registered in France, and the applicable enterprise income tax rate is 25% (2022: 25%).

Note 12: Universal Scientific Industrial Vietnam Company Limited is established and registered in Vietnam, and the applicable enterprise income tax rate is 20%.

Note 13: Asteelflash Suzhou 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 2023, and obtained the High-tech Enterprise Certificate (Certificate No.: GR202332016930), which was valid for 3 years. Asteelflash Suzhou Co., Ltd. applies the enterprise income tax rate of 15% from 2023 to 2025.

Note 14: FINANCIÈRE AFG S.A.S. ("FAFG") is established and registered in France, and the applicable enterprise income tax rate is 25% (2022: 25%). The corporate income tax rate applicable to German subsidiary is 30% (2022: 30%). The enterprise income tax rate applicable to the Tunisian subsidiary is 15% (2022: 15%). The corporate income tax rate applicable to its U.S. subsidiaries is 21% (2022: 21%).

Note 15: USI Science and Technology (Shenzhen) Co., Ltd. is a small low profit enterprise, and according to Article 1 of the Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (Caishui [2023] No. 6), the portion of the small low-profit enterprise's annual taxable income not more than RMB 1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

Note 16: Hirschmann is established and registered in Luxembourg, and the applicable enterprise income tax rate is 24.94%.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

ITEM	31/12/2023			31/12/2022		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash:						
RMB			549.32			2,003.85
USD	2,524.00	7.0827	17,876.73	11,928.76	6.9646	83,079.04
EUR	6,970.06	7.8264	54,550.48	10,605.37	7.4284	78,780.93
HKD	269.00	0.9062	243.77	3,449.00	0.8933	3,080.99
JPY	47,000.00	0.0502	2,359.40	-	0.0524	-
GBP	596.59	9.0057	5,372.71	137.31	8.3941	1,152.59
MXN	30,000.00	0.4193	12,579.00	200,703.05	0.3597	72,192.89
PLN	8,575.50	1.8107	15,527.66	4,477.49	1.5878	7,109.36
TND	2,192.99	2.3010	5,046.07	8,696.94	2.2430	19,507.24
CZK	4,612.00	0.3165	1,459.70	15,684.00	0.3080	4,830.67
Bank balances:						
RMB			5,452,876,386.47			3,718,260,388.65
USD	578,752,731.52	7.0827	4,099,131,971.54	446,239,359.35	6.9646	3,107,878,642.13
EUR	56,940,875.16	7.8264	445,642,065.35	31,555,392.28	7.4284	234,406,076.01
HKD	2,273,083.08	0.9062	2,059,867.89	2,281,680.22	0.8933	2,038,224.94
JPY	158,795,833.00	0.0502	7,971,550.82	317,627,468.00	0.0524	16,643,679.32
GBP	1,941,353.30	9.0057	17,483,245.41	869,074.26	8.3941	7,295,096.25
MXN	22,032,456.68	0.4193	9,238,209.09	34,274,075.98	0.3597	12,328,385.13
TWD	4,386,124,749.00	0.2307	1,011,878,979.59	2,093,161,717.00	0.2268	474,729,077.42
SGD	24,736.69	5.3772	133,014.13	15,173.92	5.1831	78,647.94
TND	1,836,432.91	2.3010	4,225,632.13	4,123,497.82	2.2430	9,249,005.61
CZK	-	0.3165	-	1,501,264.14	0.3080	462,389.36
PLN	48,243,800.71	1.8107	87,355,049.95	49,092,880.80	1.5878	77,949,676.13
VND	153,937,471,634.00	0.0003	46,181,241.49	54,843,591,825.00	0.0003	16,453,077.55
Other currency funds:						
RMB			3,000,000.00			4,500,000.00
TWD	45,000,000.00	0.2307	10,380,118.50	45,000,000.00	0.2268	10,205,374.50
PLN	-	1.8107	-	1,394,584.30	1.5878	2,214,334.90
JPY	1,000,000.00	0.0502	50,210.00	1,000,000.00	0.0524	52,360.00
USD	2,961,481.09	7.0827	20,975,282.12	-	6.9646	-
Total			11,218,698,389.32			7,695,016,173.40
Including: Balance kept in a foreign country			3,597,054,385.03			2,136,105,405.28

As at 31 December 2023, the Group's restricted cash and bank balances included in other cash and bank balances equivalent to RMB 34,405,610.62 (31 December 2022: RMB 16,972,069.40), of which RMB 13,430,328.50 (31 December 2022: RMB 14,757,734.50) was the customs deposit and RMB 20,975,282.12 (31 December 2022: nil) was the investment deposit. The foreign exchange margin was nil for the year (31 December 2022: RMB 2,214,334.90). 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	31/12/2023	31/12/2022
Financial Assets at Fair Value through Profit or Loss ("FVTPL")	245,558,007.22	271,243,519.53
Including: Accounts receivable factoring (Note 1)	223,401,570.22	135,812,841.71
Contingent consideration (Note 2)	-	99,372,192.22
Derivative financial assets (Note 3)	22,156,437.00	36,058,485.60

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

2. Held-for-trading financial assets - continued

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: 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, from the recovery of contingent consideration from the original shareholders of FAFG, an amount of EUR 3,752,294.35 (equivalent to RMB29,366,894.59) was not yet recovered as at 31 December 2023. It was recovered subsequent to the period. Refer to Note (V), 6 for details.

Note 3: The derivative financial assets held by the Group are foreign exchange forward contract.

3. Notes receivable

(1) Categories of notes receivable

Category	Unit: RMB	
	31/12/2023	31/12/2022
Bank acceptances	65,545,008.33	45,627,553.57

(2) As at 31 December 2023, the Group had no notes receivable that have been pledged as security.

(3) As at 31 December 2023, the Group had no notes receivable that have been endorsed or discounted and were not yet matured at the balance sheet date.

(4) As at 31 December 2023, 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.

(5) In 2023, the Group had no notes receivable that have been actually written off.

4. Accounts receivable

(1) Categories of accounts receivable

Category	Unit: RMB	
	31/12/2023	31/12/2022
Accounts receivable arising from contracts with customers	10,067,526,873.99	11,139,685,148.73
Less: Bad debt provision	43,964,811.88	20,564,388.62
Total	10,023,562,062.11	11,119,120,760.11

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

4. Accounts receivable - continued

(2) Disclosure of accounts receivable by aging

Unit: RMB

Aging	31/12/2023	31/12/2022
Within the credit term	9,196,939,905.88	10,263,555,132.43
1-30 days overdue	645,623,766.37	713,540,293.51
31-60 days overdue	111,023,244.93	103,786,907.81
61-90 days overdue	40,083,422.87	36,934,282.12
90-180 days overdue	19,353,226.81	16,957,415.00
More than 180 days overdue	54,503,307.13	4,911,117.86
Total	10,067,526,873.99	11,139,685,148.73

(3) Disclosure by category of bad debt provision method

Unit: RMB

Category	31/12/2023					31/12/2022				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Bad debt provision on an individual basis	71,829,986.74	0.71	26,767,777.12	60.88	45,062,209.62	-	-	-	-	-
Bad debt provision on a portfolio basis	9,995,696,887.25	99.29	17,197,034.76	39.12	9,978,499,852.49	11,139,685,148.73	100.00	20,564,388.62	100.00	11,119,120,760.11
Total	10,067,526,873.99	100.00	43,964,811.88	100.00	10,023,562,062.11	11,139,685,148.73	100.00	20,564,388.62	100.00	11,119,120,760.11

Bad debt provision on an individual basis

Unit: RMB

Company name	31/12/2023			Reason for provision
	Book value	Bad debt provision	Proportion of provision (%)	
Company A	30,723,213.17	939,792.13	3.06	Due to the customer's financial difficulties and poor realization of assets, the specific provision is made based on the risk assessment and judgement of the management.
Company B	20,560,132.35	20,560,132.35	100.00	Due to the customer's financial difficulties and poor realization of assets, the specific provision is made based on the risk assessment and judgement of the management.
Company C	14,208,833.83	2,098,949.96	14.77	Due to the customer's financial difficulties and poor realization of assets, the specific provision is made based on the risk assessment and judgement of the management.
Company D	6,337,807.39	3,168,902.68	50.00	Due to the customer's financial difficulties and poor realization of assets, the specific provision is made based on the risk assessment and judgement of the management.
Total	71,829,986.74	26,767,777.12	37.27	

Bad debt provision on a portfolio basis

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.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable - continued

(3) Disclosure by category of bad debt provision method - continued

At 31 December 2023, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2023			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within credit period	0.01	9,181,331,401.42	1,361,522.66	9,179,969,878.76
Overdue for 1-30 days	0.10	643,088,509.46	640,718.58	642,447,790.88
Overdue 31-60 days	0.49	105,845,863.32	520,695.94	105,325,167.38
61-90 days overdue	0.91	37,560,177.81	341,939.13	37,218,238.68
90-180 days overdue	7.41	14,622,655.71	1,083,878.92	13,538,776.79
More than 180 days overdue	100.00	13,248,279.53	13,248,279.53	-
Total	0.17	9,995,696,887.25	17,197,034.76	9,978,499,852.49

At 31 December 2022, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	1/1/2023			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within credit period	0.02	10,263,555,132.43	2,226,378.22	10,261,328,754.21
Overdue for 1-30 days	0.31	713,540,293.51	2,236,844.84	711,303,448.67
Overdue 31-60 days	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

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 2023, the Group's valuation method remains unchanged.

(4) Changes in bad debt provision

Unit: RMB

Category	31/12/2022	Changes for the year			31/12/2023
		Provision in the current year	Write-off	Translation differences arising on translation of financial statements denominated in foreign currencies	
Provision for expected credit loss by aging matrix	20,564,388.62	21,981,473.91	-	1,418,949.35	43,964,811.88

Changes in bad debt provision for accounts receivable:

Unit: RMB

Provision for credit loss	Lifetime ECL
At 1 January 2023	20,564,388.62
ECL accrued	21,981,473.91
Effect of changes in exchange rate	1,418,949.35
At 31 December 2023	43,964,811.88

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable - continued

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

(6) Top five accounts receivable at 31 December 2023 categorized by debtor

Unit: RMB

Company name	Accounts receivable at 31 December 2023	Percentage to total accounts receivable at 31 December 2023 (%)	Bad debt provision at 31 December 2023
Company E	2,404,929,295.79	23.89	355,929.54
Company F	899,248,907.86	8.93	133,088.84
Company G	796,186,099.99	7.91	117,835.54
Company H	528,221,680.81	5.24	78,176.81
Company I	455,806,057.90	4.53	67,459.30
Total	5,084,392,042.35	50.50	752,490.03

5. Prepayments

(1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	31/12/2023		31/12/2022	
	Amounts	Proportion (%)	Amounts	Proportion (%)
Within 1 year	45,932,130.14	82.54	62,954,404.18	85.78
1-2 years	9,717,406.31	17.46	10,435,725.27	14.22
Total	55,649,536.45	100.00	73,390,129.45	100.00

(2) Top five balances of prepayments categorized by receivers

Unit: RMB

Company name	Relationship with the Company	Book value	Proportion to total prepayments at 31 December 2023(%)
Company J	Third party	4,154,569.17	7.47
Company K	Third party	4,096,984.58	7.36
Company L	Third party	3,115,098.16	5.60
Company M	Third party	2,195,308.55	3.94
Company N	Third party	2,151,976.74	3.87
Total		15,713,937.20	28.24

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

6. Other receivables

(1) Summary of other receivables

Unit: RMB

ITEM	Book value at 31 December 2023	Book value at 31 December 2022
Dividends receivable	-	27,195,000.00
Other receivables	208,748,837.09	109,813,284.72
Total	208,748,837.09	137,008,284.72

(2) Dividends receivable

Unit: RMB

ITEM	Book value at 31 December 2023	Book value at 31 December 2022
SUMA-USI Electronics Co., Ltd.	-	27,195,000.00

(3) Disclosure of other receivables by aging

Unit: RMB

Aging	31/12/2023		
	Amounts	Bad debt provision	Proportion of provision (%)
Within 1 year	208,748,837.09	-	-

(4) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31 December 2023	Book value at 31 December 2022
Advances for third parties	94,510,940.45	44,945,200.51
Service and purchase rebates receivable	51,566,605.35	39,076,544.54
Contingent consideration receivable	29,366,894.59	-
Advance payments for employees	7,559,285.63	6,849,785.04
Others	25,745,111.07	18,941,754.63
Total	208,748,837.09	109,813,284.72

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

(6) As at 31 December 2023, there are no other receivables that have been actually written off by the Group.

(7) Top five other receivables at 31 December 2023 categorized by debtor

Unit: RMB

Company name	31/12/2023	Proportion to total other receivables at 31 December 2023(%)	Nature of the amount	Aging	Bad debt provision at 31 December 2023
ASDI Assistance Direction	29,366,894.59	14.07	Contingent consideration receivable	Within 1 year	-
Company O	18,427,807.53	8.83	Advances	Within 1 year	-
Company P	10,165,750.27	4.87	Advances	Within 1 year	-
Company Q	8,534,760.00	4.09	Advances	Within 1 year	-
Company R	5,636,367.92	2.70	Advances	Within 1 year	-
Total	72,131,580.31	34.56			-

(8) As at 31 December 2023, there were no other receivables presented for centralized management of funds.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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

7. Inventories

(1) Categories of inventories

Unit: RMB

ITEM	31/12/2023			31/12/2022		
	Book value	Provision for decline in value of inventories	Carrying amount	Book value	Provision for decline in value of inventories	Carrying amount
Raw materials	5,301,445,240.86	282,382,106.86	5,019,063,134.00	6,591,417,312.15	94,633,307.33	6,496,784,004.82
Work in progress	1,162,814,912.86	-	1,162,814,912.86	1,731,962,683.33	-	1,731,962,683.33
Finished goods	2,073,127,009.34	48,714,238.31	2,024,412,771.03	2,649,029,354.35	64,398,711.70	2,584,630,642.65
Reusable materials	105,620,183.85	-	105,620,183.85	96,516,345.02	-	96,516,345.02
Total	8,643,007,346.91	331,096,345.17	8,311,911,001.74	11,068,925,694.85	159,032,019.03	10,909,893,675.82

(2) Provision for decline in value of inventories

Unit: RMB

ITEM	31/12/2022	Provision	Decrease in the year		Exchange differences arising on translation of foreign currencies	31/12/2023
			Reversal	Write-off		
Raw materials	94,633,307.33	408,530,265.55	225,230,524.78	3,930,208.52	8,379,267.28	282,382,106.86
Finished goods	64,398,711.70	54,768,138.38	71,231,789.99	140,630.10	919,808.32	48,714,238.31
Total	159,032,019.03	463,298,403.93	296,462,314.77	4,070,838.62	9,299,075.60	331,096,345.17

ITEM	Specific determination basis of net realizable value	Reasons for reversal/write-off of provision for decline in value of inventories
Raw materials	The higher of the estimated selling price of raw materials less estimated costs of sales and related taxes and the estimated selling price of finished goods less estimated costs of completion and estimated costs necessary to make the sale as well as related taxes	Sold or net realizable value recovered
Work in progress	Value of estimated selling price less estimated costs of completion and estimated costs necessary to make the sale as well as related taxes	Sold or net realizable value recovered
Finished goods	Value of estimated selling price less estimated costs necessary to make the sale as well as related taxes	Sold or net realizable value recovered

8. Non-current assets due within one year

Unit: RMB

ITEM	31/12/2023	31/12/2022
Lease receivables	123,989.32	322,815.55

9. Other current assets

Unit: RMB

ITEM	31/12/2023	31/12/2022
Input taxes to be deducted	371,315,725.27	282,278,855.44
Tax refunds receivable	201,905,394.74	125,929,179.23
FPC expenses to be amortized	138,201,479.43	129,461,256.93
Prepaid income tax	102,930,242.78	24,922,506.88
Mold costs to be amortized	15,688,151.48	28,488,417.12
Others	8,221,292.24	8,501,117.12
Total	838,262,285.94	599,581,332.72

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

10. Long-term receivables

(1) Long-term receivables

Unit: RMB

ITEM	31/12/2023	31/12/2022
Lease receivables	130,008.71	193,997.66
Employee borrowings for house purchasing	13,517,402.09	12,191,896.64
Total	13,647,410.80	12,385,894.30

- (2) As at 31 December 2023, no provision for expected credit loss has been made as the Group's long-term receivables are less likely to be uncollectable.
- (3) As at 31 December 2023, there are no long-term receivables that have been actually written off by the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

11. Long-term equity investments

Unit: RMB

Name of investee	1/1/2023	Changes for the year								31/12/2023	Impairment provision at 31/12/2023
		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)	110,844,032.98	-	(110,844,032.98)	-	-	-	-	-	-	-	-
MUtek Electronics Co., Ltd. (Note 2)	6,030,425.80	-	-	(2,540,207.83)	-	-	-	-	56,832.79	3,547,050.76	-
II. Associates											
M-Universe Investments Pte. Ltd. (Note 3)	474,133,217.37	-	-	14,551,719.94	(7,656,754.91)	-	(11,274,179.59)	-	8,265,215.55	478,019,218.36	-
Questyle Audio Technology Co., Ltd. (Note 4)	20,000,000.00	-	-	(3,294,727.52)	-	-	-	-	-	16,705,272.48	-
Total	611,007,676.15	-	(110,844,032.98)	8,716,784.59	(7,656,754.91)	-	(11,274,179.59)	-	8,322,048.34	498,271,541.60	-

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 ½ voting rights, while approval for special resolutions require assent by shareholders representing over ¾ 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. The Company entered into an Agreement on Transfer of Equity of SUMA-USI Electronics Co., Ltd on 19 January 2023 with Cancon, an independent third party, to transfer all of its equity in SUMA-USI to Cancon.

(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, MUtek Electronics Co., Ltd. ("MUtek Electronics") with Merry Electronics Co., Ltd. ("Merry Electronics"). 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 2023, the accumulated capital contribution paid up by Universal Global Scientific Industrial Co., Ltd. totals TWD 29,400,000.00 (RMB 7,044,079.28), with a capital contribution of 49%. It is stipulated in the Joint-Venture Agreement that the financial and operating plans of MUtek Electronics shall be submitted to the Board of Directors for approval only when a joint resolution by Universal Global Scientific Industrial Co., Ltd. and Merry Electronics is achieved. According to the articles of association of MUtek Electronics, the board of directors is composed of 4 directors, 2 of whom are appointed by Universal Global Scientific Industrial Co., Ltd. Therefore, MUtek Electronics 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 SGD 1.35 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 accounted for under the equity method.

