

Stock Code: 601231

Abbreviated Name: USI

Convertible Bond Code: 113045

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



*Note: The English version is summarized from the original Chinese report disclosed on the Shanghai Stock Exchange. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.*

## **I. Important Notice**

- 1 The summary is a simplified version of the annual report. To comprehensively understand the operating results, financial status and future development plans of Universal Scientific Industrial (Shanghai) Co., Ltd. (hereafter referred to as “the Company”, “USI”), investors shall refer to the website of the Shanghai Stock Exchange or the media designated by the China Securities Regulatory Commission for the full text of the report.
- 2 The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of the Company hereby assure that the content set out in the 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.
- 3 All directors attend the board meeting.
- 4 Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued a standard and unqualified auditor's report for the Company.
- 5 The proposal of profit distribution for the reporting period deliberated and passed by the Board

Regarding its profit distribution plan for 2019, USI distributed a cash dividend of RMB 1.75 yuan (tax included) for every 10 shares on the basis of the total share capital on the record date for implementing the plan after deducting the number of shares in its special buy-back securities account, without bonus share or transfer of public reserve into share capital, and all the remaining undistributed profits were carried forward for distribution in the following years. The total share capital of the Company on the record date for implementing the plan for 2019 was 2,181,283,330 shares. USI paid out the cash dividends on the basis of 2,168,245,853 shares, excluding 13,037,477 shares in its special buy-back securities account. The profit distribution for 2019 was completed on June 10, 2020.

For its profit distribution plan for 2020, USI intends to distribute a cash dividend of RMB 5 yuan (tax included) for every 10 shares on the basis of the total share capital on the record date for implementing the plan after deducting the number of shares in its special buy-back securities account, without bonus share or transfer of public reserve into share capital, and all the remaining undistributed profits will be carried forward for distribution in the following years.

In case of any change in the total share capital of the Company and the number of shares in its buy-back securities account prior to the record date for implementing the plan, the cash dividend per share shall remain unchanged, and the total amount of cash dividend shall be adjusted accordingly.

The profit distribution plan of the Company for 2020 has been reviewed and approved by the ninth

meeting of the fifth session of the Board of Directors of the Company, and will be submitted for deliberation by the Annual General Meeting of Shareholders for 2020.

## II. General Information of the Company

### 1 Overview

The Company's Stocks				
Type of Shares	Stock Exchange	Abbreviated Name	Stock Code	Former Abbreviated Name
A-share	Shanghai Stock Exchange	USI (环旭电子)	601231	/

Contact	Secretary of the Board	Securities Affairs Representative
Name	Jinpeng Shi	Lili Liu
Address	5F, Building B, 169 Shengxia Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China	5F, Building B, 169 Shengxia Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China
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### 2 Core Business during the Reporting Period

USI is a large-scale design and manufacturing service provider offering professional design and manufacturing services and solutions related to electronic products. It mainly provides R&D, material procurement, production and manufacturing, logistics, maintenance and other professional services in the field of communication, consumer electronics, computer and storage, industrial, automotive electronics, medical and other electronic products for well-known brand owners across the world.

Generally, the Company and brand customers define the scope and specific requirements of design and manufacturing services through framework agreement and/or purchase order.

#### 2.1 Key Products and Solutions

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

##### 1) Communication products

In the field of wireless communication, the Company, with a strong design and manufacturing team, provides customers with design, verification manufacturing and related services for enterprise-class wireless interconnection products and highly competitive wireless module products by collaborating with the world's leading wireless communication IC companies. From product concept, prototype

design, testing and verification to mass production, USI, with its R&D team and management system, offers customers with a suitable R&D schedule and reliable quality assurance to meet customer needs, achieve rapid product launches, and enhance customers' competitive advantages.

Wireless communication products mainly include wireless communication System-in-Package (SiP) modules, system-level Internet of Things (IoT) modules, IoT modules, low-power-consumption telecommunication modules, enterprise-level wireless routers, etc.

#### 2) Computer motherboard, storage and peripheral products

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

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

USI's computer peripheral products are mainly devices that connect laptops to peripherals, such as docking station and dongle.

#### 3) Industrial electronics

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

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

#### 4) Consumer electronics

Consumer electronics products include SiP modules for smart wearables, display devices, connected devices, etc.

USI is an industry-leading manufacturing service provider for SiP modules in smart wearable devices, its products ranging from smart watch SiP modules, true wireless stereo (TWS) bluetooth earbud modules to optical heart rate sensor modules.

Other consumer electronic products include LED light bars, timing control boards, source driver boards,

smart stylus, EMR sensor board, hair removal devices, etc.

#### 5) Automotive electronics

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

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

#### 6) Medical electronics

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

### **2.2 Miniaturization design and products**

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

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

Backed by its parent company ASE Group, USI has a competitive advantage over its competitors in terms of its designing and manufacturing capacity of miniaturized products. The Company will fulfill its advantages and strive to expand the range of application and market size of module products. Meanwhile, USI is also exploring the application of the miniaturization technology to the fields of wireless communication, wearables, computer, solid-state storage, industrial electronics, and automotive electronics, and developing modularized products such as System on Module (SOM) and SipSet.