Note 4: In November 2022, the Company made an additional contribution of RMB 20,000,000.00 to Questyle Audio Technology Co., Ltd. ("Questyle Audio Technology"), to acquire 6.6667% of equity interests of Questyle Audio Technology 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 Questyle Audio Technology, 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 Questyle Audio Technology, which is an associate of the Company, and the Group accounts for it under the equity method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(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	Changes for the year				31/12/2023	Dividend income recognized in the year	Accumulated gains (losses) recognized in other comprehensive income	Reasons for designation as at fair value through other comprehensive income
		Additional investment	Reduction in investment	Gains (losses) recognized in other comprehensive income in the period	Translation differences arising on translation of financial statements denominated in foreign currencies				
TriKnight Capital Corporation (Note)	38,420,782.40	-	27,680,312.65	27,162,804.05	1,031,963.78	38,935,237.58	-	1,927,776.76	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.

(2) There were no other equity instrument investment derecognized in the year.

13. Other non-current financial assets

Unit: RMB

ITEM	31/12/2023	31/12/2022
PHI FUND, L.P.(Note X, 4)	147,061,750.52	100,510,388.15
Senscomm Semiconductor Co., Ltd. (Note X, 4)	23,483,780.53	24,752,828.36
Suzhou Yaotu Equity Investment Partnership (Note X, 4 and Note XIII, 1(1))	23,449,331.00	11,840,697.00
GaN System Inc.(Note X, 4) (Note)	-	33,022,365.35
Total	193,994,862.05	170,126,278.86

Note: GaN Systems Inc., invested by Universal Global Technology Co., Limited, a wholly-owned subsidiary of the Group, was disposed of in October 2023, with the proceeds from the disposal amounting to USD 6,910,747.27 (RMB 49,604,652.83) received.

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

14. Investment properties

(1) Investment properties measured using cost model

Unit: RMB

ITEM	Buildings
I. Original carrying amount	
1. 31/12/2022	-
2. Increase in the year	11,507,908.40
(1) Transfer from fixed assets	11,507,908.40
3. Decrease in the year	-
4. Translation differences arising from translation denominated in foreign currencies	-
5. 31/12/2023	11,507,908.40
II. Accumulated depreciation	
1. 31/12/2022	-
2. Increase in the year	7,183,862.89
(1) Provision	139,878.71
(2) Transfer from fixed assets	7,043,984.18
3. Decrease in the year	-
4. Translation differences arising from translation denominated in foreign currencies	-
5. 31/12/2023	7,183,862.89
III. Provision for impairment losses	
31/12/2022 & 31/12/2023	-
IV. Carrying amount	
1. 31/12/2023	4,324,045.51
2. 31/12/2022	-

- (2) As of 31 December 2023, the Group had no investment properties for which certificates of title have not been obtained.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

15. Fixed Assets

(1) Fixed assets

Unit: RMB

ITEM	Land operated overseas	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment, appliances and furniture	Renovation costs	Total
I. Original carrying amount							
1. 1/1/2023	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
2. Increase in the year	3,966,749.23	86,329,117.82	826,891,444.66	3,469,363.89	94,837,555.32	95,981,228.78	1,111,475,459.70
(1) Purchase	-	-	19,842,519.86	1,922,245.32	16,529,014.94	813,637.40	39,107,417.52
(2) Transfer from construction in progress	-	66,707,951.14	717,393,031.06	1,230,027.55	77,042,173.36	95,167,591.38	957,540,774.49
(3) Additions due to business combination	3,966,749.23	19,621,166.68	89,655,893.74	317,091.02	1,266,367.02	-	114,827,267.69
3. Decrease in the year	-	11,507,908.40	158,360,538.98	1,097,052.49	50,457,206.20	7,807,166.37	229,229,872.44
(1) Disposal or retirement	-	-	158,360,538.98	1,097,052.49	50,457,206.20	7,807,166.37	217,721,964.04
(2) Transfer to investment properties	-	11,507,908.40	-	-	-	-	11,507,908.40
4. Translation differences arising from translation denominated in foreign currencies	5,933,348.55	22,710,516.87	61,267,473.09	351,360.53	8,186,940.86	3,480,422.75	101,930,062.65
5. 31/12/2023	251,426,309.25	1,797,770,448.15	7,438,779,345.10	18,906,505.53	591,104,807.84	377,682,028.85	10,475,669,444.72
II. Accumulated depreciation							
1. 1/1/2023	-	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
2. Increase in the year	-	54,417,710.33	740,601,946.26	1,516,446.97	80,757,473.76	41,798,654.70	919,092,232.02
(1) Provision	-	54,417,710.33	740,601,946.26	1,516,446.97	80,757,473.76	41,798,654.70	919,092,232.02
3. Decrease in the year	-	7,043,984.18	147,383,930.43	1,074,400.67	49,244,784.32	7,807,166.37	212,554,265.97
(1) Disposal or retirement	-	-	147,383,930.43	1,074,400.67	49,244,784.32	7,807,166.37	205,510,281.79
(2) Transfer to investment properties	-	7,043,984.18	-	-	-	-	7,043,984.18
4. Translation differences arising from translation denominated in foreign currencies	-	1,734,609.78	29,061,514.82	138,060.58	4,175,062.53	1,233,016.21	36,342,263.92
5. 31/12/2023	-	540,529,440.74	4,639,109,082.80	12,431,470.17	364,001,907.13	171,682,022.91	5,727,753,923.75
III. Provision for impairment losses							
1. 1/1/2023	-	49,839,964.73	-	-	-	-	49,839,964.73
2. Increase in the year	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decrease in the year	-	-	-	-	-	-	-
(1) Disposal or retirement	-	-	-	-	-	-	-
4. Translation differences arising from translation denominated in foreign currencies	-	98,445.85	-	-	-	-	98,445.85
5. 31/12/2023	-	49,938,410.58	-	-	-	-	49,938,410.58
IV. Carrying amount							
1. 31/12/2023	251,426,309.25	1,207,302,596.83	2,799,670,262.30	6,475,035.36	227,102,900.71	206,000,005.94	4,697,977,110.39
2. 1/1/2023	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

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

15. Fixed assets - continued

- (2) As at 31 December 2023, the Group had no significant temporarily idle fixed asset.
- (3) As at 31 December 2023, the Group had no fixed assets of which certificates of title have not been obtained.
- (4) As at 31 December 2023, the Group had no fixed assets that have been pledged.
- (5) Impairment assessment of fixed assets

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.

Due to its long service life and repeated earthquakes, the main structure of the building A, B and C of Caotun No. 1 Plant of the Group's subsidiary, Universal Global Scientific Industrial Co., Ltd., has been damaged and needs to be dismantled and rebuilt. Therefore, the Group has set aside RMB 5,847,857.03 for impairment of fixed assets of building A, B and C.

16. Construction in progress

- (1) Construction in progress

Unit: RMB

ITEM	31/12/2023			31/12/2022		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Shengxia factory-Chip module production project	1,024,368.86	-	1,024,368.86	6,507,916.38	-	6,507,916.38
Veitnam factory-Wearable device production project	6,404,156.87	-	6,404,156.87	394,121.84	-	394,121.84
Huizhou factory-Electronic product production project	6,111,984.67	-	6,111,984.67	24,302,863.46	-	24,302,863.46
Mexico factory-New construction of the second factory project	359,629,706.09	-	359,629,706.09	34,594,399.14	-	34,594,399.14
Poland factory project	81,472,620.08	-	81,472,620.08	-	-	-
Other construction, decoration and uninstalled equipment	186,388,149.41	-	186,388,149.41	237,633,235.87	-	237,633,235.87
Total	641,030,985.98	-	641,030,985.98	303,432,536.69	-	303,432,536.69

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

16. Construction in progress - continued

(2) Changes in construction in progress

Unit: RMB

Item name	Budget	31/12/2022	Increase in the year	Additions due to business combination	Transfer to fixed assets	Transferred to long-term prepaid expenses in the year	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2023	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	842,830,100.00	6,507,916.38	3,627,218.24	-	(6,650,765.76)	(2,460,000.00)	-	1,024,368.86	79%	-	-	-	Self-owned funds / Raised funds
Vietnam factory-Wearable device production project	1,400,000,000.00	394,121.84	124,702,065.69	-	(118,732,957.21)	-	40,926.55	6,404,156.87	54%	-	-	-	Self-owned funds / Raised funds
Huizhou factory-Electronic product production project	1,350,000,000.00	24,302,863.46	61,693,473.87	-	(79,884,352.66)	-	-	6,111,984.67	54%	-	-	-	Self-owned funds / Raised funds
Mexico factory-New construction of the second factory project	662,221,825.95	34,594,399.14	413,623,041.68	-	(90,999,425.22)	-	2,411,690.49	359,629,706.09	62%	-	-	-	Self-owned funds / Raised funds
Poland factory project	88,855,860.24	-	83,083,768.95	-	(7,528,679.40)	-	5,917,530.53	81,472,620.08	94%	-	-	-	Self-owned funds
Other construction, decoration and uninstalled equipment	NA	237,633,235.87	669,525,518.96	37,070,089.15	(653,744,594.24)	(108,354,718.83)	4,258,618.50	186,388,149.41	NA	-	-	-	Self-owned funds
Total		303,432,536.69	1,356,255,087.39	37,070,089.15	(957,540,774.49)	(110,814,718.83)	12,628,766.07	641,030,985.98					

(3) As at 31 December 2023, the Group had no construction in progress that requires provision for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

17. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

ITEM	Buildings	Machinery and equipment	Transportation equipment	Others	Total
I. Original carrying amount					
1. 1/1/2023	834,020,158.45	1,048,499.73	10,359,904.23	2,379,011.77	847,807,574.18
2. Increase in the year	267,345,673.30	1,290,002.40	4,993,142.61	588,188.57	274,217,006.88
(1) Increase	237,791,830.46	832,090.65	3,213,443.30	588,188.57	242,425,552.98
(2) Additions due to business combination	29,553,842.84	457,911.75	1,779,699.31	-	31,791,453.90
3. Decrease in the year	34,742,153.07	319,700.98	647,045.18	737,733.14	36,446,632.37
(1) Disposal or retirement	34,742,153.07	319,700.98	647,045.18	737,733.14	36,446,632.37
4. Translation differences arising from translation denominated in foreign currencies	15,855,602.42	56,697.66	601,711.27	51,566.33	16,565,577.68
5. 31/12/2023	1,082,479,281.10	2,075,498.81	15,307,712.93	2,281,033.53	1,102,143,526.37
II. Accumulated depreciation					
1. 1/1/2023	361,638,362.68	865,004.37	4,145,929.80	1,289,030.78	367,938,327.63
2. Increase in the year	135,278,210.66	286,718.06	3,429,801.91	581,633.99	139,576,364.62
(1) Provision	135,278,210.66	286,718.06	3,429,801.91	581,633.99	139,576,364.62
3. Decrease in the year	15,933,510.48	319,700.98	557,970.12	737,733.14	17,548,914.72
(1) Disposal or retirement	15,933,510.48	319,700.98	557,970.12	737,733.14	17,548,914.72
4. Translation differences arising from translation denominated in foreign currencies	5,898,436.76	24,548.98	272,080.74	28,120.61	6,223,187.09
5. 31/12/2023	486,881,499.62	856,570.43	7,289,842.33	1,161,052.24	496,188,964.62
III. Provision for impairment losses					
1/1/2023 & 31/12/2023	-	-	-	-	-
IV. Carrying amount					
1. 31/12/2023	595,597,781.48	1,218,928.38	8,017,870.60	1,119,981.29	605,954,561.75
2. 1/1/2023	472,381,795.77	183,495.36	6,213,974.43	1,089,980.99	479,869,246.55

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 2023, the short-term lease expenses included in the profit or loss for the current period and treated under a simplified method is RMB 24,250,481.19 (2022: RMB 18,867,022.49), and the cash outflows related to leases are RMB 186,457,187.69 (2022: RMB 172,129,856.01).

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

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 at 31 December 2023, the Group had no leases committed but not yet commenced.

(2) As at 31 December 2023, the Group had no right-of-use asset that requires provision for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

18. Intangible assets

(1) Intangible assets

Unit: RMB

ITEM	Software	Patents	Trademarks	Land use right	Customer relation	Total
I. Original carrying amount						
1. 1/1/2023	457,907,806.82	2,080,818.66	410,137.84	130,798,786.63	166,955,335.81	758,152,885.76
2. Increase in the year	28,356,471.16	-	-	1,285,358.98	-	29,641,830.14
(1) Purchase	28,356,471.16	-	-	1,285,358.98	-	29,641,830.14
3. Decrease in the year	6,126,358.67	-	-	1,277,911.74	-	7,404,270.41
(1) Disposal or retirement	6,126,358.67	-	-	1,277,911.74	-	7,404,270.41
4. Translation differences arising from translation denominated in foreign currencies	12,002,275.49	34,025.67	3,832.73	2,035,700.62	8,943,785.71	23,019,620.22
5. 31/12/2023	492,140,194.80	2,114,844.33	413,970.57	132,841,934.49	175,899,121.52	803,410,065.71
II. Accumulated amortization						
1. 1/1/2023	303,188,607.33	2,080,818.66	410,137.84	15,790,008.76	21,578,379.03	343,047,951.62
2. Increase in the year	75,333,177.34	-	-	3,274,109.26	10,711,338.27	89,318,624.87
(1) Provision	75,333,177.34	-	-	3,274,109.26	10,711,338.27	89,318,624.87
3. Decrease in the year	4,776,100.21	-	-	35,091.43	-	4,811,191.64
(1) Disposal or retirement	4,776,100.21	-	-	35,091.43	-	4,811,191.64
4. Translation differences arising from translation denominated in foreign currencies	5,936,222.35	34,025.67	3,832.73	126,817.83	1,450,465.91	7,551,364.49
5. 31/12/2023	379,681,906.81	2,114,844.33	413,970.57	19,155,844.42	33,740,183.21	435,106,749.34
III. Provision for impairment losses						
1/1/2023 & 31/12/2023	-	-	-	-	-	-
IV. Carrying amount						
1. 31/12/2023	112,458,287.99	-	-	113,686,090.07	142,158,938.31	368,303,316.37
2. 1/1/2023	154,719,199.49	-	-	115,008,777.87	145,376,956.78	415,104,934.14

(2) As at 31 December 2023, the Group had no land use rights of which certificates of title have not been obtained.

(3) As at 31 December 2023, the Group had no intangible asset that requires provision for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

19. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of investee	31/12/2022	Changes for the year		31/12/2023
		Arising from business combination	Translation differences arising on translation of financial statements denominated in foreign currencies	
USI Poland	28,453,036.29	-	482,483.36	28,935,519.65
FAFG	548,276,146.45	-	29,371,114.99	577,647,261.44
Hirschmann	-	1,139,331.87	(15,157.79)	1,124,174.08
Total	576,729,182.74	1,139,331.87	29,838,440.56	607,706,955.17

(2) Impairment provision of goodwill

As at 31 December 2023, there is no impairment provision of goodwill.

(3) Relative information of asset group or a set of asset groups where the goodwill is related

Name	Composition of the asset group or a set of asset groups and its basis	Operating segment and its basis	Is it consistent with previous years
FAFG China	FAFG – Company in Mainland China Cash flow generated independently	Mainland China Manufacturing location	Yes
FAFG Europe	FAFG - Company in Europe Cash flow generated independently	European region Manufacturing location	Yes
USI Poland	USI Poland Cash flow generated independently	European region Manufacturing location	Yes
Hirschmann (Note)	Hirschmann Cash flow generated independently	European region Manufacturing location	N/A

Note: Hirschmann is located in Luxembourg and mainly engages in the design and manufacture of connectors and sensors. This acquisition is part of the Group's global industrial layout and is of strategic importance to the Group. When the financial statement for 2023 was publicly disclosed, the Group had not yet obtained an assessment report, therefore, 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, the Group recognizes and measures the combination using those provisional values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

19. Goodwill

(4) Specific method of determining the recoverable amount

Recoverable amount determined by the present value of the estimated future cash flows.

Unit: RMB

ITEM	Carrying amount	Recoverable amount	Amount of impairment	Projection period	Key parameters for projection period	Basis to determine the parameters for projection period	Key parameters for steady period	Basis to determine the key parameters for steady period
FAFG China	1,933,767,216.50	1,974,800,033.98	-	5 years	Growth rate of the projection period and profit margin	Growth forecast based on itself and relevant industries	Discount rate and long-term growth rate	Long-term discount rate and average growth rate of the industry
FAFG Europe	1,646,408,428.70	1,927,735,157.17	-	5 years	Growth rate of the projection period and profit margin	Growth forecast based on itself and relevant industries	Discount rate and long-term growth rate	Long-term discount rate and average growth rate of the industry
USI Poland	402,700,628.91	637,953,456.90	-	5 years	Growth rate of the projection period and profit margin	Growth forecast based on itself and relevant industries	Discount rate and long-term growth rate	Long-term discount rate and average growth rate of the industry
Total	3,982,876,274.11	4,540,488,648.05						

20. Long-term prepaid expenses

Unit: RMB

ITEM	31/12/2022	Increase in the year	Transfer from construction in progress	Amortization for the year	Translation of financial statements denominated in foreign currencies	31/12/2023
Leased-in plant decoration works	175,835,331.45	469,912.51	110,814,718.83	76,621,504.00	2,130,550.13	212,629,008.92

21. Deferred tax assets/ deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

ITEM	31/12/2023		31/12/2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	349,082,227.15	68,671,893.65	208,062,389.07	31,887,923.33
Provision for credit loss	40,837,701.20	6,996,575.28	15,676,029.63	3,497,503.49
Deferred income	58,185,280.57	8,728,331.08	60,443,410.66	9,066,511.61
Employee benefits payable	263,238,805.17	40,813,544.17	351,822,136.42	52,882,512.01
Defined benefit plans	131,600,416.30	31,828,838.11	124,981,766.96	29,645,702.88
Depreciation differences	5,058,455.04	887,662.10	3,782,236.82	567,335.52
Provisions	54,423,688.91	11,683,937.24	622,851.27	93,427.69
Unrealized profit	68,178,132.14	12,438,968.17	70,059,384.65	13,081,751.13
Deductible losses	323,379,248.56	69,535,131.21	414,036,219.02	84,693,112.30
Sales discount	458,680,034.68	81,787,688.20	471,651,001.33	84,235,913.19
Lease liabilities	441,145,480.48	93,761,901.35	4,485,110.49	584,949.23
Others	264,590,855.95	63,661,694.38	243,920,840.71	57,756,496.66
Total	2,458,400,326.15	490,796,164.94	1,969,543,377.03	367,993,139.04

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

21. Deferred tax assets/ deferred tax liabilities - continued

(2) Deferred tax liabilities that are not offset

Unit: RMB

ITEM	31/12/2023		31/12/2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation differences in research and development equipment tax credits	30,215,661.25	4,575,432.53	33,801,264.60	5,070,189.69
Right-of-use assets	417,724,474.58	89,196,889.01	4,111,128.03	474,680.94
Fair value adjustment for business combination involving enterprise not under common control	312,084,381.21	79,961,737.10	345,346,062.78	87,631,726.67
Others	35,219,714.85	11,424,808.03	9,110,065.15	3,491,677.02
Total	795,244,231.89	185,158,866.67	392,368,520.56	96,668,274.32

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

Unit: RMB

ITEM	31/12/2023		31/12/2022	
	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 end of the year	Deferred tax assets or liabilities after offset
Deferred tax assets	(103,522,210.84)	387,273,954.10	(9,036,547.65)	358,956,591.39
Deferred tax liabilities	103,522,210.84	81,636,655.83	9,036,547.65	87,631,726.67

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.

(4) Deferred tax assets not recognized

Unit: RMB

ITEM	31/12/2023	31/12/2022
Deductible temporary differences	6,680,749.95	8,449,752.27
Deductible losses	280,875,884.29	167,659,979.97
Total	287,556,634.24	176,109,732.24

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

Unit: RMB

Year	31/12/2023	31/12/2022
No time limit	280,875,884.29	167,659,979.97

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.

22. Other non-current assets

Unit: RMB

ITEM	31/12/2023	31/12/2022
Prepayment for equipment	47,404,680.89	113,538,490.61
Prepayment for platform fee	10,179,323.04	-
Guarantee and deposit	9,576,400.85	10,487,765.93
Prepayment for enterprise income tax	1,114,386.14	155,287.50
Others	-	430,351.28
Total	68,274,790.92	124,611,895.32

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

23. Assets with restrictions on ownership or use rights

Unit: RMB

ITEM	31/12/2023				31/12/2022			
	Book value	Carrying amount	Restriction type	Restriction case	Book value	Carrying amount	Restriction type	Restriction case
Other cash and bank balances	20,975,282.12	20,975,282.12	Investment deposit	Investment deposit	14,757,734.50	14,757,734.50	Customs deposit	Customs deposit
Other cash and bank balances	13,430,328.50	13,430,328.50	Customs deposit	Customs deposit	2,214,334.90	2,214,334.90	Foreign exchange margin	Foreign exchange margin
Total	34,405,610.62	34,405,610.62			16,972,069.40	16,972,069.40		

24. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

ITEM	31/12/2023	31/12/2022
Credit loans	4,378,428,691.47	4,499,463,404.21

As at 31 December 2023, the Group's short-term borrowings are all composed of credit loans with no pledged, mortgaged or guaranteed borrowings.

(2) As at 31 December 2023, the Group has no short-term borrowings overdue but not yet repaid.

25. Derivative financial liabilities

Unit: RMB

ITEM	31/12/2023	31/12/2022
Financial liabilities at FVTPL	173,872.64	3,118,891.32
Including: Derivative financial instruments (Note)	173,872.64	3,118,891.32

Note: The derivative financial liabilities held by the group are foreign exchange forward contract.

26. Accounts payable

(1) Accounts payable

Unit: RMB

ITEM	31/12/2023	31/12/2022
Payable for materials	10,075,200,190.46	10,295,963,612.28
Payable for assets	177,402,797.98	352,221,507.19
Expenses payable	321,520,781.03	408,005,735.96
Total	10,574,123,769.47	11,056,190,855.43

(2) As at 31 December 2023, the Group has no significant accounts payable aged more than one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

27. Contract liabilities

(1) Contract liabilities

Unit: RMB

ITEM	31/12/2023	31/12/2022
Receipts in advance	348,380,131.33	411,898,442.43

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 411,898,442.43 at the beginning of the year has been recognized as revenue in the current year, while that of RMB 348,380,131.33 at the end of the year is expected to be recognized as revenue in 2024.

28. Employee benefits payable

(1) Employee benefits payable

Unit: RMB

ITEM	31/12/2022	Additions due to business combination	Additions	Disposals	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2023
1. Short-term benefits	1,106,270,951.67	39,471,973.14	3,932,967,955.02	4,199,552,194.46	14,255,553.27	893,414,238.64
2. Post-employment benefits-defined contribution plan	26,622,538.88	1,156,500.03	248,141,707.59	247,538,609.38	704,136.19	29,086,273.31
3. Long-term employee benefits payable due within one year	15,578,087.34	-	16,749,790.68	31,908,844.17	(8,290.72)	410,743.13
4. Termination benefits	13,413,516.00	-	10,378,581.00	23,792,097.00	-	-
Total	1,161,885,093.89	40,628,473.17	4,208,238,034.29	4,502,791,745.01	14,951,398.74	922,911,255.08

(2) Short-term employee benefits

Unit: RMB

ITEM	31/12/2022	Additions due to business combination	Additions	Disposals	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2023
1. Wages or salaries, bonuses, allowances and subsidies	1,036,408,739.69	39,459,368.49	3,273,219,972.92	3,541,699,689.48	11,724,994.64	819,113,386.26
2. Staff welfare	20,251,084.80	-	292,377,411.81	289,455,832.11	1,179,731.03	24,352,395.53
3. Social security contributions	42,402,128.80	-	275,055,916.39	275,091,368.01	1,250,424.04	43,617,101.22
Including: Medical insurance	34,568,797.29	-	192,093,557.15	192,633,998.61	1,008,035.95	35,036,391.78
Work injury insurance	7,274,685.88	-	52,039,772.84	51,749,412.22	151,857.83	7,716,904.33
Maternity insurance	35,536.04	-	1,635,978.13	1,631,694.75	625.85	40,445.27
Overseas comprehensive insurance expenses	523,109.59	-	29,286,608.27	29,076,262.43	89,904.41	823,359.84
4. Housing funds	6,165,312.10	12,604.65	81,455,834.01	82,569,943.41	85,256.50	5,149,063.85
5. Union running costs and employee education cost	1,043,686.28	-	10,858,819.89	10,735,361.45	15,147.06	1,182,291.78
Total	1,106,270,951.67	39,471,973.14	3,932,967,955.02	4,199,552,194.46	14,255,553.27	893,414,238.64

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

28. Employee benefits payable - continued

(3) Defined contribution plan (Note)

Unit: RMB

ITEM	31/12/2022	Additions due to business combination	Additions	Disposals	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2023
1. Basic pensions	26,203,757.37	1,156,500.03	232,422,846.31	231,829,353.04	694,603.12	28,648,353.79
2. Unemployment insurance	418,781.51	-	15,718,861.28	15,709,256.34	9,533.07	437,919.52
Total	26,622,538.88	1,156,500.03	248,141,707.59	247,538,609.38	704,136.19	29,086,273.31

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 232,422,846.31 and RMB 15,718,861.28 (2022: RMB 220,035,658.76 and RMB 13,331,790.43). As at 31 December 2023, 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 28,648,353.79 and RMB 437,919.52 (31 December 2022: RMB 26,203,757.37 and RMB 418,781.51). The outstanding contributions have been paid after the reporting period.

29. Taxes payable

Unit: RMB

ITEM	31/12/2023	31/12/2022
Enterprise income tax	155,394,883.50	239,183,763.40
Withholding of income tax	105,052,473.58	71,203,696.31
Value-added taxes ("VAT")	52,031,278.71	45,323,905.31
Individual income tax	15,701,551.89	7,935,318.38
Surcharges	16,369,181.10	17,025,179.34
Stamp duty	5,491,534.27	7,123,546.41
Withholding of VAT and levies	28,017.34	-
Others	5,585,493.99	295,315.40
Total	355,654,414.38	388,090,724.55

30. Other payables

(1) Other payables

Unit: RMB

ITEM	31/12/2023	31/12/2022
Interest payable	-	20,270,005.36
Other payables	1,044,770,045.86	696,662,698.41
Total	1,044,770,045.86	716,932,703.77

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

30. Other payables - continued

(2) Interest payable

Unit: RMB

ITEM	31/12/2023	31/12/2022
Interest payables of short-term borrowings	-	14,059,324.30
Interest payables of long-term borrowings	-	482,848.75
Interest payables of bonds	-	5,727,832.31
Total	-	20,270,005.36

As at 31 December 2023, the Group has no significant interest payables due.

(3) Other payables by nature

Unit: RMB

ITEM	31/12/2023	31/12/2022
Collection on behalf of third parties	357,810,180.31	327,342,648.15
Customer deposit	292,519,736.99	200,960,766.77
Outstanding payment for equity purchases (Note (VI), 1)	147,199,754.10	-
Accrued expenses	133,266,647.54	53,493,020.82
Professional service fee	31,132,851.27	45,785,605.37
Miscellaneous fees	22,388,211.91	9,900,940.43
Utilities, storage and transportation costs	9,601,794.55	25,010,517.18
Procurement of non-raw materials	1,659,108.02	1,858,465.18
Others	49,191,761.17	32,310,734.51
Total	1,044,770,045.86	696,662,698.41

As at 31 December 2023, the Group has no significant other payables aged more than one year.

31. Non-current liabilities due within one year

Unit: RMB

ITEM	31/12/2023	31/12/2022
Bonds payable due within one year (Note (V). 34)	3,381,278,375.98	-
Lease liabilities due within one year (Note (V). 35)	166,945,559.82	141,963,140.51
Long-term borrowings due within one year (Note (V). 33)	15,801,814.76	364,856,884.72
Total	3,564,025,750.56	506,820,025.23

32. Other current liabilities

Unit: RMB

ITEM	31/12/2023	31/12/2022
Relocation expense of Shenzhen plant	3,944,775.07	3,661,569.01

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

33. Long-term borrowings

Details of long-term borrowings

Unit: RMB

ITEM	31/12/2023	31/12/2022
Credit loans (Note)	63,187,765.86	424,284,423.60
Less: Long-term borrowings included in non-current liabilities due within one year (Note (V). 31)	15,801,814.76	364,856,884.72
Total	47,385,951.10	59,427,538.88

Note: 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 31 December 2023, the balance of the above borrowings of EUR 2,000,000.00, equivalent to RMB 15,652,767.00 and its interest of RMB 149,047.76, totaling RMB 15,801,814.76 is included in the non-current liabilities due within one year.

As at 31 December 2023, the Group had no long-term borrowings that were due but not yet repaid.

34. Bonds payable

(1) Bonds payable

Unit: RMB

ITEM	31/12/2023	31/12/2022
Convertible corporate bonds	-	3,243,085,241.27

(2) Movements in bonds payable

Unit: RMB

Name of bonds	Nominal value	Date of issue	Term	Issue amount	31/12/2022	Issued in this period	Interest accrued as per nominal value	Amortization of premiums or discounts	Swap to equity	Amount recognized in non-current liabilities due within one year (Note)	31/12/2023	Default or not
Universal Global Convertible Bonds (SH:113045)	100	4 March 2021	6 years	3,450,000,000.00	3,243,085,241.27	-	18,308,308.90	139,416,505.81	51,341.46	3,381,278,375.98	-	No

Note: According to the terms of selective resale in the prospectus of the Company's public offering of convertible bonds: 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. As of 31 December 2023, all of the above bonds payable are recognized in non-current liabilities due within one year (including the interest payables of bonds: RMB 17,136,279.26).

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

34. Bonds payable - continued

(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 RMB 30 million, 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.

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.

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

34. Bonds payable - continued

(3) Description on issuing, conversion condition and conversion time of convertible corporate bonds - continued

When the convertible bonds have been issued for three years, the holders of the convertible bonds have the right to sell back at one time, that is, they have the right to sell back all or part of the convertible bonds held by them to the company at 102.00% (including the interest of the third year). After the conditions for the option of resale terms are met, the holders of convertible bonds may carry out resale within the reporting period for the option of resale after the announcement of the company; Those who do not carry out resale within the reporting period of selective resale shall no longer enjoy the rights agreed in the terms of selective resale.

The initial conversion price of convertible bonds issued this time is RMB 20.25 per share. According to the resolution of the general meeting of shareholders on 23 April 2021, the Company distributed cash dividends to all shareholders, with a cash dividend of RMB 5.00 per 10 shares. Therefore, as of 31 December 2021, the conversion price was adjusted to RMB 19.75 per share. In accordance with the resolution of the general meeting of shareholders on 19 April 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 19 April 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, the price of convertible bonds to equity is adjusted to RMB 19.50 per share. In accordance with the resolution of the general meeting of shareholders on 24 April 2023, the Company will pay a cash dividend of RMB 4.3 per 10 shares to all shareholders. Therefore, the conversion price is adjusted to RMB 19.07 per share. On 28 November 2023, 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 is adjusted to RMB 19.06 per share due to the reaching of conversion price adjustment criteria for cumulative stock option exercises.

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 139,416,505.81 withdrawn according to the effective interest rate method in the current period.

As of 31 December 2023, the Company has convertible bonds with face value of RMB 122,000 (book value of RMB 113,272.01) converted into A-share ordinary shares, and the number of shares converted is 6,215 shares. Among them, in 2023, convertible bonds with a face value of RMB 54,000 (book value of RMB 51,341.46) were converted into A-share ordinary shares, the number of shares converted was 2,776 shares, and RMB 93.03 was paid for commissions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

35. Lease liabilities

(1) Details of lease liabilities

Unit: RMB

ITEM	31/12/2023	31/12/2022
Lease liabilities	653,720,789.24	523,688,862.68
Less: Lease liabilities included in non-current liabilities due within one year (Note (V). 31)	166,945,559.82	141,963,140.51
Total	486,775,229.42	381,725,722.17

The following is the maturity analysis for lease liabilities which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Within 1 year	1-5 years	Over 5 years	Total
31/12/2023	171,679,696.45	329,233,957.90	217,512,341.22	718,425,995.57
31/12/2022	146,788,462.63	339,833,985.72	67,277,656.29	553,900,104.64

36. Long-term payables

Unit: RMB

ITEM	31/12/2023	31/12/2022
Software licensing fee (Note)	31,646,041.98	44,878,564.09
Less: Long-term payables due within one year	6,119,744.14	13,765,268.38
Total	25,526,297.84	31,113,295.71

Note: It refers to software licensing fee payable by the Group, of which the portion due within one year is recognized in accounts payable.

37. Long-term employee benefits payable

(1) Long-term employee benefits payable

Unit: RMB

ITEM	31/12/2023	31/12/2022
1. Post-employment benefits- net liability of defined benefit plans	264,679,080.96	195,627,020.11
2. termination benefits	8,926,811.49	3,715,489.91
Total	273,605,892.45	199,342,510.02

(2) Changes in defined benefit plans

Net liability of defined benefit plans

Unit: RMB

ITEM	2023	2022
I. 31/12/2022	211,205,107.45	307,160,168.23
II. Additions due to business combination (Note (VI), 1)	42,393,319.88	-
III. Defined benefits costs recognized in profit or loss for the year	13,489,424.98	8,415,658.22
IV. Defined benefits costs recognized in other comprehensive income	19,541,638.43	(67,885,313.64)
V. Amount contributed and paid during the year	(31,908,844.17)	(38,194,655.22)
VI. Exchange differences arising on translation of foreign currencies	10,369,177.52	1,709,249.86
VII. 31/12/2023	265,089,824.09	211,205,107.45
Less: Long-term employee benefits payable due within one year	410,743.13	15,578,087.34
Long-term employee benefits payable paid after one year	264,679,080.96	195,627,020.11

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

37. Long-term employee benefits payable - continued

(2) Changes in defined benefit plans - continued

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

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 9 to 10 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 9 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:

	31/12/2023	31/12/2022
Discount rate	1.40%	1.80%
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 sixth 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 8,082,652.27 (increased by RMB 8,659,556.19) and RMB448,421.12 (increased by RMB 476,332.10), 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 8,543,760.20 (decreased by RMB 8,057,509.32) and RMB 470,104.03 (decreased by RMB 447,037.10), respectively.

The Group hired Confera 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

37. Long-term employee benefits payable - continued

(2) Changes in defined benefit plans - continued

The following table lists the significant actuarial assumptions used by FAFG in determining the present value of the defined benefit plan obligations:

	31/12/2023	31/12/2022
Discount rate	3.15%-3.75 %	3.75%
Future salary growth rate	2.25%-2.6 %	1.5%-2.25 %
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 8,034,353.99 (increased by RMB 8,715,210.22).
- 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 2,818,233.74 (decreased by RMB 2,660,868.65).

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.

38. Provisions

Unit: RMB

ITEM	31/12/2023	31/12/2022
Products quality assurance	41,946,064.03	7,350,296.14
Return of government grants (Note (VIII), 1)	6,333,000.00	-
Total	48,279,064.03	7,350,296.14

39. Deferred income

(1) Details of deferred income

Unit: RMB

ITEM	31/12/2022	Additions	Disposals	Translation differences arising on translation of financial statements denominated in foreign currencies	31/12/2023	Reason
Government grants	60,913,501.65	21,000,000.00	23,915,752.34	109,192.63	58,106,941.94	Note (VIII), 1
Subsidies for purchase of fixed assets	2,281,707.65	52,681.35	626,489.54	70,164.26	1,778,063.72	
Total	63,195,209.30	21,052,681.35	24,542,241.88	179,356.89	59,885,005.66	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

40. Other non-current liabilities

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

41. Share capital

Unit: RMB

	31/12/2022	Changes for the year		31/12/2023
		New shares issued(Note 1)	Convertible bond to equity swap (Note 2)	
Total shares	2,206,864,239.00	3,124,565.00	2,776.00	2,209,991,580.00

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 2023, 64,467 common shares were vested at a price of RMB 15.54 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 2023, 376,350 and 2,683,748 ordinary shares granted by the Company were exercised at RMB 12.41 and RMB 11.98 respectively and registered with the Shanghai Branch of China Securities Depositories and Clearing Co., LTD. The total increase in capital stock is RMB 3,124,565.00 and capital reserve is RMB 34,699,093.12.

Note 2: See Note V, 34 for convertible bond to equity swap.

42. Other equity instruments

Unit: RMB

Outstanding financial instruments	31/12/2022		Additions		Disposals		31/12/2023	
	Qty.	Carrying amount	Qty.	Carrying amount	Qty.	Carrying amount	Qty.	Carrying amount
Convertible corporate bonds	34,499,320	409,897,126.04	-	-	540.00	6,415.90	34,498,780.00	409,890,710.14

Note: Other equity instruments are formed by the equity part of convertible corporate bonds issued. For the details, see Note (V), 34.