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

### 3 Key Financial Performance Indicators

#### 3.1 Key Financial Performance Indicators in the Past Three Years

Presented in RMB yuan

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>YoY (%)</b>	<b>Dec 31, 2018</b>
	<b>Jan – Dec 2020</b>	<b>Jan – Dec 2019</b>	<b>YoY (%)</b>	<b>Jan – Dec 2018</b>
Total assets	30,938,495,875.49	21,911,851,349.31	41.20	20,151,393,805.10
Revenue	47,696,228,222.53	37,204,188,424.22	28.20	33,550,275,008.23
Net profits attributable to shareholders of the listed company	1,739,435,448.10	1,262,103,937.04	37.82	1,179,715,136.02
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,615,438,890.95	1,044,674,761.73	54.64	1,194,169,669.62
Net assets attributable to shareholders of the listed company	12,049,820,179.95	10,275,615,667.91	17.27	9,408,033,114.13
Net cash flow from operating activities	1,436,523,674.10	2,425,772,253.61	-40.78	-218,879,839.03
Basic EPS (yuan per share)	0.80	0.58	37.93	0.54
Diluted EPS (yuan per share)	0.80	0.58	37.93	
Weighted average return on equity (%)	15.88	12.93	Up 2.95 pct.	13.18

#### 3.2 Key Financial Indicators for the Reporting Period by Quarter

Presented in RMB yuan

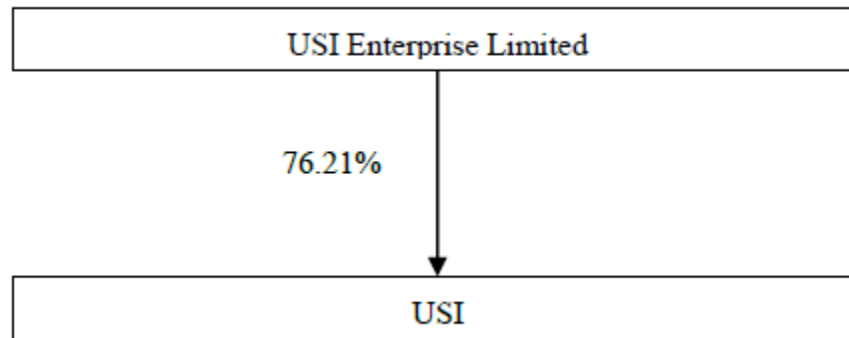
	<b>Q1 2020 (Jan-Mar)</b>	<b>Q2 2020 (Apr-Jun)</b>	<b>Q3 2020 (Jul-Sep)</b>	<b>Q4 2020 (Oct.-Dec)</b>
Revenue	7,612,768,819.25	9,404,261,108.36	12,461,635,188.75	18,217,563,106.17
Net profits attributable to shareholders of the listed company	191,270,786.65	314,313,269.42	495,377,353.22	738,474,038.81
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	144,523,562.49	281,040,281.81	475,511,872.20	714,363,174.45
Net cash flow from operating activities	328,147,983.21	-184,480,293.86	-365,363,765.12	1,658,219,749.87

#### 4 Share Capital and Shareholders

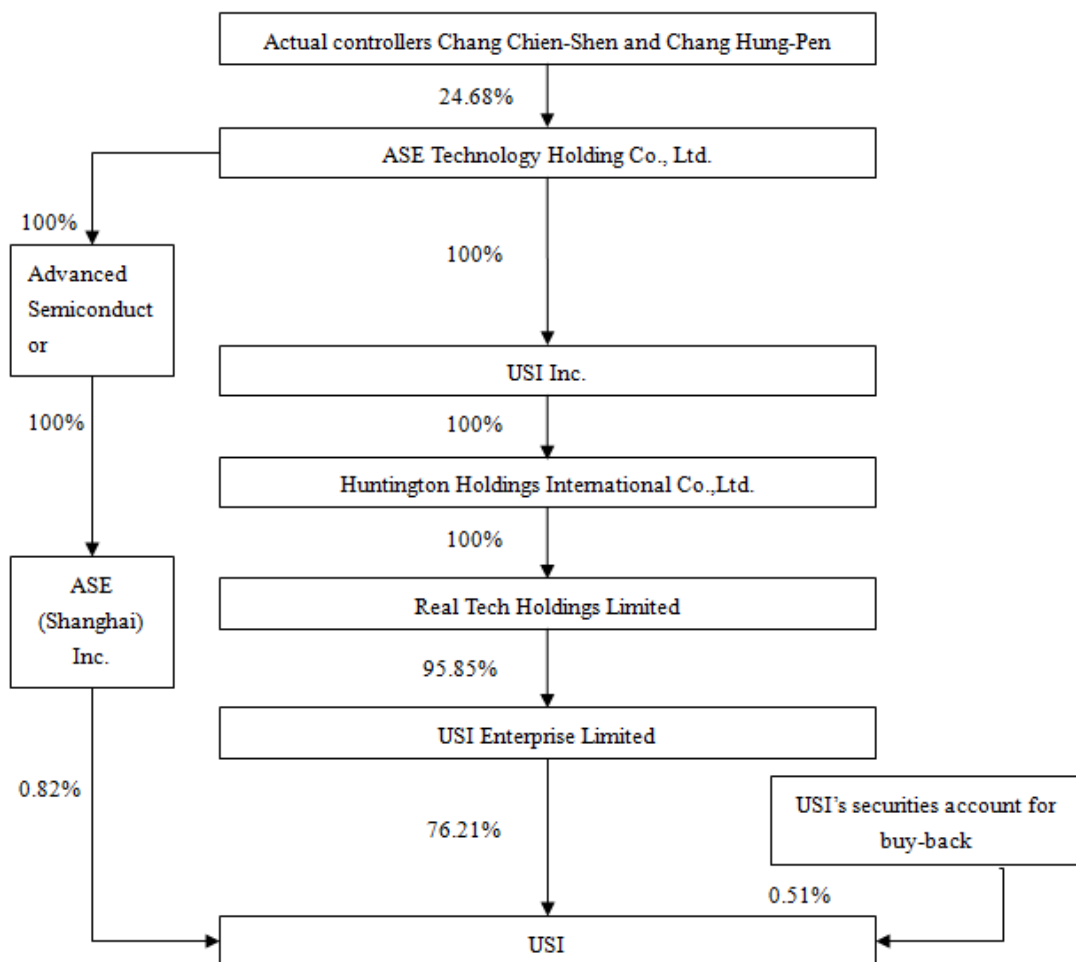
##### 4.1 Table of the number of common shareholders and preferred shareholders whose voting rights have been restored and the shareholding of the top 10 shareholders