43. Capital reserve

Unit: RMB

ITEM	31/12/2022	Additions	Disposals	31/12/2023
Share premium	2,075,432,435.94	61,472,254.03	3,366,070.64	2,133,538,619.33
Including: Share capital invested by investors (Note V. (41))	3,161,126,600.33	34,699,093.12	-	3,195,825,693.45
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	118,492,564.42	26,354,526.01	-	144,847,090.43
Treasury shares transferred out (Note (V). 44)	(106,264,417.99)	363,746.57	3,366,070.64	(109,266,742.06)
Exercise of convertible bonds (Note (V). 34)	66,177.78	54,888.33	-	121,066.11
Other capital reserve	159,097,449.68	17,684,000.00	26,354,526.01	150,426,923.67
Total	2,234,529,885.62	79,156,254.03	29,720,596.65	2,283,965,543.00

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

44. Treasury shares

Unit: RMB

ITEM	31/12/2022	Increase in the year (Note 1)	Decrease in the year (Note 2)	31/12/2023
Employee stock ownership plan	351,392,965.86	364,587.57	30,026,557.89	321,730,995.54

Note 1: In 2023, 30,600 Treasury shares will be returned to the Group in accordance with the 2020 Employee Stock Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. among which RMB 363,746.57 will be included in the capital reserve, and related taxes and commissions of RMB 841.00 will be paid.

Note 2: In 2023, in accordance with the 2019 Employee Stock Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd., the Motion to Amend the Core Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. (Revised) and its summary and the Motion of 2023 Employee Stock Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. and its summary, the Group used 1,715,250 shares of treasury stock for the exercise of options under the Employee Stock Ownership Plan and 372,000 shares of treasury stock were transferred to the account of the Company's Employee Stock Ownership Plan. A total of 2,087,250 shares of treasury stock were transferred out for a total of RMB 30,026,557.89. The Group received RMB 26,686,556.25 from employees for the exercise of shares under the Employee Stock Ownership Plan, among which RMB 3,366,070.64 was reduced to capital reserve and RMB 26,069.00 was paid for related taxes and commissions.

45. Other comprehensive income

Unit: RMB

ITEM	31/12/2022	Amount incurred in the current year					31/12/2023
		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	(26,999,602.49)	7,621,165.62	-	(4,546,957.50)	12,172,076.30	(3,953.18)	(14,827,526.19)
Including: Recalculation of the changes in defined benefit plans	(1,764,575.20)	(19,541,638.43)	-	(4,546,957.50)	(14,990,727.75)	(3,953.18)	(16,755,302.95)
Fair value changes in other equity instruments investment	(25,235,027.29)	27,162,804.05	-	-	27,162,804.05	-	1,927,776.76
II. Other comprehensive income that will be reclassified to profit or loss	138,849,771.07	138,485,940.43	-	-	137,704,410.57	781,529.86	276,554,181.64
Including: Other comprehensive income that can be reclassified to profit or loss under equity method	(14,471,287.68)	(7,656,754.91)	-	-	(7,656,754.91)	-	(22,128,042.59)
Exchange differences on translation of financial statements denominated in foreign currencies	3,401,475.38	217,631,386.30	-	-	216,849,856.44	781,529.86	220,251,331.82
Hedges for net investment in foreign operations	149,919,583.37	(71,488,690.96)	-	-	(71,488,690.96)	-	78,430,892.41
Total other comprehensive income	111,850,168.58	146,107,106.05	-	(4,546,957.50)	149,876,486.87	777,576.68	261,726,655.45

46. Surplus reserve

Unit: RMB

ITEM	31/12/2022	Additions	Disposals	31/12/2023
Statutory surplus reserve (Note)	862,080,832.26	104,720,922.14	-	966,801,754.40

Note: According to the Articles of Association, Universal Scientific Industrial (Shanghai) Co., Ltd. is required to transfer 10% of its net profit in 2023 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.

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

47. Retained profits

ITEM	Unit: RMB	
	2023	2022
Retained profits at the end of prior year	10,275,564,894.22	7,906,260,771.90
Add: Net profit attributable to owners of the Company for the year	1,947,846,866.12	3,059,967,081.20
Less: Appropriation to statutory surplus reserve (Note 1)	104,720,922.14	124,076,162.30
Dividends on ordinary shares payable (Note 2)	938,928,461.98	566,586,796.58
Retained profits at the end of the year (Note 3)	11,179,762,376.22	10,275,564,894.22

(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.

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

As proposed by the resolution of the Twentieth Meeting of the Fifth Session of the Board of Directors of the Company held on 31 March 2023, and approved by the Annual General Meeting on 24 April 2023, a cash dividend of RMB 4.30 (including tax) per 10 shares will be distributed on the basis of the total share capital registered 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 Tenth Meeting of the Sixth Session of the Board of Directors of the Company held on 29 March 2024, a cash dividend of RMB 2.70 (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 2023, the balance of the Group's retained profits include appropriation to surplus reserve by subsidiaries amounting to RMB 1,395,095,817.26 (31 December 2022: RMB 1,296,513,372.15).

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

48. 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	
	Revenue	Cost	Revenue	Cost
Principal operating activities	60,729,838,575.32	54,935,760,001.34	68,470,093,860.59	61,323,766,793.99
Other operating activities	62,070,962.55	3,376,480.35	45,982,102.67	3,307,737.74
Total	60,791,909,537.87	54,939,136,481.69	68,516,075,963.26	61,327,074,531.73

(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 (restated)	
	Revenue	Principal operating costs	Revenue	Principal operating costs
Communication products	21,799,269,805.02	20,103,196,795.12	25,624,979,063.69	23,211,611,845.63
Consumer electronic products	19,254,189,286.98	17,728,131,621.69	21,728,941,113.99	19,901,381,324.59
Industrial products	8,164,460,442.66	6,982,306,047.58	8,656,421,000.15	7,265,264,364.72
Cloud and storage products	5,378,779,152.02	4,518,126,147.87	6,991,437,378.04	5,920,727,473.01
Automotive electronic products	5,137,439,831.33	4,721,705,037.54	4,662,922,798.27	4,252,380,090.12
Medical products	376,027,790.19	350,579,209.65	202,191,045.99	181,900,362.57
Others	619,672,267.12	531,715,141.89	603,201,460.46	590,501,333.35
Total	60,729,838,575.32	54,935,760,001.34	68,470,093,860.59	61,323,766,793.99

(3) Other operating income and other operating costs:

Unit: RMB

ITEM	Amount incurred in the current year		Amount incurred in the prior year	
	Other operating income	Other operating costs	Other operating income	Other operating costs
Scrap income	53,239,459.39	-	39,603,898.97	-
Others	8,831,503.16	3,376,480.35	6,378,203.70	3,307,737.74
Total	62,070,962.55	3,376,480.35	45,982,102.67	3,307,737.74

(4) Fulfillment of contractual obligations:

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

49. Taxes and levies

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
City maintenance and construction tax	26,088,040.95	13,786,022.43
Educational surcharge	23,413,277.40	10,030,738.56
Housing property Tax	18,777,242.42	2,609,568.22
Stamp duty	20,308,111.04	23,111,161.47
Urban land use tax	864,618.59	781,817.57
Others	6,318,697.79	5,110,619.26
Total	95,769,988.19	55,429,927.51

50. Selling expenses

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	258,156,410.38	255,654,011.92
After-sales service fee	26,710,213.12	6,423,251.42
Depreciation and amortization	16,504,412.59	14,990,838.78
Labor costs	14,242,897.36	9,845,031.41
Insurance	12,865,317.46	5,982,096.06
Traveling expenses	10,010,174.36	6,943,197.17
Material consumption	8,717,711.11	7,733,595.28
Entertainment expenses	3,715,932.13	2,010,997.40
Utilities	2,290,917.38	2,109,667.22
Share-based payments	1,123,494.86	-
Commission	494,454.41	727,094.30
Royalty fees	115,357.28	36,434.00
Others	13,047,369.59	11,377,647.91
Total	367,994,662.03	323,833,862.87

51. Administrative expenses

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	733,392,318.30	995,101,343.39
Labor costs and professional services fee	163,770,021.83	140,189,347.74
Depreciation and amortization	118,434,053.03	106,547,071.59
Renovation costs	41,479,606.89	26,776,629.63
Software costs	31,191,025.01	24,156,832.67
Traveling expenses	23,849,101.79	12,558,944.40
Utilities	16,061,160.20	18,997,396.45
Insurance	15,487,901.30	8,115,188.86
Share-based payments	11,401,068.29	22,177,000.00
Material consumption	8,662,138.73	14,877,018.63
Others	51,699,543.65	52,352,224.52
Total	1,215,427,939.02	1,421,848,997.88

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

52. Research and development expenses

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Staff costs	858,849,931.21	911,057,638.21
Material and sample costs	637,590,081.04	834,966,158.21
Depreciation and amortization	150,773,895.37	113,851,353.98
Software costs	24,471,359.74	17,122,097.78
Renovation costs	21,913,004.84	15,076,582.91
Utilities	20,542,686.36	27,167,208.87
Mold costs	15,042,616.72	33,643,778.88
Consumables and miscellaneous	14,493,723.19	13,395,678.45
Labor costs	11,603,187.49	19,904,668.08
Traveling expenses	10,517,776.73	3,691,357.13
Share-based payments	3,823,834.77	-
Others	37,582,030.81	44,585,253.21
Total	1,807,204,128.27	2,034,461,775.71

53. Financial expenses

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	400,215,716.04	234,999,925.44
Including: Interest expenses on lease liabilities	18,068,930.94	19,293,314.43
Interest expenses on issue of convertible bonds	139,416,505.81	133,932,428.47
Less: Interest income	236,527,756.09	87,996,958.46
Exchange differences	32,024,532.96	(136,338,140.35)
Others	16,316,715.19	8,200,580.00
Total	212,029,208.10	18,865,406.63

54. Other income

Unit: RMB

Classified by the nature	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	89,396,536.73	56,144,655.78	71,813,784.39
Additional value-added tax credit	825,287.36	-	-
Total	90,221,824.09	56,144,655.78	71,813,784.39

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

55. 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	8,716,784.59	73,531,247.72
Investment income on disposal of long-term equity investments	35,967.02	-
Investment income from other equity instruments during the hold period	-	17,034,226.73
Investment income of other non-current financial assets during the hold period	8,455,456.44	5,020,325.97
Investment income on disposal of held-for-trading financial assets	111,775,513.07	43,044,223.30
Investment income on disposal of other non-current financial assets	13,716,529.40	-
Total	142,700,250.52	138,630,023.72

56. 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	(32,979,655.61)	23,949,712.86
Including: Derivative financial instruments	(32,979,655.61)	23,949,712.86
Derivative financial liabilities	2,945,018.68	(2,317,400.67)
Other non-current financial assets	2,926,885.11	10,206,885.31
Total	(27,107,751.82)	31,839,197.50

57. Impairment loss of credit

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Losses from bad debts of accounts receivable	(21,981,473.91)	(10,116,849.95)
Total	(21,981,473.91)	(10,116,849.95)

58. Impairment losses of assets

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Impairment losses of inventories	(166,836,089.16)	(49,017,247.96)
Impairment losses of fixed assets	-	(49,852,343.57)
Total	(166,836,089.16)	(98,869,591.53)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

59. Gains 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	9,671,649.96	14,057,238.37	9,671,649.96
Less: Losses from disposal of non-current assets	3,337,342.19	5,442,124.77	3,337,342.19
Total	6,334,307.77	8,615,113.60	6,334,307.77

60. 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	18,086,136.60	25,331,702.16	18,086,136.60

61. 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	907,053.77	5,890,183.57	907,053.77
Others	5,169,424.69	3,050,307.39	5,169,424.69
Total	6,076,478.46	8,940,490.96	6,076,478.46

62. Income tax expenses

(1) Statement of income tax expenses

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Current income tax expenses	342,953,512.21	500,693,610.57
Annual filing differences of income tax	(79,209,205.14)	(21,961,470.70)
Deferred income tax expenses	(23,765,557.86)	(61,526,690.41)
Total	239,978,749.21	417,205,449.46

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

62. Income tax expenses - continued

(2) Reconciliation of income tax expenses to the accounting profit

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Profit before tax	2,189,687,856.20	3,477,195,221.25
Applicable tax rate	15%	15%
Income tax expenses accounted at an applicable tax rate	328,453,178.43	521,579,283.19
Effect of non-deductible cost, expense and loss	3,174,705.79	1,535,699.03
Effect of deemed sales on income taxes	4,868.66	2,481,730.54
Effect of non-taxable income	(7,924,742.71)	(11,614,249.60)
Tax effect of additional deductible expenses	(119,266,234.38)	(144,195,037.69)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current year	17,181,991.50	3,384,353.42
Effect of utilizing deductible temporary differences or deductible loss not recognized for deferred tax assets for prior period	(464,956.20)	(5,037,046.92)
Additional levy on undistributed surplus of Taiwan subsidiaries	24,129,623.96	-
Equity incentive	2,339,623.13	(1,623,227.59)
Annual filing differences of income tax	(79,209,205.14)	(21,961,470.70)
Effect of different tax rates applied by subsidiaries	73,877,533.67	68,733,454.00
Effect of changes in income tax rates of subsidiaries on the opening balance of deferred tax assets	(7,776,934.75)	4,488,031.20
Others	5,459,297.25	(566,069.42)
Income tax expenses	239,978,749.21	417,205,449.46

63. Items in the cash flow statement

(1) Cash relating to operating activities

Other cash receipts relating to operating activities

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Interest income	246,972,796.68	94,342,090.81
Subsidy income	93,639,071.75	60,118,380.37
Customer deposit	91,558,970.22	200,960,766.77
Customs deposit received	1,500,000.00	-
Advanced payment	-	151,945,946.64
Others (Note)	10,383,613.95	6,745,265.18
Total	444,054,452.60	514,112,449.77

Note: It mainly refers to sporadic income.

Other cash payments relating to operating activities

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Other expenses paid	261,322,155.09	137,350,952.30
Payment of advances	19,098,207.78	-
Payment of customs deposit	-	6,069,934.90
Total	280,420,362.87	143,420,887.20

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

63. Items in the cash flow statement - continued

(2) Cash relating to investing activities

Cash receipts relating to significant investing activities

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Principal of financial products	10,325,000,000.00	5,035,000,000.00
Disposal of joint ventures	110,880,000.00	-
Settlement of contingent consideration	75,498,235.81	-
Disposal of non-current financial assets	49,604,652.83	-
Reduction of investments in other equity instrument	27,680,312.65	-
Recovery of fund investments	-	14,784,248.93
Total	10,588,663,201.29	5,049,784,248.93

Cash payments relating to significant investing activities

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Principal of financial products	10,325,000,000.00	5,035,000,000.00
Fund investments	54,130,858.29	20,991,050.00
Total	10,379,130,858.29	5,055,991,050.00

Other cash payments relating to investing activities

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the current year
Foreign exchange margin received	2,214,334.90	-

(3) Cash relating to financing activities

Other cash receipts relating to financing activities

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Shareholding plan exercise payment	26,686,556.25	-
Long-term loan deposit	-	3,506,097.66
Total	26,686,556.25	3,506,097.66

Other cash payments relating to financing activities

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
Payment of lease principal and interest	162,206,706.50	153,262,833.52
Repurchase of treasury shares	-	120,319,138.50
Others	1,089,693.30	553,599.25
Total	163,296,399.80	274,135,571.27

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

64. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary Information	2023	2022
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,949,709,106.99	3,059,989,771.79
Add: Losses on impairment of assets	166,836,089.16	98,869,591.53
Impairment loss of credit	21,981,473.91	10,116,849.95
Depreciation of investment properties	139,878.71	-
Depreciation of fixed assets	919,092,232.02	779,218,741.24
Depreciation of right-of-use assets	139,576,364.62	129,725,980.42
Amortization of intangible assets	89,318,624.87	85,207,775.92
Amortisation of long-term prepaid expenses	76,621,504.00	75,146,058.96
Amortization of deferred income	(18,209,241.88)	(20,543,921.46)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(6,334,307.77)	(8,615,113.60)
Losses on retirement of fixed assets	907,053.77	5,890,183.57
Gains (losses) on changes in fair values	27,107,751.82	(31,839,197.50)
Financial expenses	506,491,993.18	158,347,264.83
Investment income	(142,700,250.52)	(138,630,023.72)
Share-based payments settled by equity	17,684,000.00	22,177,000.00
Increase in deferred tax assets	(18,723,957.98)	(53,431,234.36)
Decrease in deferred tax liabilities	(5,041,599.88)	(8,095,456.05)
Decrease (increase) in inventories	2,652,192,570.73	(1,929,242,538.88)
Decrease in receivables from operating activities	1,154,349,482.14	1,634,270,188.99
Decrease in payables from operating activities	(707,563,275.27)	(433,365,666.13)
Net Cash Flow from Operating Activities	6,823,435,492.62	3,435,196,255.50
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Acquisition of long-term assets with debt	419,828,350.96	403,741,556.33
3. Net changes in cash and cash equivalents:		
Cash at the end of the year	11,184,292,778.70	7,678,044,104.00
Less: Cash at the beginning of the year	7,678,044,104.00	6,018,193,116.59
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	3,506,248,674.70	1,659,850,987.41

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

64. Supplementary information to the cash flow statement - continued

(2) Net cash payments for acquisitions of subsidiaries in the period

Unit: RMB

ITEM	Amounts
Cash and cash equivalents paid in the period for business combination occurred in the period	297,177,480.00
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	26,211,422.10
Add: Cash and cash equivalents paid in the period for business combination occurred in the previous period	-
Net cash paid for acquisitions of subsidiaries	270,966,057.90

(3) Composition of cash and cash equivalents

Unit: RMB

ITEM	31/12/2023	31/12/2022
I. Cash	11,184,292,778.70	7,678,044,104.00
Including: Cash on hand	115,564.84	271,737.56
Bank deposits that can be readily withdrawn on demand	11,184,177,213.86	7,677,772,366.44
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	11,184,292,778.70	7,678,044,104.00

(4) Cash and bank balances not included in cash and cash equivalents

Unit: RMB

ITEM	31/12/2023	31/12/2022	Reasons
Other cash and bank balances	20,975,282.12	-	Investment deposit
Other cash and bank balances	13,430,328.50	14,757,734.50	Customs deposit
Other cash and bank balances	-	2,214,334.90	Foreign exchange margin
Total	34,405,610.62	16,972,069.40	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

65. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

ITEM	Closing balance of foreign currency	Exchange rate	Closing balance of RMB equivalent
Cash and bank balances			
Including: RMB	34,662,297.39	1.0000	34,662,297.39
USD	326,882,463.31	7.0827	2,315,210,422.89
EUR	2,759,379.43	7.8264	21,596,007.17
HKD	2,273,352.08	0.9062	2,060,111.66
JPY	34,137,466.00	0.0502	1,713,700.79
GBP	10,434.16	9.0057	93,966.91
MXN	22,062,456.68	0.4193	9,250,788.09
SGD	24,736.69	5.3772	133,014.13
CZK	4,612.00	0.3165	1,459.70
TND	1,838,625.90	2.3010	4,230,678.20
VND	153,937,471,634.00	0.0003	46,181,241.49
Accounts receivable			
Including: USD	918,375,938.33	7.0827	6,504,581,258.41
EUR	5,588,198.06	7.8264	43,735,473.30
MXN	529,127.75	0.4193	221,863.27
Other receivables			
Including: USD	3,114,078.05	7.0827	22,056,080.60
EUR	22,508.03	7.8264	176,156.85
MXN	9,396,102.33	0.4193	3,939,785.71
VND	1,169,923,804.00	0.0003	350,977.14
JPY	2,944,729.00	0.0502	147,825.40
Short-term borrowings			
Including: USD	54,943,774.53	7.0827	389,150,271.86
EUR	386,500,000.00	7.8264	3,024,903,600.00
VND	30,700,000,000.00	0.0003	9,210,000.00
Accounts payable			
Including: USD	982,773,675.30	7.0827	6,960,691,110.05
EUR	2,886,956.78	7.8264	22,594,478.54
HKD	783,501.84	0.9062	710,009.37
JPY	512,860,595.00	0.0502	25,745,601.87
VND	73,028,317,081.00	0.0003	21,908,495.12
CHF	29,013.51	7.8428	227,547.16
Other payables			
Including: USD	40,769,707.77	7.0827	288,759,609.22
EUR	2,462,963.23	7.8264	19,276,135.42
HKD	139,877.90	0.9062	126,757.35
VND	8,141,509,459.00	0.0003	2,442,452.84

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

65. Foreign currency monetary items - continued

(2) Description of overseas operating entities

Full name of subsidiary	Principal 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
Hirschmann Car Communication Holding S.a.r.l.	Luxembourg	EUR	Currency in major economic environment
ASTEELFLASH (BEDFORD) LIMITED	England	GBP	Currency in major economic environment
ASTEELFLASH FRANCE	France	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	France	EUR	Currency in major economic environment
ASTEELFLASH BRETAGNE	France	EUR	Currency in major economic environment
ASTEELFLASH HERSFELD 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

66. Hedge

Disclose by category the following information of hedge items and 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 2023

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

66. Hedge - continued

Hedging instrument

A summary of hedging instrument:

Unit: EUR

Hedging instrument		31/12/2023		
		Within 6 months	6 to 12 months	After 12 months
Hedges for net investment in foreign operations (Note (V). 24)				
Foreign exchange risk -Short-term borrowings in EUR	Nominal amount	272,500,000.00	-	-

Unit: RMB

	31/12/2023	31/12/2023		Items presented for assets and liabilities that include hedging instruments	2023
	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument			Changes in fair value of the invalid part of hedge
		ASSETS	Liabilities		
Hedges for net investment in foreign operations					
Foreign exchange risk -Short-term borrowings in EUR	2,132,689,503.75	-	2,132,689,503.75	Short-term borrowings	-

Details of hedged items:

Unit: RMB

	Carrying amount of hedged items at 31/12/2023		Items presented for assets and liabilities that include hedged instruments	Changes in fair value of the invalid part of hedged items in 2023	Hedge reserve for net investment in foreign operations at 31/12/2023
	ASSETS	Liabilities			
Hedges for net investment in foreign operations					
Foreign exchange risk	2,132,689,503.75	-	The Group's net investment in FAFG's foreign operations	-	78,430,892.41

Hedge effect

Unit: RMB

Hedges for net investment in foreign operations	2023	2023	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 2023	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	(71,488,690.96)	-	NA	NA	NA

(VI) CHANGES IN SCOPE OF CONSOLIDATION

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control occurred in the period

Unit: RMB

Name of the acquiree	Equity acquisition date	Equity acquisition cost	Equity acquisition proportion (%)	Equity acquisition method	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the acquisition date to period end	Net profit of the acquiree from the acquisition date to period end	Cash flows of the acquiree from the acquisition date to period end
Hirschmann Car Communication Holding S.a.r.l.	27/10/2023	446,362,010.60	100.00	Cash	27/10/2023	Obtain of control	242,475,011.15	10,427,247.00	86,056,334.29

Note: On 17 March 2023, based on the resolutions of the board meeting, the Company established a special purpose vehicle ("SPV") through Universal Global Technology Co., Limited ("UGT"), a wholly-owned subsidiary, together with Ample Trading, Co., Ltd ("Ample Trading"), an unrelated party, with a registered capital of USD 53 million, of which UGT contributes USD 39.803 million (RMB 290,557,919.70), accounting for 75.1% of the SPV shares, and Ample Trading contributes USD 13.197 million (RMB 96,336,780.30), accounting for the remaining 24.9% of the SPV shares. The SPV acquired the automotive wireless business unit ("Target Business", "Hirschmann") from an unrelated party, TE Connectivity Ltd., and acquired 100% equity interest in Hirschmann. The acquisition price of USD 48 million will be subject to adjustment based on net debt and net working capital (including acquisition price adjustment) of the Target Business on the closing date and will be settled in cash.

(2) Cost of combination and goodwill

Unit: RMB

Cost of combination	Hirschmann
Cost of combination (Note)	446,362,010.60
Including: Cash paid	297,177,480.00
Less: Shares in fair value of identifiable net assets acquired	445,222,678.73
Goodwill	1,139,331.87

Note: As of 31 December 2023, the actual acquisition price of USD 41,400,000.00 (RMB 297,177,480.00) has been paid. An amount of USD 6,600,000.00 and an estimated acquisition price adjustment of USD 14,183,000.00 (RMB 147,199,754.10) remains unpaid. The difference is due to the effect of exchange rate changes.

(VI) CHANGES IN SCOPE OF CONSOLIDATION - continued

1. Business combinations not involving enterprises under common control - continued

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

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 as the Group had not yet obtained an assessment report at the end of the year in which the business combination related to Hirschmann occurred, therefore, the Group recognizes and measures the combination of Hirschmann using those provisional values.

Unit: RMB

	Hirschmann	
	Provisional value	Carrying amount at the acquisition date
Assets:		
Cash and bank balances	26,211,422.10	26,211,422.10
Accounts receivable	181,962,085.32	181,962,085.32
Inventories	230,345,061.40	230,345,061.40
Other current assets	56,784,983.16	56,784,983.16
Fixed Assets	114,827,267.69	114,827,267.69
Construction in progress	37,070,089.15	37,070,089.15
Right-of-use assets	31,791,453.90	31,791,453.90
Other non-current assets	3,032,553.62	3,032,553.62
Liabilities:		
Accounts payable	81,721,936.87	81,721,936.87
Employee benefits payable	40,628,473.17	40,628,473.17
Other current liabilities	49,400,186.44	49,400,186.44
Long-term employee benefits payable	42,393,319.88	42,393,319.88
Other non-current Liabilities	22,658,321.25	22,658,321.25
Net assets	445,222,678.73	445,222,678.73
Less: Minority interests	-	-
Net assets acquired	445,222,678.73	445,222,678.73

NOTES TO THE FINANCIAL STATEMENTS
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(VII) EQUITY IN OTHER ENTITIES

1. Equity in major subsidiaries

(1) Composition of enterprise group

Full name of subsidiary	Principal operation place	Currency of registered capital	Registered capital	Place of incorporation	Nature of business	Proportion of shareholding (%)		Acquisition method
						Direct	Indirect	
Universal Global Electronics (Shanghai) Co., Ltd.	Shanghai	RMB	1,330,000,000.00	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	RMB	550,000,000.00	No.497 Huangpu Road, Qiandeng Town, Kunshan City, Jiangsu Province	Production and sales	100	-	Acquisition through establishment
Universal Global Scientific Industrial Co., Ltd	Taiwan	TWD	1,980,000,000.00	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	TWD	1,399,727,400.00	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	USD	480,803,000.00	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	USD	31,000,000.00	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	USD	75,000,000.00	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	JPY	95,000,000.00	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	MXN	2,293,299,926.00	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
Universal Global Technology (Huizhou) Co., Ltd.	Huizhou	RMB	800,000,000.00	No.369 Xinhe Avenue, Daya Wan, Huizhou	Production and sales	100	-	Acquisition through establishment
Universal Scientific Industrial (France)	France	EUR	321,374,822.00	95 rue La Boetie 75008 Paris, France	Investment	-	100	Acquisition through establishment
Universal Scientific Industrial Poland Sp. Z o.o.	Poland	PLN	80,852,300.00	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	USD	105,000,000.00	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	RMB	15,000,000.00	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	EUR	79,847,636.00	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
Asteeflash Suzhou Co., Ltd.	Suzhou	USD	18,000,000.00	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 2023

(VII) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures or associates

(1) Significant associates

Name of joint venture	Principal operation place	Place of incorporation	Nature of business	Proportion of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
I. Associate						
M-Universe	Singapore	1 Marina Boulevard #28-00, Singapore	Production and sales	-	42.23	Equity method

(2) Major financial information of significant associates

Unit: RMB

	M-Universe	
	31/12/2023/Amount incurred in the current year	31/12/2022/Amount incurred in the prior year
Current Assets	1,114,604,499.00	1,125,514,183.00
Including: Cash and cash equivalent	163,539,543.00	183,419,705.60
Non-current assets	506,122,125.29	505,757,960.45
TOTAL ASSETS	1,620,726,624.29	1,631,272,143.45
Current Liabilities	411,136,569.60	455,094,822.40
Non-current Liabilities	76,408,317.54	51,897,871.25
TOTAL LIABILITIES	487,544,887.14	506,992,693.65
Minority interests	1,239,472.50	1,539,176.60
Equity attributable to shareholders of the Company	1,131,942,264.65	1,122,740,273.20
Share of net assets calculated based on shareholding proportion	478,019,218.36	474,133,217.37
Carrying amount of equity investments in associates	478,019,218.36	474,133,217.37
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Operating income	1,236,501,118.60	1,414,915,124.78
Net profit attributable to owners of the Company	34,458,252.29	119,244,906.96
Other comprehensive income attributable to owners of the Company, net of tax	(18,131,079.59)	(85,149,876.34)
Total comprehensive income attributable to owners of the Company	16,327,172.70	34,095,030.62
Dividends declared from associates in the current period (Note (V). 11)	11,274,179.59	8,720,087.64

(VII) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures or associates - continued

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

Unit: RMB

	31/12/2023/Amount incurred in the current year	31/12/2022/Amount incurred in the prior year
Joint ventures: MUtek Electronics		
Total book value of investment	3,547,050.76	6,030,425.80
The sum of the following items in proportion to their shareholding	(2,540,207.83)	(1,294,846.51)
Net loss	(2,540,207.83)	(1,294,846.51)
Other comprehensive income	-	-
Total comprehensive income	(2,540,207.83)	(1,294,846.51)
Associates: Questyle Audio Technology Co., Ltd.		
Total book value of investment	16,705,272.48	20,000,000.00
The sum of the following items in proportion to their shareholding		
Net loss	(3,294,727.52)	-
Other comprehensive income	-	-
Total comprehensive income	(3,294,727.52)	-

- (4) There is no significant limitations over the ability of joint ventures or associates to transfer funds to the Group.
- (5) According to the Joint Investment Contract signed by UGSI and Merry Electronics, UGSI proposed to contribute TWD 191,100,000.00, but actually contributed TWD 29,400,000.00, which the contribution not yet paid in full is TWD 161,700,000.00, equivalent to RMB 37,299,221.30 (Note (XIII). 1).
- (6) The Group has no contingent liabilities relating to investments in joint ventures and associates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(VIII) Government grants

1. Liabilities items involving government grants

Unit: RMB

ITEM	31/12/2022	Increase in the year	Amount recognized in other income of the year	Other changes (Note 1)	Exchange differences arising on translation of financial statements denominated in foreign currencies	31/12/2023	Asset-related / Income-related
Technology reform item for ultra-thin communication module deep intelligent production line	23,425,215.24	10,800,000.00	7,044,996.62	-	-	27,180,218.62	Asset-related
Government grants for the sixth batch of high quality special projects (technological transformation)	10,632,700.87	-	2,989,803.69	-	-	7,642,897.18	Asset-related
Display and touch chip module technology research and development and industrialization projects	9,003,605.63	-	1,838,332.44	-	-	7,165,273.19	Asset-related
Government grant income from matching funds for key transformation projects for the automation of the production of smart wearable products	8,598,375.00	-	2,417,625.00	-	-	6,180,750.00	Asset-related
2022 Provincial Special project fund for Intelligent Manufacturing Demonstration Plant	4,911,719.37	-	1,158,222.44	-	-	3,753,496.93	Asset-related
Upgrading subsidies for Poland technology	1,431,773.68	-	1,211,454.14	-	109,192.63	329,512.17	Asset-related
Huizhou Daya Bay Economic and Technological Development Zone Industry and Trade Development Bureau subsidy income	1,842,648.28	4,100,000.00	(390,351.72)	(6,333,000.00)	-	-	Asset-related
Kunshan Bureau of Industry and Information Technology Suzhou Smart Factory government subsidy	943,727.23	-	226,102.92	-	-	717,624.31	Asset-related
Industrialization technology upgrading project	123,736.35	-	118,346.39	-	-	5,389.96	Asset-related
Suzhou industrial enterprises effective investment award projects	-	4,700,000.00	865,893.32	-	-	3,834,106.68	Asset-related
Government grants for the twelfth batch of high quality special projects (technological transformation)	-	1,400,000.00	102,327.10	-	-	1,297,672.90	Asset-related
Total	60,913,501.65	21,000,000.00	17,582,752.34	(6,333,000.00)	109,192.63	58,106,941.94	

Note 1: Universal Global Technology (Huizhou) Co., Ltd., a wholly-owned subsidiary of the Company, was reassessed in 2023 and is expected to fail to meet the subsidy requirement of the project "subsidy income from Huizhou Daya Bay Economic and Technological Development Zone Industry and Trade Development Bureau". As of 31 December 2023, RMB 6,333,000.00 was recognized in provisions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(VIII) Government grants - continued

2. Government grants included in profit or loss for the period

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Industry and Trade Development Bureau subsidy	28,122,309.00	-
Development support fund	13,080,000.00	-
Supporting funds for securing and nurturing businesses	4,595,500.00	-
French government grants for science and technology research	3,773,695.98	2,448,279.86
First demonstration and extension of application-new generation communication	3,250,000.00	-
Import interest subsidies	3,233,353.00	5,766,250.00
Social security subsidy	2,478,720.29	1,235,541.62
Kunshan City Bureau of Commerce provincial processing trade subsidies	1,279,400.00	3,991,200.00
Healthy development of foreign trade enterprises and stabilization of the total size fund	1,206,100.00	-
Government grants for zero-carbon factories	1,000,000.00	-
Individual tax service fee refund	976,302.15	668,806.79
Government subsidies for production during the pandemic	850,000.00	-
Special subsidies for enterprise industry scale upgrade	800,000.00	-
Special subsidies for the promotion of investment and upgrading of industrial energy level	700,000.00	-
Special subsidies for business development	673,700.00	-
Job stabilization subsidy	658,745.00	1,258,945.51
Subsidy for named class of Kunshan	616,000.00	-
Municipal energy saving technical improvement supporting funds	474,500.00	-
One-off training allowance for workers	379,550.00	-
VAT deduction for enterprises employing poor people with established cards	378,300.00	123,750.86
Special subsidies for provincial business development	303,100.00	-
2021 Economic grants by Shanghai Head Office	-	4,180,000.00
Epidemic prevention subsidy	-	3,133,500.00
2022 Pudong financial support and subsidies for securing and nurturing businesses during the "14th Five-Year Plan" period	-	2,686,600.00
Nanshan Bureau of Industry and Information Technology 2021 subsidies for stable industrial growth	-	2,142,500.00
One-off training allowance for workers	-	1,986,505.00
Green energy saving renovation project subsidized by Kunshan Industry and Information Technology Bureau	-	980,000.00
Foreign trade support subsidy of Shenzhen Municipal Bureau of Commerce	-	960,700.00
Special subsidies for industrial energy conservation and contract energy management	-	729,500.00
Skill recognition subsidy	-	656,950.00
Subsidy for named class of Kunshan Human Resource Management Service Center	-	520,000.00
Kunshan Bureau of Industry and Information Technology Cultivating benchmarking demonstration project subsidy	-	500,000.00
Shenzhen Social Security Bureau job stabilization subsidy	-	308,799.04
Shenzhen government subsidies for commercial and industrial electricity consumption	-	303,708.89
Others	2,984,508.97	1,617,003.66
Sub-total	71,813,784.39	36,198,541.23
Amortization of government grants related to assets (Note (VIII), 1)	17,582,752.34	19,946,114.55
Total	89,396,536.73	56,144,655.78

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(IX) 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, borrowings, derivative financial liabilities, 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.

Unit: RMB

	31/12/2023	31/12/2022
Financial assets		
At FVTPL		
Held-for-trading financial assets	245,558,007.22	271,243,519.53
Other non-current financial assets	193,994,862.05	170,126,278.86
Sub-total	439,552,869.27	441,369,798.39
Measured at fair value through other comprehensive income		
Other equity instrument investments	38,935,237.58	38,420,782.40
Sub-total	38,935,237.58	38,420,782.40
Measured at amortized cost		
Cash and bank balances	11,218,698,389.32	7,695,016,173.40
Notes receivable	65,545,008.33	45,627,553.57
Accounts receivable	10,023,562,062.11	11,119,120,760.11
Other receivables	208,748,837.09	137,008,284.72
Non-current assets due within one year	123,989.32	322,815.55
Long-term receivables	13,647,410.80	12,385,894.30
Other non-current assets	9,576,400.85	10,487,765.93
Sub-total	21,539,902,097.82	19,019,969,247.58
Total financial assets	22,018,390,204.67	19,499,759,828.37
Financial liabilities		
At FVTPL		
Derivative financial liabilities	173,872.64	3,118,891.32
Measured at amortized cost		
Short-term borrowings	4,378,428,691.47	4,499,463,404.21
Accounts payable	10,574,123,769.47	11,056,190,855.43
Other payables	811,049,464.22	624,898,695.64
Non-current liabilities due within one year	3,397,080,190.74	364,856,884.72
Long-term borrowings	47,385,951.10	59,427,538.88
Bonds payable	-	3,243,085,241.27
Long-term payables	25,526,297.84	31,113,295.71
Other non-current liabilities	1,046,909.26	3,692,335.61
Sub-total	19,234,641,274.10	19,882,728,251.47
Total financial liabilities	19,234,815,146.74	19,885,847,142.79

(IX) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

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.