Total number of common shareholders by the period-end						56,704	
Total number of common shareholders at the end of the previous month prior to the disclosure date of the annual report						51,871	
Shareholding of top 10 shareholders							
Name of shareholders (Full name)	Increase or decrease during the reporting period	Shares held by the end of the reporting period	%	Restricted shares held	Pledged or frozen shares		Identity
					Share Status	Number	
USI Enterprise Limited	0	1,683,749,126	76.21	0	NA	0	Foreign legal person
Hong Kong Securities Clearing Company Limited	21,514,603	86,203,523	3.90	0	Unknown		Unknown
China Securities Finance Co., Ltd.	0	36,750,069	1.66	0	Unknown		Unknown
ASDI ASSISTANCE DIRECTION	25,939,972	25,939,972	1.17	25,939,972	NA	0	Foreign legal person
ASE (Shanghai) Inc.	0	18,098,476	0.82	0	NA	0	Domestic legal person
Central Huijin Investment Ltd.	0	12,736,500	0.58	0	NA	0	Unknown
Buy-back securities account of USI	-1,705,300	11,332,177	0.51	0	Unknown		Others
ChinaAMC CSI 5G Communication Theme ETF - Bank of China Limited	5,162,181	10,953,528	0.50	0	Unknown		Unknown
Zoomlion Runshi (Beijing) Investment Company Limited	5,993,765	5,993,765	0.27	0	Unknown		Unknown
Bank of Korea - Self-owned funds	868,205	5,438,605	0.25	0	Unknown		Unknown
Related or acting-in-concert parties among the shareholders above	The actual controllers of the Company are Mr.Chang Chien-Shen and Mr. Chang Hung-Pen, who are brothers and ultimately control the Company through indirect shareholding by controlling USI Enterprise Limited and ASE (Shanghai) Inc., two of the Company's shareholders. The Company does not know whether there are related relationships and concerted actions among other shareholders.						

#### 4.2 The Ownership Structure of USI and its Controlling Shareholder



#### 4.3 The Ownership Structure of USI and its Actual Controller



### III. Discussion and Analysis of Corporate Operations

#### 1 Core Business Operations during the Reporting Period

The Company realized total revenue of RMB 47.67 billion in 2020, up 28.20% from RMB 37.20 billion in 2019. In 2020, the revenue of the largest contributor, communication products, grew by more than 40% year-on-year (YoY), the revenue of consumer electronic products increased by over 30% YoY, the revenue of industrial products remained flat and increased slightly, and the revenue of computer and storage products and automotive electronics products decreased slightly YoY. These are mainly resulted from: (1) the purchase orders for SiP modules in smart phones have increased significantly and USI began to manufacture a new type of SiP modules in communication category; (2) the purchase orders for SiP modules in wearables saw robust growth, and similarly, there was a new type of SiP modules; (3) USI closed the acquisition of 100% equity of FAFG and started to consolidate its financial statements in December 2020; (4) Impacted by the COVID-19, the shipments of some EMS /ODM product lines declined slightly.

In 2020, the Company achieved an operating profit of RMB 1.96 billion, an increase of 37.94% over RMB 1.42 billion in 2019, a total profit of RMB 1.97 billion, up 37.75% YoY from RMB 1.43 billion, a net profit attributable to shareholders of the listed company of RMB 1.74 billion, up 37.82% YoY from RMB 1.26 billion. In 2020, as a result of the growing overall equipment efficiency, the Company's revenue from SiP module products increased significantly, and the gross margin ratio went up by 0.50 percentage point YoY, bringing a higher operating profit and net profit.

The Company's total sales expenses, administrative expenses, R&D expenses and financial expenses in 2020 added up to RMB 3.11 billion, up 24.70% YoY from RMB 2.50 billion in 2019. The sales expenses were basically flat; the administrative expenses rose by 346 million YoY, mainly due to increasing employee salary, costs for employee stock incentive plan and accumulated bonus from growing operating profit; the R&D expenses increased by 204 million YoY, due to the increase in the R&D team salary and R&D investment in new products; the financial expenses increased by RMB 70 million YoY, mainly because of interest expenses in 2020 and the exchange loss caused by the devaluation of US dollar against RMB in the reporting period. In 2020, the period costs to total revenue were 6.53%, down from 6.71% in 2019.

The Company's non-recurring profits and losses in 2020 was RMB 124 million, lower than RMB 217 million in 2019, as the Company sold all the stocks at the end of 2019 and obtained a large amount of returns from trading financial assets including securities investment and cash management. In 2020, the non-recurring profits and losses did not have any stock-related gains.

USI's net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses in 2020 was RMB 1.62 billion, up by 571 million or 54.64% YoY from RMB 1.04 billion.

#### 1.1 Core Business Performance by Industry, Product Category and Region

Presented in RMB yuan

Core business by product category						
Category	Revenue	COGS	Gross margin	Revenue YoY	COGS YoY	Gross margin ratio

			ratio (%)			(%) (+/-)
Communication electronics	20,283,864,099.07	18,815,078,550.90	7.24	44.76	44.25	Up 0.73 pct.
Consumer electronics	17,214,810,675.04	15,508,995,840.19	9.91	33.84	30.71	Up 2.16 pct.
Industrial electronics	4,350,075,411.92	3,442,749,328.97	20.86	3.48	1.66	Up 1.41 pct.
Computer and storage	3,825,855,621.16	3,171,133,231.77	17.11	-6.75	-5.47	Down 1.12 pct.
Automotive electronics	1,691,018,757.11	1,552,803,855.87	8.17	-4.64	-8.37	Up 3.73 pct.
Medical electronics	71,996,638.77	64,751,990.15	10.06			
Others	234,479,923.39	151,809,136.38	35.26	1.93	-0.05	Up 1.28 pct.
Total revenue from core business	47,672,101,126.45	42,707,321,934.22	10.41	28.21	27.50	Up 0.50 pct.
<b>Core Business Performance by Region</b>						
Region	Revenue	COGS	Gross margin ratio (%)	Revenue YoY	COGS YoY	Gross margin ratio (%) (+/-)
Chinese Mainland	34,962,198,926.11	31,373,940,032.35	10.26	19.87	18.61	Up 0.95 pct.
Taiwan, China	15,495,156,080.45	14,100,107,069.46	9.00	30.93	31.21	Down 0.20 pct.
Mexico	1,537,959,612.35	1,480,608,435.51	3.73	-23.64	-24.55	Up 1.17 pct.
Other countries or regions	7,150,553,837.86	7,012,319,492.52	1.93	-6.91	-8.25	Up 1.46 pct.
Set-off	-11,473,767,330.32	-11,259,653,095.62	1.87	-15.10	-15.38	Up 0.33 pct.
Total revenue from core business	47,672,101,126.45	42,707,321,934.22	10.41	28.21	27.50	Up 0.49 pct.

**Description:**

1. For communication and consumer electronics products, due to the significant YoY increase in shipments of SiP modules, the increase in overall equipment efficiency has improved the gross margin ratio.
2. Medical electronics is the new product category added by the Company when consolidating FAFG's financial statements since December 2020.

**2 Industry Trends & Data**

1) In terms of communication products, according to the market data collected by the Company, iPhone accounted for 15% of the global smart phone market share in 2020, with a sales volume of 201 million, an increase of 3% YoY.

WW smart phone estimated market share

	2019		2020		20'/19'
	Shipments (M units)	Market Share (%)	Shipments (M units)	Market Share %	Growth YoY (%)

Samsung	297	20	256	19	-14
Apple	196	13	201	15	3
Huawei	239	16	188	14	-21
Xiaomi	125	8	145	11	17
Oppo	120	8	112	8	-7
vivo	114	8	109	8	-5
realme	26	2	42	3	65
Others	364	25	279	21	-23

Source: collected by USI in Feb, 2021

2) In terms of consumer electronics products, according to the market data collected by the Company, the overall wearable product shipment volume grows at a CAGR of about 10%. Specifically, Apple's wearable device shipment volume and market share have significantly increased, driving USI's revenue from consumer electronics up by 29% in 2020.

### 2.1 WW wearable Market Forecast

Product	2019	2020F	2021F	2022F	2023F	2024F	20'/19' YOY	19'-24' CAGR
Total Shipment (M Units)	344	362	449	497	530	556	5%	10%
Watch	93	92	119	135	146	156	-1%	11%
Wrist Band	71	65	71	72	73	73	-8%	1%
Earwear	176	201	255	285	306	321	14%	13%
Other	4	4	4	5	5	6	-10%	6%
Market Share (%)								
Watch	27%	25%	26%	27%	28%	28%		
Wrist Band	21%	18%	16%	14%	14%	13%		
Earwear	51%	56%	57%	57%	58%	58%		
Other	1%	1%	1%	1%	1%	1%		

Source: collected by USI in Feb, 2021

### 2.2 Smart Watch Market Share

	2019		2020		20'/19'
	Shipments (M units)	Market Share	Shipments (M units)	Market Share	YOY
Worldwide Total	93		110		18%
Apple	26	28%	37	34%	42%
Huawei	8	9%	16	15%	100%
Samchung	9	10%	9	8%	0%
Google(Fitbit, Fossil)	10	11%	7	6%	-30%
Garmin	6	6%	7	6%	17%
BBK	6	6%	5	5%	-17%