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 2023 and 31 December 2022, 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	31/12/2023	31/12/2022
USD		
Cash and bank balances	2,315,210	1,833,439
Accounts receivable	6,504,581	7,789,872
Other receivables	22,056	9,163
Short-term borrowings	(389,150)	(654,725)
Accounts payable	(6,960,691)	(6,713,353)
Other payables	(288,760)	(300,765)
Sub-total	1,203,246	1,963,631

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(IX) 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	31/12/2023	31/12/2022
EUR		
Cash and bank balances	21,596	28,322
Accounts receivable	43,735	41,371
Other receivables	176	1,136
Short-term borrowings	(3,024,904)	(2,774,507)
Accounts payable	(22,594)	(29,362)
Other payables	(19,276)	(9,505)
Sub-total	(3,001,267)	(2,742,545)

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	2023		2022	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% appreciation against RMB	(11,645)	(11,645)	23,540	23,540
USD	5% depreciation against RMB	11,645	11,645	(23,540)	(23,540)
USD	5% appreciation against TWD	69,348	69,348	71,810	71,810
USD	5% depreciation against TWD	(69,348)	(69,348)	(71,810)	(71,810)
USD	5% appreciation against EUR	783	783	938	938
USD	5% depreciation against EUR	(783)	(783)	(938)	(938)
USD	5% appreciation against PLN	1,621	1,621	1,874	1,874
USD	5% depreciation against PLN	(1,621)	(1,621)	(1,874)	(1,874)
USD	5% appreciation against JPY	2	2	2	2
USD	5% depreciation against JPY	(2)	(2)	(2)	(2)
USD	5% appreciation against GBP	53	53	-	-
USD	5% depreciation against GBP	(53)	(53)	-	-
EUR	5% appreciation against RMB	390	390	1,366	1,366
EUR	5% depreciation against RMB	(390)	(390)	(1,366)	(1,366)
EUR	5% appreciation against TWD	(87)	(87)	(276)	(276)
EUR	5% depreciation against TWD	87	87	276	276
EUR	5% appreciation against USD	(45,844)	(45,844)	(37,935)	(37,935)
EUR	5% depreciation against USD	45,844	45,844	37,935	37,935
EUR	5% appreciation against PLN	2,109	2,109	865	865
EUR	5% depreciation against PLN	(2,109)	(2,109)	(865)	(865)
EUR	5% appreciation against GBP	3	3	59	59
EUR	5% depreciation against GBP	(3)	(3)	(59)	(59)

(IX) **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** - continued

1. **Risk management objectives and policies** - continued

1.1 Market risk - continued

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). 24 & 33 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.

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	Changes in interest rate	2023		2022	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Financial instruments at floating interest rate	1% appreciation	(16,623)	(16,623)	(16,908)	(16,908)
Financial instruments at floating interest rate	1% depreciation	16,623	16,623	16,908	16,908

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.

1.2 Credit risk

As at 31 December 2023, 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). 22) and non-current financial assets at FVTPL that are not included in the impairment assessment (Note (V). 13). As at the balance sheet date, the carrying amount of the Group's financial assets is its maximum exposure to credit risk.

In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate provision for credit loss is made for relevant financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on cash and bank balances is limited because they are deposited with banks with high credit ratings.

As of 31 December 2023, the balance of bank acceptance bills held by the group was RMB 65,545,008.33, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(IX) **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** - continued

1. **Risk management objectives and policies** - continued

1.2 Credit risk - continued

As at 31 December 2023, the balance of accounts receivable of the Group's top 5 customers was RMB 5,084,392,042.35 (31 December 2022: RMB 5,979,305,884.74), accounting for 50.50% (31 December 2022: 53.68%) 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.

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

	Within 1 year	1-5 years	Over 5 years	Total
Short-term borrowings	4,402,321,743.04	-	-	4,402,321,743.04
Accounts payable	10,574,123,769.47	-	-	10,574,123,769.47
Other payables	811,049,464.22	-	-	811,049,464.22
Long-term borrowings	18,147,742.00	50,595,066.43	-	68,742,808.43
Long-term payables	6,551,306.97	26,205,227.87	-	32,756,534.84
Bonds payable	3,518,875,560.00	-	-	3,518,875,560.00
Lease liabilities	171,679,696.45	329,233,957.90	217,512,341.22	718,425,995.57
Other current liabilities	3,944,775.07	-	-	3,944,775.07
Other non-current liabilities	-	1,046,909.26	-	1,046,909.26
Derivative financial liabilities	173,872.64	-	-	173,872.64

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(X) DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Unit: RMB

ITEM	31/12/2023			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at FVTPL				
1. Derivative financial assets	-	22,156,437.00	-	22,156,437.00
2. Fund investment	-	-	170,511,081.52	170,511,081.52
3. Accounts receivable factoring	-	-	223,401,570.22	223,401,570.22
4. Equity instrument investment	-	-	23,483,780.53	23,483,780.53
(II) Financial assets at FVTOCI				
1. Equity instrument investment	-	-	38,935,237.58	38,935,237.58
Total assets continuously measured at fair value		22,156,437.00	456,331,669.85	478,488,106.85
(III) Derivative financial liabilities				
1. Financial liabilities at FVTPL	-	173,872.64	-	173,872.64

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.

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 2023	Valuation technique	Inputs
Derivative financial assets (Note (V). 2)	22,156,437.00	Method of discounted cash flow analysis	Forward exchange rate
Derivative financial liabilities (Note (V). 25)	173,872.64	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 2023	Valuation technique	Significant unobservable inputs
Accounts receivable factoring (Note (V). 2)	223,401,570.22	Method of discounted cash flow analysis	Discount rate reflecting credit risk of counterparties
Fund investment (Note (V). 13)	170,511,081.52	Market approach	Liquidity discount
Equity instrument investments (Note (V). 12 & 13)	62,419,018.11	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 2023	Recognized in profit or loss	Recognized in other comprehensive income	Translation of financial statements denominated in foreign currencies	Purchase /Increase	Settlement	31 December 2023	Changes in unrealized gains or losses for assets held at the end of the reporting period
(I) Financial assets at FVTPL								
1. Financial products	-	60,903,020.88	-	-	10,325,000,000.00	10,385,903,020.88	-	-
2. Accounts receivable factoring	135,812,841.71	-	-	9,424,644.28	1,309,113,715.53	1,230,949,631.30	223,401,570.22	-
3. Fund investment	112,351,085.15	11,320,678.01	-	1,163,916.51	54,130,858.29	8,455,456.44	170,511,081.52	2,865,221.57
4. Equity instrument investment	57,775,193.71	13,778,192.94	-	1,535,046.71	-	49,604,652.83	23,483,780.53	61,663.54
5. Contingent consideration	99,372,192.22	(71,257.46)	-	5,564,195.64	-	104,865,130.40	-	(17,653,478.47)
(II) Financial assets at FVTOCI								
Other equity instruments	38,420,782.40	-	27,162,804.05	1,031,963.78	-	27,680,312.65	38,935,237.58	-

(X) DISCLOSURE OF FAIR VALUE - continued

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

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.

(XI) Related party relationship and transactions

1. Parent of the Company

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion to Company's ownership interest held by the parent (%)	Proportion to 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	76.19	77.00

The ultimate controlling party of the Company is ASE Investment Holding Limited, which is listed on the Taiwan Stock Exchange with the listing code as 3711.

2. Subsidiaries of the Company

The details of the subsidiaries of the Company are set out in Note (VII). 1.

3. Associates and joint ventures of the Company

The details of the associates and joint ventures of the Company are set out in Note (VII). 2.

(XI) 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 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 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 Corporate Services (Shanghai) Limited	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
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
Memtech (Vietnam) Technologies Co., Ltd.	Subsidiary of an associate
SUMA-USI Electronics Co., Ltd. (Note)	Joint ventures

Note: In 2023, Universal Global Technology (Kunshan) Co., Ltd., the Company's subsidiary, sold all of its shares in SUMA-USI Electronics Co., Ltd. to an independent third party.

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	46,368,452.98	43,581,619.52
ASE Electronics Inc.	Purchase of materials	29,677,474.40	97,972,675.19
Memtech Development (H.K.) Co., Limited	Purchase of materials	17,046,337.06	47,620,077.85
Dongguan Memtech Electronics Co., Ltd.	Purchase of materials	13,019,265.84	32,882,673.95
Jian Memtech Precision Electronic Co., Ltd.	Purchase of materials	1,875,659.20	284,858.86
Nantong Memtech Technologies Co., Ltd.	Purchase of materials	1,150,835.88	1,508,030.70
ASE Inc.	Purchase of materials	912,483.25	191,922.60
DECELECT SAINT VIT	Purchase of materials	526,761.46	962,465.31
Memtech (Vietnam) Technologies Co., Ltd.	Purchase of materials	119,720.21	-
SUMA-USI Electronics Co., Ltd. ,	Purchase of materials	2,836.49	631,478.90
Siliconware Precision Industries Co., Ltd	Purchase of materials	-	182,526.08
Total		110,699,826.77	225,818,328.96
ASE Inc.	Receipt of services	873,041,344.61	1,378,101,275.00
ASE (Shanghai) Inc.	Receipt of services	32,385,810.78	37,378,276.83
ASE Corporate Services (Shanghai) Limited	Receipt of services	4,390,614.74	
USI Enterprise Limited	Receipt of services	3,606,371.52	4,077,439.51
Siliconware Precision Industries Co., Ltd	Receipt of services	2,808,188.73	19,736,988.58
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD	Receipt of services	2,025,901.89	1,899,206.09
ASE Marketing & Service Japan Co.,Ltd.	Receipt of services	725,317.20	738,817.20
Taitech Precision Electronic (Kunshan) Co., Ltd.	Receipt of services	190,517.92	70,877.96
SUMA-USI Electronics Co., Ltd. ,	Receipt of services	171,799.14	45,928.00
Dongguan Memtech Electronics Co., Ltd.	Receipt of services	66,000.00	33,300.00
ASE (US) Inc.	Receipt of services	36,860.41	18,654.08
Memtech Development (H.K.) Co., Limited	Receipt of services	22,988.95	-
USI Inc.	Receipt of services	-	14,893,753.64
Total		919,471,715.89	1,456,994,516.89

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

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(1) Sales and purchase of goods, provision and receipt of services - continued

Sales of goods/provision of services

Unit: RMB

Related party	Details of related party transaction	Amount incurred in the current year	Amount incurred in the prior year
ASE Inc.	Sales of goods	6,222,160.06	5,032,944.09
DECELECT SOISSONS	Sales of goods	103,537.96	746,217.18
SUMA-USI Electronics Co., Ltd.	Sales of goods	9,140.27	801,777.06
Total		6,334,838.29	6,580,938.33
ASE Inc.	Provision of services	17,647,309.98	1,976,377.18
ISE labs, China. Ltd.	Provision of services	959,723.55	1,048,388.07
Taitech Precision Electronic (Kunshan) Co., Ltd.	Provision of services	211,137.44	
SUMA-USI Electronics Co., Ltd. ,	Provision of services	13,580.00	365,458.00
Total		18,831,750.97	3,390,223.25

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	3,534,211.90	3,537,429.24
ISE Labs, Inc.	Leasing of business premises	1,896,397.55	938,891.46
Wuxi Tongzhi Microelectronics Co., Ltd.	Machinery and equipment	19,359.06	33,186.96
Total		5,449,968.51	4,509,507.66

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

Leases where the Group is the lessee

Unit: RMB

Name of lessor	Type of leased assets	Rent paid		Interest expenses incurred on lease liabilities		Right-of-use assets increased	
		Amount for the current year	Amount for the prior year	Amount for the current year	Amount for the prior year	Amount for the current year	Amount for the prior year
ASE Assembly & Test (Shanghai) Limited	Leasing of business premises	15,087,539.74	15,484,454.05	2,392,528.09	3,080,155.98	-	-
Advanced Semiconductor Engineering (China) Ltd.	Leasing of business premises	16,148,148.36	16,148,148.99	781,229.60	1,360,700.68	-	-
USI Inc.	Leasing of business premises	32,069,145.12	31,970,817.81	1,890,692.32	2,490,668.71	-	-
ISE Labs, Inc.	Leasing of business premises	371,833.44	331,357.70	35,276.85	10,052.26	-	-
Total		63,676,666.66	63,934,778.55	5,099,726.86	6,941,577.63	-	-

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

(XI) 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
Total		-	46,507,299.26
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of fixed assets	4,603,350.00	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
Total		4,603,350.00	3,199,664.97

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	46,206,386.54	89,992,084.14
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	-	807,565.60
Total		46,206,386.54	90,799,649.74

(5) Compensation for key management personnel

Unit: RMB

Item name	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	28,238,630.96	33,842,802.87

6. Amounts due from / to related parties

(1) Amounts due from related parties

Unit: RMB

Item name	Related party	31/12/2023		31/12/2022	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	ASE Inc.	4,205,124.03	-	1,105,963.97	-
Accounts receivable	ISE Labs, Inc.	158,851.95	-	156,203.13	-
Accounts receivable	DECELECT SOISSONS	-	-	256,983.70	-
Accounts receivable	SUMA-USI Electronics Co., Ltd. ,	-	-	65,915.83	-
Total		4,363,975.98	-	1,585,066.63	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Amounts due from / to related parties - continued

(1) Amounts due from related parties - continued

Unit: RMB

Item name	Related party	31/12/2023		31/12/2022	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables	ASDI Assistance Direction	29,366,894.59	-	-	-
Other receivables	ASE Inc.	439,240.89	-	467,694.55	-
Other receivables	ISE labs, China. Ltd.	141,696.00	-	217,389.11	-
Other receivables	USI Inc.	24,642.40	-	26,583.86	-
Total		29,972,473.88	-	711,667.52	-

Unit: RMB

Item name	Related party	31/12/2023		31/12/2022	
		Book value	Bad debt provision	Book value	Bad debt provision
Other non-current assets	Advanced Semiconductor Engineering (China) Ltd.	1,384,151.73	-	1,412,962.98	-
Other non-current assets	ASE Inc.	680,474.35	-	-	-
Other non-current assets	ASE Assembly & Test (Shanghai) Limited	401,473.74	-	-	-
Other non-current assets	ISE Labs, Inc.	23,995.34	-	23,643.98	-
Total		2,490,095.16	-	1,436,606.96	-

(2) Amounts due to related parties

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Accounts payable	ASE Inc.	283,616,382.55	378,720,024.57
Accounts payable	Taitech Precision Electronic (Kunshan) Co., Ltd.	23,465,072.03	24,064,742.13
Accounts payable	USI Inc.	11,834,518.15	11,535,713.72
Accounts payable	ASE Electronics Inc.	6,726,853.62	9,680,346.48
Accounts payable	Dongguan Memtech Electronic Product Co., Ltd.	5,773,388.48	11,371,236.29
Accounts payable	Memtech Development (H.K.) Co., Limited	4,323,660.34	17,830,266.60
Accounts payable	Jian Memtech Precision Electronic Co., Ltd.	1,928,215.49	43,875.68
Accounts payable	Siliconware Precision Industries Co., Ltd.	782,215.65	4,126,324.34
Accounts payable	USI Enterprise Limited	288,411.43	343,925.43
Accounts payable	Nantong Memtech Technologies Co., Ltd.	131,479.58	578,807.02
Accounts payable	Memtech (Vietnam) Technologies Co., Ltd.	70,031.61	-
Accounts payable	ASE (US) Inc.	31,244.61	18,728.45
Accounts payable	DECELECT SAINT VIT	-	190,493.86
Accounts payable	SUMA-USI Electronics Co., Ltd.	-	48,683.68
Accounts payable	DECELECT SOISSONS	-	9,582.69
Total		338,971,473.54	458,562,750.94

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Other payables	ASE Corporate Services (Shanghai) Limited	4,476,073.82	-
Other payables	ASE (Shanghai) Inc.	748,323.19	5,154,066.18
Other payables	Memtech Development (H.K.) Co., Limited	659,923.10	-
Other payables	ASE Inc.	421,373.94	372,620.33
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD.	285,740.90	160,708.88
Other payables	Dongguan Memtech Electronic Product Co., Ltd.	33,335.00	-
Other payables	USI Inc.	10,518.52	6,712.87
Other paya	USI Enterprise Limited	-	2,398,445.06
Total		6,635,288.47	8,092,553.32

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Long-term payables	USI Inc.	25,526,297.84	31,113,295.71

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(XI) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** - continued

6. **Amounts due from / to related parties** - continued

(2) Amounts due to related parties - continued

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Bonds payable	USI Enterprise Limited	967,638,439.87	1,364,243,289.23

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Lease liabilities	USI Inc.	85,282,357.96	114,059,901.22
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	44,489,167.71	57,933,008.48
Lease liabilities	Advanced Semiconductor Engineering (China) Ltd.	14,745,019.34	28,698,975.12
Total		144,516,545.01	200,691,884.82

7. **Related party commitments**

As at 31 December 2023, there are no related party commitments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(XII) SHARE-BASED PAYMENTS

1. Summary of share-based payments

Unit: share

2023	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 2021 (Note 5)	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023 (Note 6)	Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023 (Note 7)
Total number of the Company's equity instruments outstanding at the beginning of the year	11,974,530	7,677,700	1,715,250	594,000	268,900	-	-
Total number of the Company's equity instruments granted during the year	-	-	-	-	-	14,506,000	372,000
Total number of the Company's equity instruments vested during the period	64,467	3,060,098	1,715,250	-	250,600	-	-
Total number of the Company's equity instruments lapsed during the period	260,983	1,253,602	-	297,000	18,300	88,000	-
Total number of the Company's equity instruments outstanding at the end of the year	11,649,080	3,364,000	-	297,000	-	14,418,000	372,000
Total number of equity instruments exercisable at the end of the year	11,649,080	3,364,000	-	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 RMB 15.54	RMB 11.98	N/A	RMB 20.46	N/A	RMB 14.54	RMB 14.54
	Remaining contractual life About 2 years	About 1 years	N/A	About 1 years	N/A	About 3 years	About 3 years

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 at the company and individual level.

	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%

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 1: - continued

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.

According to the 2019 Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd., 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 First Meeting of the Sixth Session of the Board of Directors held on 25 April 2023 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 RMB 12.41 per share to RMB 11.98 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 at 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%

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.

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

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. (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.