Others	28	30%	29	26%	4%
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Source: collected by USI in Feb, 2021

### 2.3 TWS Market Share

	2019		2020		20'/19'
	Shipments (M units)	Market Share	Shipments (M units)	Market Share	YOY
Worldwide Total	116		185		59%
Apple	75	81%	108	98%	44%
Samsung	8	9%	21	19%	163%
Xiaomi	8	9%	12	11%	50%
Huawei	5	5%	9	8%	80%
Jabra	5	5%	8	7%	60%
Others	15	16%	27	25%	80%

Source: collected by USI in Feb, 2021

3) In terms of computer and storage products, according to the market data collected by the Company, the market demand for server motherboards and switches will maintain an upward trend. USI will seize more market share and gain more orders by strengthening cooperation with major customers.

### 3.1 Server Revenue by Region (Unit: \$M)

Region	2019	2020	2021	2022	2023	2024	19'-24' CAGR
North America	31,614	32,286	33,724	35,184	35,863	37,722	3.6%
Greater China	18,824	18,272	18,884	19,562	20,744	22,255	3.4%
Western Europe	11,001	9,526	9,956	10,137	10,515	11,024	0.0%
Japan	4,056	3,878	4,163	4,200	4,082	3,978	-0.4%
Mature Asia/Pacific	2,319	2,130	2,205	2,140	2,254	2,368	0.4%
Emerging Asia/Pacific	1,934	1,720	1,890	1,945	2,004	2,055	1.2%
Latin America	1,739	1,353	1,492	1,525	1,479	1,477	-3.2%
Middle East and North Africa	1,225	1,136	1,148	1,165	1,145	1,172	-0.9%
Eurasia	944	788	868	940	994	1,031	1.8%
Eastern Europe	818	726	757	792	838	893	1.8%
Sub-Saharan Africa	449	395	435	449	449	457	0.4%
Grand Total	74,924	72,208	75,523	78,038	80,367	84,432	2.4%

Source: collected by USI in Feb, 2021

### 3.2 Global Ethernet Switch and Router Market (Unit: \$B)

	2019	2020	2021	2022	2023	2024	19'-24' CAGR
Switch and router	45	46	47	48	49	50	2.0%

Source: collected by USI in Feb, 2021

3.3. Among storage products, SSD is the important product of the Company. According to the market data collected by the Company, as more people are working from home due to the pandemic, the demand for SSDs in laptops and data centers has increased, the shipments going up by 16% YoY in 2020. The SSD market grows at a CAGR of about 5.4% from 2019 to 2024. While actively keeping good relationship with existing customers, the Company also strives to attract new customers, focusing on the development of enterprise-class products.

WW SSD Shipment Forecast (M unit)

	2019	2020	2021	2022	2023	2024	19'20 YoY%	19-24 CAGR %
SSD	262	304	308	315	320	340	16%	5.4%

Source: collected by USI in Feb, 2021

4) In 2020, on the market of industrial products, demands for smart handheld devices and POS terminals, the main products, declined due to the impact of the epidemic. As physical retail stores were particularly impacted, the overall POS market was estimated to have declined by 12%. It is expected that after the epidemic is brought under control, the market demand for industrial products will regain growth momentum.

WW POS Shipment Forecast(M unit)

	2019	2020	2021	2022	2023	2024	20'/19' YoY%	19'-24' CAGR %
POS	68	60	72	86	104	124	-12%	13%

Source: collected by USI in Feb, 2021

5) In terms of automotive electronics, impacted by the epidemic, the vehicle sales volume declined by more than 10%, but the demand for automotive electronic products in the segments will keep growing, especially demands for the ADAS and HEV-EV will grow at a high CAGR.

Automotive Electronics Forecast by Domain

(unit:\$m)

Domain	2019	2020	2021	2022	2023	2024	2025	CAGR
ADAS	22,272	24,808	28,932	33,446	37,599	41,445	47,668	14%
Body & Convenience	16,541	16,895	17,696	18,046	18,487	18,618	18,773	2.1%
Chassis & Safety	20,302	19,636	19,998	20,145	20,355	20,448	20,839	0.4%
HEV-EV	4,191	6,580	9,653	12,724	16,261	20,047	22,707	33%
Infotainment	38,233	39,506	41,674	43,135	45,172	46,373	46,616	3.4%
Powertrain	16,293	16,318	16,733	17,192	17,441	17,420	17,578	1.3%
Grand Total	117,833	123,743	134,688	144,687	155,316	164,349	174,181	6.7%

Source: collected by USI in Feb, 2021

6) In terms of medical products, the market demand has grown steadily.

Medical Product Assembly Value, 2019-2024

(Unit: \$M)

	2019	2020	2021	2022	2023	2024	19'-24' CAGR
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Medical Diagnostics	17,720	18,830	20,250	21,700	23,000	24,600	6.8%
Therapeutic	10,840	11,200	11,700	12,000	12,700	13,300	4.2%
Monitoring & Surgical	17,026	18,033	19,024	20,005	21,500	22,500	5.7%
Total	45,586	48,063	50,974	53,705	57,200	60,400	5.8%

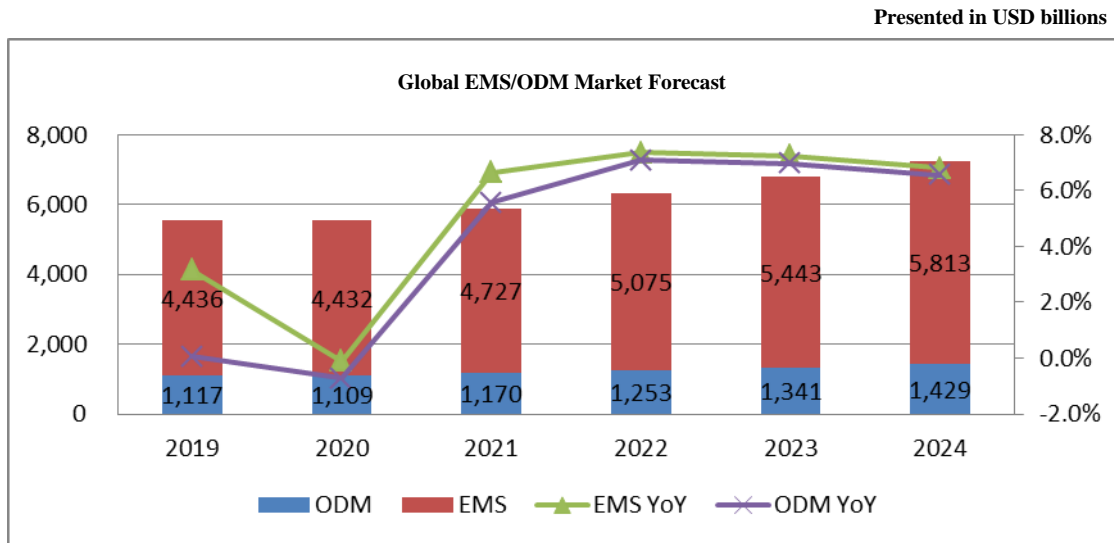
Source: collected by USI in Feb, 2021

### 3 Discussion and Analysis of Corporate Development in the Future

#### 3.1 Industry Landscape

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

According to the reports by professional market research institutions compiled by the Company, the global electronic manufacturing service (EMS) revenue exceeded USD 554.1 billion in 2020, and is expected to reach USD 700 billion in 2024, growing at an average CAGR of 5.5% from 2019 to 2024. The overall market shows a steady growth trend, and the Asia-Pacific region will maintain a leading growth rate.



Source: collected by USI in Feb, 2021

#### The Worldwide CM, EMS and ODM Market by Region, 2019-2024

Region	2019	2020	2021	2022	2023	2024	19'-24' CAGR
CM Revenue (\$M)							
Americas	97,063	95,573	99,369	103,719	108,376	114,324	3.3%
EMEA	71,193	69,694	71,883	74,353	76,986	80,005	2.4%
APAC	387,322	389,076	418,777	455,091	493,322	530,200	6.5%
Total	555,300	554,067	589,734	632,846	678,345	724,168	5.5%
EMS Revenue (\$M)							
Americas	94,672	93,253	96,982	101,250	105,806	111,625	3.3%
EMEA	67,349	65,935	68,044	70,426	72,961	75,880	2.4%

APAC	281,592	284,013	307,667	335,829	365,495	393,793	6.9%
Total	443,613	443,201	472,693	507,505	544,262	581,298	5.6%
ODM Revenue (\$M)							
Americas	2,390	2,321	2,386	2,469	2,570	2,699	2.5%
EMEA	3,844	3,760	3,839	3,927	4,025	4,126	1.4%
APAC	105,453	104,785	110,815	118,945	127,488	136,045	5.2%
Total	111,687	110,866	117,041	125,342	134,083	142,870	5.0%

Source: collected by USI in Feb, 2021

As smart phones and smart wearables are upgraded frequently, the market demand for SiP modules continue to grow rapidly compared with the traditional EMS /IDM business.

Module Market Forecast (Unit: \$B)

	2019	2020	2021	2022	2023	2024	CAGR
Module	66	72	78	85	93	102	9.1%
SiP	45	49	53	57	62	67	8.4%
Non-SiP	21	23	26	28	31	35	11%

Source: collected by USI in Feb, 2021

## 2. Global competitive landscape and industry ranking

Among global electronic manufacturing service providers, USI ranked 15<sup>th</sup> in 2019.

Ranking	Company	Revenue (in USD billions)	YoY	Net income ratio of core business
		2019	19'/'18'	2019
1	Foxconn	1,730	-1.2%	2.5%
2	Pegatron Corporation	443	-0.1%	1.3%
3	Quanta Computer	333	-1.5%	1.6%
4	Compal Electronics	318	-0.9%	0.8%
5	Wistron Group	284	-2.3%	1.1%
6	Jabil Circuit, Inc.	263	14.2%	0.8%
7	Flextronics	250	-5.5%	-0.1%
8	Inventec	164	-1.0%	1.0%
9	TPV	88	-3.7%	0.3%
10	Delta Electronics, Inc.	87	10.5%	8.3%
15	USI	54	6.8%	3.4%
	Industry Average	4,436	2.5%	1.9%

Source: collected by USI in Feb, 2021

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

The Company's net profit margin was 3.64% in 2020, up from 3.38% in 2019, better than the average of

the world's top 10 contract manufacturers (CMs).