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 years after the grant date	20%
2 years after the grant date	55%
3 years 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, 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.

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

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 2019 Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd., 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 First Meeting of the Sixth Session of the Board of Directors held on 25 April 2023 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 of the portion of the grant reserved was adjusted from RMB 20.89 per share to RMB 20.46 per share.

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	9 September 2020	9 September 2020 to 8 November 2023	9 November 2021 to 8 November 2024

The optionee of the stock options can exercise the right in proportions according to the following time points after being granted the stock options for 14 months and meeting the performance assessment at 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.

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 5: 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 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.

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 canceled, 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 October 2023, 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 middle-level managers and core business and 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.

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 6: - continued

According to the 2023 Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd., 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.

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.	13 October 2023	13 October 2023 to 13 October 2024	14 October 2024 to 13 October 2026

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 12 months and meeting the performance assessment at the company and individual level.

	Accumulated maximum vested proportion
12 months after the grant date	50%
24 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, downsizing, non-renewal of employment contract, termination of employment contract or employment agreement by negotiation, or dismissal by the company, the stock options that have been approved to exercise but have not been exercised by the incentive recipient shall be terminated and canceled by the Company, and the unapproved options will be invalidated and canceled by the Company on the date thereof. If the incentive recipient retires normally in accordance with national laws and regulations and the Company's regulations, 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 and canceled by the Company on the date thereof.

Note 7: In November 2023, 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 management, technical and business talents, and motivate employees to create value for the Company and enhance the competitiveness of the Company in the industry, the Company formulated the Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023 to grant the qualified core talents 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.

(XII) SHARE-BASED PAYMENTS - continued

1. Summary of share-based payments - continued

Note 7: - continued

Plan No.	Granted by	Grant date	Vesting period	Exercise period
Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	23 November 2023	23 November 2023 to 23 November 2025	24 November 2024 to 23 November 2026

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 12 months and meeting the performance assessment at the company and individual level.

	Accumulated maximum vested proportion
12 months after the grant date	50%
24 months after the grant date	100%

Holder's whose participation status has been revoked shall have their corresponding shares withdrawn by the Management Committee, and the shares corresponding to their withdrawn shares shall be sold in the secondary market, and the Management Committee shall distribute the shares to the holders according to the lower of the amount obtained after the sale of such shares and the consideration paid for the underlying shares corresponding to the shares held by the holders under the Employee Stock Ownership Plan, and the Management Committee shall be responsible for determining the principles of distribution of the excess portion, if any, and shall further distribute the same to the holders. The Management Committee shall be responsible for determining the principles of allocation and further distribution of the excess portion, if any. If a holder retires in accordance with the Company's regulations, its rights and interests in the Employee Stock Ownership Plan shall remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS
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(XII) 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 2021	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023	Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023
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	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 at 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 at 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 at 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 at 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 at 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 at the company and 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	N/A
Amounts of equity-settled share-based payments accumulated in capital reserve	139,923,402.85	107,201,000.00	743,000.00	7,087,000.00	2,952,000.00	8,380,000.00	-
Total expenses recognized arising from equity-settled share-based payments	-	8,643,000.00	-	770,000.00	(109,000.00)	8,380,000.00	-

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 2021	Stock Option Incentive Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023	Employee Share Ownership Plan of Universal Scientific Industrial (Shanghai) Co., Ltd. in 2023
Weighted average share price	RMB 15.54	RMB 13.34	RMB 13.34	RMB 21.65	RMB 0	RMB 14.54	RMB 14.54
Weighted average exercise price	RMB 15.54	RMB 13.34	RMB 13.34	RMB 21.65	RMB 0	RMB 14.54	RMB 14.54
Expected volatility	40.33%~45.00%	45.07%~51.8%	47.77%	48.14%~53.57%	47.15%	38.51%~39.09%	36.56%~38.77%
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 years ~ 2 years	1 years ~ 2 years
Risk-free interest rate	3.06%~3.13%	2.80%~2.97%	2.7%	2.80%~2.99%	2.34%	2.35%~2.45%	2.33%~2.44%
Expected dividend yield	0.87%	0.00%	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.

(XIII) COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	31/12/2023	31/12/2022
Capital commitments that have been entered into but have not been recognised in the financial statements:		
- Commitment for acquisition and construction of long-term assets	359,557	874,884
- External investment commitment (Note)	193,499	98,171
Total	553,056	973,055

Note: For the commitment of foreign investment, according to the partnership agreement concluded between the Company and Suzhou Yaotu Equity Investment Partnership, the Company needs to pay a total subscription amount of RMB 30,000,000.00, of which the amount of RMB 9,000,000.00 has been paid this period. As at 31 December 2023, the Group has paid RMB 21,000,000.00 in total; but remains a subscription amount of RMB 9,000,000.00 unpaid.

For the commitment of foreign investment, according to the partnership agreement concluded between the UGSI and Merry Electronics, UGSI needs to pay a total subscription amount of TWD 191,100,000.00. As at 31 December 2023, the Group has paid TWD 29,400,000.00, equivalent to RMB 7,044,079.28 in total; but remains a subscription amount of TWD 161,700,000.00, equivalent to RMB 37,299,221.30 unpaid.

Pursuant to the Share and Asset Purchase Agreement entered into by UGT, Ample Trading and Hirschmann, UGT and Ample Trading need to pay the capital contribution of USD 48,000,000.00, which will be adjusted accordingly based on net debt and net working capital (including acquisition price adjustment) of the Target Business on the closing date and will be settled in cash. As of 31 December 2023, the Group has paid USD 41,400,000.00, equivalent to RMB 297,177,480.00; but remains the amount of USD 6,600,000.00 and an estimated acquisition price adjustment of USD 14,183,000.00, equivalent to RMB 147,199,754.10, unpaid.

2. CONTINGENCIES

The Group has no significant contingencies to be disclosed.

(XIV) EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation

As proposed by the resolution of the Tenth Meeting of the Sixth Session of the Board of Directors of the Company held on 29 March 2024, a cash dividend of RMB 2.70 (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.

(XIV) EVENTS AFTER THE BALANCE SHEET DATE - continued

2. Convertible bonds

On 4 March 2024, the Company disclosed the Announcement on the Redemption Option of "Universal Global Convertible Bonds (SH:113045)" (Announcement No. 2024-014), and disclosed its informative announcements on 5 March 2024, 12 March 2024, 13 March 2024, 14 March 2024, and 15 March 2024 (Announcement No. 2024-015, 2024-017, 2024-018, 2024-019, 2024-020). The redemption application for the "Universal Global Convertible Bonds (SH:113045)" has been closed after the closing of the Shanghai Stock Exchange on 15 March 2024.

The redemption application period for "Universal Global Convertible Bonds (SH:113045)" is from 11 March 2024 to 15 March 2024, with a redemption price of RMB 102.00 per bond. According to the data provided by the Shanghai Branch of China Securities Depositories and Clearing Co., LTD., during the redemption application period of the "Universal Global Convertible Bonds (SH:113045)", the effective number of redemption applications is 0, and the redemption amount is RMB 0.

(XV) 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 Mainland China), 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 product categories in 2023, which resulted in changes in the composition of reporting segments, the Group restated the previous data.

NOTES TO THE FINANCIAL STATEMENTS
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(XV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments

2023:

Unit: RMB'000

	Mainland China			APAC			European region			Other countries/regions			Inter-segment offsetting			Total		
	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Total of the segment
Communication products	15,115,896	13,832,549	1,283,347	6,919,039	6,663,962	255,077	25,692	28,529	(2,837)	12,537	11,815	722	(273,894)	(433,658)	159,764	21,799,270	20,103,197	1,696,073
Consumer electronic products	15,367,363	14,030,711	1,336,652	5,014,228	4,731,103	283,125	253,066	237,301	15,765	8,606	9,907	(1,301)	(1,389,074)	(1,280,890)	(108,184)	19,254,189	17,728,132	1,526,057
Cloud and storage products	2,440,817	2,014,077	426,740	3,489,246	3,103,827	385,419	260,752	249,332	11,420	397,270	359,096	38,174	(1,209,306)	(1,208,206)	(1,100)	5,378,779	4,518,126	860,653
Industrial products	3,154,753	2,766,770	387,983	3,072,600	2,659,156	413,444	2,698,637	2,479,370	219,267	1,446,391	1,365,961	80,430	(2,207,921)	(2,288,951)	81,030	8,164,460	6,982,306	1,182,154
Automotive electronic products	1,121,896	994,607	127,289	480,844	483,590	(2,746)	1,035,302	846,584	188,718	2,515,140	2,409,623	105,517	(15,742)	(12,699)	(3,043)	5,137,440	4,721,705	415,735
Medical products	11,061	8,062	2,999	-	-	-	365,496	344,656	20,840	330	298	32	(859)	(2,437)	1,578	376,028	350,579	25,449
Others	252,218	283,156	(30,938)	491,059	189,427	301,632	348,394	187,126	161,268	97,724	39,423	58,301	(569,722)	(167,417)	(402,305)	619,673	531,715	87,958
Principal operating income/cost of the segment	37,464,004	33,929,932	3,534,072	19,467,016	17,831,065	1,635,951	4,987,339	4,372,898	614,441	4,477,998	4,196,123	281,875	(5,666,518)	(5,394,258)	(272,260)	60,729,839	54,935,760	5,794,079
Other operating income/cost of the segment	92,202	256	91,946	7,317	3,064	4,253	27,683	57	27,626	5,925	-	5,925	(71,057)	-	(71,057)	62,070	3,377	58,693
Total operating income/cost of the segment	37,556,206	33,930,188	3,626,018	19,474,333	17,834,129	1,640,204	5,015,022	4,372,955	642,067	4,483,923	4,196,123	287,800	(5,737,575)	(5,394,258)	(343,317)	60,791,909	54,939,137	5,852,772
Less: Taxes and levies			80,262			1,396			8,750			5,362			-			95,770
Selling expenses			213,912			106,250			66,293			46,430			(64,890)			367,995
Administrative expenses			388,977			558,040			258,798			137,623			(128,010)			1,215,428
Research and development expenses			1,269,426			561,706			84,819			27,182			(135,929)			1,807,204
Financial expenses			76,879			72,008			(21,291)			89,795			(5,362)			212,029
Including: Interest expenses			217,844			166,903			51,501			117,275			(153,307)			400,216
Interest income			249,048			113,907			16,453			5,425			(148,305)			236,528
Add: Other income			83,570			28			6,624			-			-			90,222
Investment income			57,352			44,098			41,250			-			-			142,700
Including: Income from investments in associates and joint ventures			(3,259)			12,012			-			-			-			8,753
Gains (losses) from changes in fair values			(10,763)			17,116			(33,461)			-			-			(27,108)
Gains (losses) on impairment of credit			1,390			1,906			(23,198)			(2,078)			-			(21,980)
Gains (losses) from assets impairment			(5,065)			(110,374)			(52,304)			907			-			(166,836)
Gains (losses) from disposal of assets			5,397			66			871			-			-			6,334
Operating profit			1,728,443			293,644			184,480			(19,763)			(9,126)			2,177,678
Net profit			1,566,374			287,650			177,129			(46,269)			(35,175)			1,949,709

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(XV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

2022 (restated)

Unit: RMB'000

	Mainland China			APAC			European region			Other countries/regions			Inter-segment offsetting			Total		
	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Sub-total of the segment	Operating income	Operating costs	Total of the segment
Communication products	16,378,602	14,694,376	1,684,226	9,400,421	8,785,813	614,608	74,716	80,240	(5,524)	15,214	15,447	(233)	(243,974)	(364,264)	120,290	25,624,979	23,211,612	2,413,367
Consumer electronic products	18,660,706	17,020,810	1,639,896	4,169,586	3,962,081	207,505	267,061	255,684	11,377	62,970	67,775	(4,805)	(1,431,382)	(1,404,969)	(26,413)	21,728,941	19,901,381	1,827,560
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	(2,290,503)	(2,302,135)	11,632	6,991,437	5,920,727	1,070,710
Industrial products	3,899,800	3,431,389	468,411	4,192,218	3,626,202	566,016	2,068,750	1,816,800	251,950	1,579,930	1,431,205	148,725	(3,084,277)	(3,040,332)	(43,945)	8,656,421	7,265,264	1,391,157
Automotive electronic products	1,231,639	1,060,654	170,985	473,704	373,017	100,687	745,870	675,172	70,698	2,220,442	2,163,991	56,451	(8,732)	(20,454)	11,722	4,662,923	4,252,380	410,543
Medical products	15,652	8,460	7,192	-	-	-	185,694	172,600	13,094	845	840	5	-	-	-	202,191	181,900	20,291
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	(529,202)	(176,797)	(352,405)	603,202	590,503	12,699
Principal operating income/cost of the 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 the 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 the 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
Research and development 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: Income from investments in associates and joint ventures			23,809			49,722			-			-			-			73,531
Gains (losses) from changes in fair values			11,621			(795)			21,013			-			-			31,839
Gains (losses) on impairment of credit			(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
Operating profit			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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(XV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

31/12/2023

Unit: RMB'000

	Mainland China	APAC	European region	Other countries/regions	Inter-segment offsetting	Total
Total assets of the segment	21,476,495	15,750,225	4,143,541	4,920,666	(7,618,396)	38,672,531
Total liabilities of the segment	11,645,840	12,121,625	2,615,823	3,816,469	(7,983,203)	22,216,554

31/12/2022

Unit: RMB'000

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

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

Unit: RMB

ITEM	Amount incurred in the current year	Amount incurred in the prior year
External revenue from Chinese mainland	2,174,577,497.88	1,733,001,923.45
External revenue outside Chinese mainland	58,617,332,039.99	66,783,074,039.81
Total	60,791,909,537.87	68,516,075,963.26

Unit: RMB

Item (Note)	31/12/2023	31/12/2022
Non-current assets located in Chinese mainland	3,298,301,655.30	4,130,752,349.05
Non-current assets located in Mexico	1,083,804,720.92	597,971,635.46
Non-current assets located in Taiwan, China	977,522,778.25	879,674,910.08
Non-current assets located in France	923,206,293.87	783,616,987.49
Non-current assets located in the Vietnam	533,589,551.93	477,280,704.05
Non-current assets located in Hong Kong	485,962,476.30	111,106,156.13
Non-current assets located in Poland	204,342,401.10	127,510,885.44
Non-current assets located in the United States	125,234,459.05	35,275,209.48
Non-current assets located in Hungary	71,587,791.19	-
Non-current assets located in Japan	920,188.70	182,102.16
Total	7,704,472,316.61	7,143,370,939.34

Note: The above non-current assets exclude long-term receivables, investments in other equity instruments, other non-current financial assets and deferred tax assets.

(XV) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Financial information of reporting segments - continued

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	Amount incurred in the current year		Amount incurred in the prior year	
	Total operating income	Proportion in total operating income (%)	Total operating income	Proportion in total operating income (%)
Company E	17,131,143,558.73	28.18	17,352,642,463.15	25.33
Company F	7,582,474,674.51	12.47	9,003,192,184.06	13.14
Total	24,713,618,233.24	40.65	26,355,834,647.21	38.47

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.

(XVI) NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Category	31/12/2023	31/12/2022
Bank acceptances	49,427,125.85	39,485,239.31

- (2) As at 31 December 2023, the Company had no notes receivable that have been pledged as security.
- (3) As at 31 December 2023, the Company had no notes receivable that have been endorsed or discounted and were not yet matured at the balance sheet date.
- (4) As at 31 December 2023, 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.
- (5) As at 31 December 2023, the Company had no notes receivable that have been actually written off.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

2. Accounts receivable

(1) Categories of accounts receivable

Unit: RMB

Category	31/12/2023	31/12/2022
Accounts receivable arising from contracts with customers	2,871,941,596.58	2,825,168,124.93
Less: Bad debt provision	38,222.50	3,724,156.78
Total	2,871,903,374.08	2,821,443,968.15

(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 2023, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	31/12/2023			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within credit period	0.00	2,759,534,669.89	22,387.86	2,759,512,282.03
Overdue for 1-30 days	0.01	112,113,841.06	14,592.63	112,099,248.43
Overdue 31-60 days	0.39	279,158.03	1,078.52	278,079.51
60-90 days overdue	0.87	13,884.93	120.82	13,764.11
90-180 days overdue	-	-	-	-
More than 180 days overdue	100.00	42.67	42.67	-
Total	0.00	2,871,941,596.58	38,222.50	2,871,903,374.08

At 31 December 2022, the credit risk and expected credit losses on accounts receivable were as follows:

Unit: RMB

Aging	1/1/2023			
	Expected average loss rate (%)	Book value	Bad debt provision	Carrying amount
Within credit period	0.02	2,707,985,122.08	620,333.97	2,707,364,788.11
Overdue for 1-30 days	0.44	107,499,766.35	470,944.46	107,028,821.89
Overdue 31-60 days	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	-
More than 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

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 2023, the Company's valuation method and significant assumptions remain unchanged.

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

2. Accounts receivable - continued

(3) Changes in bad debt provision

Unit: RMB

Category	31/12/2022	Changes for the year		31/12/2023
		Provision for (reversal of) the year	Write-off	
Bad debt provision by aging matrix	3,724,156.78	(3,685,934.28)	-	38,222.50

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

(5) Top five accounts receivable at 31 December 2023 categorized by debtor

Unit: RMB

Company name	Accounts receivable at 31 December 2023	Proportion to total accounts receivable at 31 December 2023 (%)	Bad debt provision at 31 December 2023
Company F	829,212,283.50	28.87	6,727.33
Company E	802,740,155.94	27.95	6,512.56
Company I	364,569,794.59	12.70	2,957.72
Company S	280,039,723.85	9.75	2,271.94
Company T	78,364,031.83	2.73	635.76
Total	2,354,925,989.71	82.00	19,105.31

(6) As at 31 December 2023, there is no accounts receivable recognized due to the transfer of financial assets.

(7) As at 31 December 2023, there is no amount of assets and liabilities arising from transfer of accounts receivable and continuing involvement.

3. Other receivables

(1) Disclosure of other receivables by aging

Unit: RMB

Aging	31/12/2023		
	Amounts	Bad debt provision	Proportion of provision (%)
Within 1 year	733,104,536.58	-	-

(2) Classification by the nature of other receivables

Unit: RMB

Nature of other receivables	Book value at 31 December 2023	Book value at 31 December 2022
Cash pooling receivables from related- party	687,443,000.00	1,022,345,000.00
Amounts due from related parties	29,624,196.07	24,416,766.00
Advances for third parties	11,239,025.85	9,316,988.52
Advance payments for employees	710,649.65	1,638,532.17
Others	4,087,665.01	2,470,403.55
Total	733,104,536.58	1,060,187,690.24

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

(4) There were no other receivables actually written off in the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

3. Other receivables - continued

- (5) As at 31 December 2023, there were no other receivables related to government grants.
- (6) As at 31 December 2023, there were no other receivables derecognized due to the transfer of financial assets.
- (7) As at 31 December 2023, there was no amount of assets and liabilities arising from transfer of other receivables and continuing involvement.