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

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

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

(3) USI has an advantage in cost control. In the process of new product introduction (NPI), USI gain an advantage in cost management by selecting best-match materials; USI effectively controls the unit production cost by adopting an efficient production line layout and an institutionalized, systematized and standardized production process.

#### 4. Industry landscape

In the short-to-medium term, the demand for traditional 3C products will continue to grow more slowly. What used to drive high-speed growth of the industry, such as PCs and mobile phones, has entered into the maturity stage. In this case, modular and system integration products, providing fast and easy-to-use market solutions, have been widely applied in mobile phones and wearable devices. With more features of health monitoring and big data analysis rolling out, it is expected that more wearable devices will adopt modular solutions in the future. In addition, entering the 5G era, the whole industrial chain, from electronic components to terminal applications, is facing the challenges of transformation, upgrading and innovation.

In the medium-to-long term, 5G will be the largest opportunity for the electronic industry. 5G will actually usher in an era of Internet of Things (IoT), where everything is connected, by meeting the needs of growing mobile data traffic and the emerging devices and application scenarios in the future. With the accelerated integration of 5G with Industrial Internet, cloud computing, big data, artificial intelligence (AI), and IoT, the amount and complexity of data should be supported by high-performance computing, which brings new opportunities for the development of AI and edge computing, and subsequently boosts the demand for hardware, electronic equipment, communication and storage.

### **3.2 Corporate Development Strategy**

#### 1) Industry development trend

The global demand for outsourcing the manufacturing process of electronic products will continue to grow. As the EMS business model has grown matured and EMS service capabilities have continuously improved, the global EMS industry has expanded its serviceable fields, and the revenue/shipments has increased year by year. In order to meet the growing needs of brand customers, the EMS industry continuously expands to the high-end field of the product value chain. This trend brings broader space for USI, a manufacturer that has product planning, design and R&D capabilities. According to the market analysis report and the market data collected by the Company, the global EMS/ODM market has been growing steadily with a CAGR of 5.5%.

#### 2) Industrial barriers

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

Due to the rapid development and upgrading of electronic products, and the deepening of specialization

in the division of labor, brand customers put forward higher requirements for the R&D and manufacturing capabilities of their EMS suppliers in the key processes of their supply chain. Therefore, the EMS companies should upgrade their technology level constantly and collaborate with their clients on R&D, process assurance, quality control and production management, which is a high barrier to entering the EMS industry.

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

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

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

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

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

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

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

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

### 3) Changes in competitive landscape

According to the statistics from professional institutions collected by the Company, in 2019, the revenue of the top three categories in the contract manufacturing industry was communication, accounting for 34%, computer, accounting for 35%, and consumer electronics, accounting for 15%.

It is estimated that by 2024, communications, computer and consumer electronics will account for 85% of the entire contract manufacturing industry. From 2019 to 2024, the three categories will grow at a CAGR of 6.8%, 5.9% and 1.8% respectively.

**Forecast of contract manufacturing industry turnover**

Category	2019 (\$M)	2024 (\$M)	2019 (%)	2024 (%)	19'-24' CAGR(%)
Communications	191	266	34%	37%	6.8%
Computer	193	257	35%	36%	5.9%
Consumer	81	88	15%	12%	1.8%
Industrial	36	45	6.4%	6.2%	4.7%
Medical	23	31	4.1%	4.3%	6.4%
Automotive	17	20	3.0%	2.7%	3.3%
Commercial Aviation	7.7	8.2	1.4%	1.1%	1.5%
Defense/Other	7.4	8.9	1.3%	1.2%	3.8%
Total	555	724	100%	100%	5.5%

Source: collected by USI in Feb, 2021

4) Challenges ahead

- (1) Industry players strive for market share more actively, intensifying the competitive pressure of market expansion.
- (2) To respond to clients' the requirements of high-quality service and cost control, USI needs to continuously increase investment, improve efficiency and reduce costs, facing increasing difficulties in large-scale operation and refined management.
- (3) USI, which has accelerated vertical integration and global business expansion through M&A and strategic investment, needs to arrange financing projects and the funds appropriately, control financial risks, promote effective integration and synergy after the M&A and, eventually, achieve the goal of creating value for the Company. The whole process has some uncertainties and risks.

5) Corresponding strategies

- (1) Based on the Company's technical, capital, and resource integration advantages, USI has deepened partnership with the existing customers and try to win more customers to extend its business.
- (2) With its unique advanced process, flexible production capacity and diversified production lines, USI meets clients' needs of more new products, technologies and quick delivery of high-volume manufacturing.
- (3) USI will increase R&D investment in key technologies and application fields, and strengthen vertical integration and industrial cooperation between the upstream and downstream of the industrial chain through corporate resource integration, technology sharing and independent innovation. In this way, the Company can better meet customers' needs, create more added value and financial benefits, enhance core competitiveness, win more market share and opportunities.
- (4) Following the latest trend of “localized services for global demands”, USI has formed a global manufacturing and service landscape through the M&A of FAFG. The Company keeps introducing more talents with international experience, and strives to realize synergy effects.
- (5) USI has proactively promoted the public issuance of convertible corporate bonds, raising funds from the capital market to support major investment projects of the Company.
- (6) USI has maintained a stable financial structure and a sufficient source of funds required for the

development of new technologies and products.