4. Long-term equity investments

Details of long-term equity investments:

Unit: RMB

Name of investee	Accounting methodology	31/12/2022	Changes for the year				31/12/2023	Proportion to ownership interest held in investee (%)	Proportion to 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	Gains or losses arising from investments	Increase from stock option grants (Note)					
Universal Global Technology Co., Limited	Cost method	2,796,631,857.00	510,995,119.70	-	-	34,873.08	3,307,661,849.78	100	100	NA	-
USI Electronics (Shenzhen) Co., Ltd.	Cost method	395,631,561.16	-	-	-	767,798.51	396,399,359.67	50	100	The remaining 50% equity interest is held by Universal Global Technology Co., Limited, the Company's wholly-owned subsidiary.	300,000,000.00
Universal Global Technology (Kunshan) Co., Ltd.	Cost method	269,830,008.88	-	-	-	(532,761.26)	269,297,247.62	100	100	NA	-
Universal Global Technology (Shanghai) Co., Ltd.	Cost method	1,350,239,073.32	-	-	-	1,166,895.33	1,351,405,968.65	100	100	NA	-
Universal Global Electronics (Shanghai) Co., Ltd.	Cost method	50,000,000.00	-	-	-	-	50,000,000.00	100	100	NA	-
Universal Global Scientific Industrial Co., Ltd.	NA	139,694,532.49	-	-	-	12,630,130.75	152,324,663.24	NA	NA	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	795,920,090.82	-	-	-	180,177.55	796,100,268.37	100	100	NA	-
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	-	-	(3,294,727.52)	-	16,705,272.48	6.67	33.33	The company holds 1/3 voting rights on the board of directors of Questyle Audio Technology	-
Total		6,211,289,445.49	510,995,119.70	-	(3,294,727.52)	14,247,113.96	6,733,236,951.63				300,000,000.00

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 Universal Global Technology Co., Limited, Universal Global Technology (Huizhou) Co., Ltd., USI Electronics (Shenzhen) Co., Ltd., Universal Global Technology (Kunshan) Co., Ltd., Universal Global Technology (Shanghai) Co., Ltd. and UGSI.

As at 31 December 2023, the ability of the investee, in which the Company holds long-term equity investments, to transfer funds to the Company is not restricted.

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

5. 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	19,672,244,261.31	17,928,390,978.31	21,940,574,129.19	19,815,647,848.13
Other operating activities	4,791,760.38	116,571.67	4,198,651.53	437,487.30
Total	19,677,036,021.69	17,928,507,549.98	21,944,772,780.72	19,816,085,335.43

(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	13,985,075,540.53	12,854,145,906.44	15,191,008,208.22	13,667,867,543.85
Consumer electronic products	4,686,934,977.87	4,318,789,072.02	5,717,448,527.15	5,359,883,891.18
Automotive electronic products	499,366,698.83	458,272,964.04	516,433,717.74	449,999,555.30
Cloud and storage products	456,149,216.68	269,492,190.63	476,467,425.39	319,730,739.42
Others	44,717,827.40	27,690,845.18	39,216,250.69	18,166,118.38
Total	19,672,244,261.31	17,928,390,978.31	21,940,574,129.19	19,815,647,848.13

(3) Other operating income and other operating costs:

Unit: RMB

ITEM	Amount incurred in the current year		Amount incurred in the prior year	
	Other operating income	Other operating costs	Other operating income	Other operating costs
Scrap income	4,468,634.64	-	3,529,375.67	-
Others	323,125.74	116,571.67	669,275.86	437,487.30
Total	4,791,760.38	116,571.67	4,198,651.53	437,487.30

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	300,000,000.00	200,000,000.00
Investment income (loss) on disposal of held-for-trading financial assets	25,724,208.11	(16,431,372.22)
Total	325,724,208.11	183,568,627.78

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

7. Supplementary information to the cash flow statement

Unit: RMB

Supplementary Information	2023	2022
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,047,209,221.43	1,240,761,622.97
Add: Impairment losses of assets	(762,694.28)	(5,135,027.84)
Impairment losses of credit	(3,685,934.28)	3,658,149.19
Depreciation of fixed assets	331,922,920.67	325,404,686.37
Depreciation of right-of-use assets	12,886,975.02	13,245,317.94
Amortization of intangible assets	1,420,371.19	1,671,457.54
Amortisation of long-term prepaid expenses	13,092,303.33	15,118,605.25
Amortization of deferred income	(8,889,150.58)	(7,777,540.47)
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(3,442,727.96)	3,869,844.98
Losses (gains) on changes in fair values	13,609,149.40	(12,430,908.18)
Financial expenses	229,400,529.75	88,163,427.23
Investment income	(325,724,208.11)	(183,568,627.78)
Share-based payments settled by equity	3,436,886.04	4,639,049.25
Decrease (increase) in deferred tax assets	6,167,068.06	(18,278,697.09)
Decrease (increase) in inventories	744,059,042.87	(469,566,071.14)
Decrease in receivables from operating activities	23,253,741.74	1,136,828,855.87
Increase (decrease) in payables from operating activities	235,110,740.64	(603,868,897.93)
Net Cash Flow from Operating Activities	2,319,064,234.93	1,532,735,246.16
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Acquisition of long-term assets with debt	36,089,136.32	80,278,018.89
3. Net changes in cash and cash equivalents:		
Cash at the end of the year	3,166,517,228.25	2,382,458,769.33
Less: Cash at the beginning of the year	2,382,458,769.33	2,490,051,993.72
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	784,058,458.92	(107,593,224.39)

8. Related party relationship and transactions

(1) Related parties of the Company

The details of the subsidiaries of the Company are set out in Note (VII). 1. The details of the associates and joint ventures of the Company are set out in Note (VII). 2. The details of other related parties are set out in Note (XI). 4.

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

8. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(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	487,984,241.65	564,271,324.02
ASE Electronics Inc.	Purchase of materials	6,397,414.33	6,991,678.67
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of materials	2,356,645.35	756,062.09
Universal Scientific Industrial De México S.A. De C.V.	Purchase of materials	2,084,595.41	2,219,919.09
ASE Inc.	Purchase of materials	579,589.26	-
Universal Global Industrial Co., Ltd.	Purchase of materials	556,170.63	283,743.20
Universal Global Technology (Shanghai) Co., Ltd.	Purchase of materials	64,831.28	691,999.45
Universal Global Technology (Huizhou) Co., Ltd.	Purchase of materials	21,872.33	857.24
USI Electronics (Shenzhen) Co., Ltd.	Purchase of materials	-	25,235.86
Taitech Precision Electronic (Kunshan) Co., Ltd.	Purchase of materials	-	18,750.00
Universal Scientific Industrial Vietnam Company Limited	Purchase of materials	-	24.75
Total		500,045,360.24	575,259,594.37
Universal Global Scientific Industrial Co., Ltd.	Test service fee	44,775,763.39	39,094,987.33
Universal Global Scientific Industrial Co., Ltd.	Commissions	44,775,763.39	34,805,569.75
ASE (Shanghai) Inc.	Receipt of services	22,324,382.22	25,186,628.73
Universal Global Technology Co., Limited	Receipt of services	19,874,185.00	16,119,880.00
Universal Global Technology (Shanghai) Co., Ltd.	Receipt of services	11,795,403.60	17,945,841.10
USI Science and Technology (Shenzhen) Co., Ltd.	Receipt of services	4,339,622.69	3,867,924.58
ASE Corporate Services (Shanghai) Limited	Receipt of services	3,193,692.63	-
SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD.	Receipt of services	2,025,901.89	1,899,206.09
Asteelflash Suzhou Co., Ltd.	Receipt of services	1,316,749.53	173,673.77
USI Japan Co.,Ltd.	Receipt of services	20,439.18	85,853.67
ASE Inc.	Receipt of services	-	990.42
Total		154,441,903.52	139,180,555.44

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

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

8. RELATED PARTY RELATIONSHIPS 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	1,037,257,474.99	652,865,047.32
Universal Global Technology (Shanghai) Co., Ltd.	Sales of goods	86,461,083.52	117,936,343.91
Universal Scientific Industrial Vietnam Company Limited	Sales of goods	1,295,848.43	-
Universal Global Technology (Kunshan) Co., Ltd.	Sales of goods	846,713.73	1,195,481.14
Universal Scientific Industrial De México S.A. De C.V.	Sales of goods	559,747.07	385,896.66
Universal Global Technology (Huizhou) Co., Ltd.	Sales of goods	312,956.68	61,130.81
FINANCIÈRE AFG S.A.S.	Sales of goods	184,746.74	-
ASE Inc.	Sales of goods	96,752.87	-
Universal Global Technology Co., Limited	Sales of goods	13,291.12	486,427.96
USI Electronics (Shenzhen) Co., Ltd.	Sales of goods	-	96,137.78
Total		1,127,028,615.15	773,026,465.58
Universal Global Technology (Kunshan) Co., Ltd.	Provision of services	10,385,172.24	10,188,814.82
FINANCIÈRE AFG S.A.S.	Provision of services	3,564,683.59	3,304,239.50
ISE labs, China. Ltd.	Provision of services	959,723.55	1,048,388.07
Universal Scientific Industrial Vietnam Company Limited	Provision of services	348,144.77	-
Universal Global Technology (Shanghai) Co., Ltd.	Provision of services	301,499.81	431,331.00
Universal Scientific Industrial De México S.A. De C.V.	Provision of services	215,475.53	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
Total		15,774,699.49	15,008,432.37

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

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

8. RELATED PARTY RELATIONSHIPS 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
Wuxi Tongzhi Microelectronics Co.,Ltd.	Machinery and equipment	19,359.06	33,186.96
Universal Global Technology (Shanghai) Co., Ltd.	Machinery and equipment	-	165,236.06
Total		19,359.06	198,423.02

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	-	2,392,528.09

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 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.

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

8. RELATED PARTY RELATIONSHIPS 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 (Note)	Amounts
Lent to - Cash pool trading (Note)				
Universal Scientific Industrial Vietnam Company Limited	One month Term SOFR +40 basis points	-	313,407,000.00	-
Universal Scientific Industrial De México S.A. De C.V.	One month Term SOFR +40 basis points	358,524,000.00	284,154,000.00	283,308,000.00
Universal Global Technology Co., Limited	One month Term SOFR +40 basis points	359,252,000.00	5,117,000.00	354,135,000.00
Universal Global Technology (Huizhou) Co., Ltd.	2.40%	100,000,000.00	550,000,000.00	50,000,000.00

Note: The amount repaid from cash pool trading for the year include exchange differences at the period end.

Unit: RMB

Related party	Annual interest rate	Amount incurred in the prior year		Amount at the end of the prior year
		Amount lent	Amount collected (Note)	Amounts
Lent to - Cash pool trading (Note)				
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

Note: The amount repaid from cash pool trading for the year include exchange differences at the period end.

The interest income for 2023 is RMB 28,239,145.20 (2022: RMB 15,133,142.87), and the interest not received at the end of the year is RMB 760,833.33 (31 December 2022: RMB 2,224,305.55).

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.

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

8. RELATED PARTY RELATIONSHIPS 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	16,418,450.70	1,260,282.87
Universal Global Technology (Huizhou) Co., Ltd.	Purchase of fixed assets	6,987.16	-
Universal Global Technology (Kunshan) Co., Ltd.	Purchase of fixed assets	-	18,762.80
Total		16,425,437.86	1,279,045.67
Universal Scientific Industrial Vietnam Company Limited	Sales of fixed assets	28,061,445.85	8,243,515.42
Universal Global Scientific Industrial Co., Ltd. (Note)	Sales of fixed assets	4,435,846.69	18,160,515.88
Universal Global Technology (Shanghai) Co., Ltd.	Sales of fixed assets	2,485,862.82	34,547,905.39
ISE labs, China. Ltd.	Sales of fixed assets	-	46,507,299.26
Total		34,983,155.36	107,459,235.95

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	46,206,386.54	89,992,084.14
ASE (Shanghai) Inc.	Interest expenses on convertible bonds	-	807,565.60
Total		46,206,386.54	90,799,649.74

(2.6) Compensation for key management personnel

Unit: RMB

Item name	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	28,238,630.96	33,842,802.87

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

8. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(2) Related party transactions - continued

(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., Universal Global Scientific Industrial Co., Ltd., Universal Global Technology (Huizhou) Co., Ltd. and Universal Global Technology Co., Limited. See Note (XVI) 4 for details.

(3) Amounts due from / to related parties

(3.1) Amounts due from related parties

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
		Book value	Book value
Accounts receivable	Universal Global Industrial Co., Ltd.	397,763,118.99	218,657,223.78
Accounts receivable	Universal Global Technology (Shanghai) Co., Ltd.	10,412,340.68	39,773,753.37
Accounts receivable	Universal Scientific Industrial Vietnam Company Limited	1,157,559.23	-
Accounts receivable	Universal Global Technology (Kunshan) Co., Ltd.	353,956.15	559,780.66
Accounts receivable	Universal Scientific Industrial De México S.A. De C.V.	294,391.83	244,884.82
Accounts receivable	Asteelflash Suzhou Co., Ltd.	117,167.51	12,029.93
Accounts receivable	ASE Inc.	78,150.65	-
Accounts receivable	Universal Global Technology (Huizhou) Co., Ltd.	18,639.90	19,324.78
Accounts receivable	Universal Global Scientific Industrial Co., Ltd.	-	56,152,778.81
Accounts receivable	Universal Global Technology Co., Limited	-	484,931.23
Total		410,195,324.94	315,904,707.38

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
		Book value	Book value
Other receivables	Universal Global Technology Co., Limited (Note)	354,135,000.00	-
Other receivables	Universal Scientific Industrial De México S.A. De C.V. (Note)	283,308,000.00	208,938,000.00
Other receivables	Universal Global Technology (Huizhou) Co., Ltd. (Note)	50,760,833.33	502,224,305.55
Other receivables	Universal Scientific Industrial Vietnam Company Limited	27,650,228.43	313,407,000.00
Other receivables	FINANCIÈRE AFG S.A.S.	1,058,863.66	964,123.43
Other receivables	ISE labs, China. Ltd.	141,696.00	217,389.11
Other receivables	Universal Global Technology (Kunshan) Co., Ltd.	10,164.01	-
Other receivables	Universal Global Technology (Shanghai) Co., Ltd.	2,410.64	2,749,908.77
Other receivables	Universal Global Industrial Co., Ltd.	-	18,261,039.14
Total		717,067,196.07	1,046,761,766.00

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

8. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Amounts due from / to related parties - continued

(3.1) Amounts due from related parties - continued

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.

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
		Book value	Book value
Other non-current assets	ASE Assembly & Test (Shanghai) Limited	401,473.74	-

(3.2) Amounts due to related parties

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Accounts payable	Universal Global Technology Co., Limited	197,113,366.75	159,659,364.67
Accounts payable	Universal Global Scientific Industrial Co., Ltd.	7,154,263.62	192,671.97
Accounts payable	Universal Global Technology (Kunshan) Co., Ltd.	1,706,236.34	183,493.39
Accounts payable	ASE Electronics Inc.	1,166,743.89	1,015,416.04
Accounts payable	Universal Scientific Industrial De México S.A. De C.V.	916,294.01	26,900.92
Accounts payable	ASE Inc.	574,406.96	-
Accounts payable	Universal Global Industrial Co., Ltd.	304,137.66	193,507.72
Accounts payable	Universal Global Technology (Huizhou) Co., Ltd.	7,749.50	310.34
Accounts payable	Universal Global Technology (Shanghai) Co., Ltd.	-	4,714,248.90
Accounts payable	USI Science and Technology (Shenzhen) Co., Ltd.	-	2,210,000.00
Accounts payable	FINANCIÈRE AFG S.A.S.	-	184,094.20
Accounts payable	USI Electronics (Shenzhen) Co., Ltd.	-	61.46
Total		208,943,198.73	168,380,069.61

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

8. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Amounts due from / to related parties - continued

(3.2) Amounts due to related parties - continued

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Other payables	Universal Global Scientific Industrial Co., Ltd.	7,154,263.61	-
Other payables	Universal Global Technology (Shanghai) Co., Ltd.	3,609,020.56	-
Other payables	ASE Corporate Services (Shanghai) Limited	3,193,692.63	-
Other payables	Universal Global Technology Co., Limited	1,664,434.50	-
Other payables	ASE (Shanghai) Inc.	534,976.11	3,363,353.48
Other payables	Asteelflash Suzhou Co., Ltd.	342,750.25	-
Other payables	SHANGHAI DINGXU PROPERTY MANAGEMENT CO., LTD.	285,740.90	160,708.88
Other payables	USI Science and Technology (Shenzhen) Co., Ltd.	200,000.00	-
Other payables	USI Enterprise Limited	-	2,398,445.06
Other payables	ASE Inc.	-	987.37
Total		16,984,878.56	5,923,494.79

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Lease liabilities	ASE Assembly & Test (Shanghai) Limited	44,489,167.71	57,933,008.48

Unit: RMB

Item name	Related party	31/12/2023	31/12/2022
Bonds payable	USI Enterprise Limited	967,638,439.87	1,364,243,289.23

(XVII) Supplementary Information

1. Breakdown of non-recurring profit or loss for the current period

Unit: RMB

ITEM	Amounts	Description
Profit or loss on disposal of non-current assets, including those charged off for which provision for impairment of assets has been made	5,463,221.02	See Notes (V), 55, 59 and 61 for details
Government grants recognized in profit or loss (other than government grants which are closely related to the Company's business, in line with the national regulations, enjoyed under established standards and have a continuous impact on the Company's profit or loss)	71,813,784.39	See Notes (V), 54 for details
Profit or loss on changes in the fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss on disposal of financial assets and financial liabilities, other than those used in the effective hedging activities relating to normal operating business	106,839,747.09	See Notes (V), 55 and 56 for details
One-time costs incurred by enterprises due to the fact that the relevant business activities are no longer sustainable, such as expenses for relocating employees	(3,701,028.03)	
Other non-operating income or expenses other than the above	12,916,711.91	See Notes (V), 60 and 61 for details
Less: Income tax effects	24,950,729.58	
Effects attributable to minority interests	(386,528.97)	
Total	168,768,235.77	

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	12.02%	0.89	0.87
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	10.98%	0.81	0.80