### **3.3 Business plan**

#### **1) Overall plan**

As a global electronic design, manufacturing and service (D(MS)<sup>2</sup>) provider, the Company will not only pursue internal growth, but actively seek external growth momentum in the future. Adhering to the strategy of “modularization, diversification and globalization”, USI will develop the industrial layout with a global perspective, constantly upgrade technologies in miniaturization solutions, and strive to create value for customers.

With years of partnership with the world's leading brand customers, the Company has been a leading market player in the segment. At the same time, based on the existing strategy of selecting the best among the best, USI will select and focus on the high-growth niche market of certain scale according to the market dynamics, customer needs and the mainstream electronic technology, combined with its core advantages accumulated over the years. The Company will continue to seek external growth opportunities for products, supply chains, customers, technology and manufacturing sites, and drive the growth of the Company's revenue and profit.

Following the changing industry landscape, USI plans to increase investment in miniaturized system modules. While maintaining its leading technologies and mass production capacity of miniaturized system modules, the Company will strive to improve its R&D strength to provide more customized products to customers, and create a significant advantage for the Company to win mass production orders from both existing customers and potential new customers in the future.

#### **2) R&D plan**

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

Currently USI has been devoted to producing lighter, thinner, shorter, smaller products with low-power consumption, strong interconnectivity, and intelligent learning capability. In addition, network and intelligent devices have been developing vigorously, driven by the improved bandwidth of 5G NR network. Looking into the future, USI will use 5G lab test and verification methods to provide the best miniaturized antenna design for intelligent mobile devices, and expand the technology to computer, communication, wearable, industrial and car electronics, connecting the cloud storage and cloud computing, and integrating all product technologies to form an IoT network to meet the needs of customers. Therefore, the Company will focus on the following R&D directions:

- (1) Developing the design capability of wireless communication modules and 5G new RF products;
- (2) Automotive electronic products;
- (3) Continuously expanding the application of miniaturized products into the IoT field, and constantly improving manufacturing process;
- (4) Cooperating with other industry-leading technology companies to produce module products with higher integration and more functions, and expand to IoT and other fields;

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

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

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

### 3) Production plan

At present, USI has 27 production sites in 10 countries or regions, including Chinese mainland, Taiwan, the United States, France, Germany, the United Kingdom, the Czech Republic, Mexico, Poland, Tunisia and Vietnam. By the acquisition of part of Memtech's equity and 100% equity of FAFG, the Company has scaled up to build a more complete global manufacturing and service system. In the future, the Company will expand the capacity of manufacturing based on customer demands and development plans.

USI has formulated the "5-star Factory" standard according to smart manufacturing industry criteria, that is, 100% automation of machines, more than 80% of the lines that deploy light-out manufacturing process, and less than 30% of direct manpower. The Company plans to upgrade its main manufacturing sites to 3-star and 4-star factories by 2023 and develop four 5 star light-out factories by 2025 to realize fully automated manufacturing.

### 4) Human resources (HR) plan

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

### 5) Management improvement plan

Excellent operation is one of the three driving forces of USI's development strategy. In the future, the Company will continue to strengthen performance management, implement the business philosophy of customer-first, people-oriented, and innovation-driven development to create maximum value for shareholders.

## **4 Analysis and Explanation for the Effects of Changes in Accounting Policies and Accounting**

### **Estimates**

On December 16, 2019, the Ministry of Finance issued the Notice of Issuing the Interim Provisions on the Accounting Treatment Regarding Trading of Carbon Emission Right (Cai Kuai [2019] No. 22). USI adopted these accounting principles from January 1, 2020.

In accordance with the above provisions, the Company re-evaluated the recognition and measurement, accounting and presentation of carbon emission reductions, and considers that the provisions have no significant impact on the Company's financial report, and, using prospective application method, did not

adjust the data during the reporting period.

The impact of the accounting policy change on the relevant accounts and amounts of the Company's financial statements is as follows:

Consolidated Balance Sheet			
Presented in RMB yuan			
Items	Book value treated by Dec 31, 2019 according to original accounting policies	Impact of new accounting treatment	Book value by Jan 1, 2020 treated according to new accounting policies
Intangible assets	137,340,663.63	-4,892,359.93	132,448,303.70
Other current liabilities	4,892,359.93	-4,892,359.93	0.00

Parent Company Balance Sheet			
Presented in RMB yuan			
Items	Book value treated by Dec 31, 2019 according to original accounting policies	Impact of new accounting treatment	Book value by Jan 1, 2020 treated according to new accounting policies
Intangible assets	12,694,004.58	-1,391,792.10	11,302,212.48
Other current liabilities	1,391,792.10	-1,391,792.10	0.00

The Company reviewed the change in accounting policy and drew a conclusion that it would only result in changes in the items of the balance sheet, without significant impacts on the Company's financial status, operating results or cash flow.

## Appendix: Financial Statements

### Consolidated Balance Sheet

Dec 31, 2020

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

Presented in RMB yuan

Items	Dec 31, 2020	Dec 31, 2019
<b>Current assets:</b>		
Cash and cash equivalents	6,332,982,117.63	6,095,846,706.98
Financial assets held for trading	182,315,272.70	
Bills receivable	70,395,770.23	75,683,446.09
Trade receivables	10,468,619,520.16	7,258,215,590.80
Prepayments	41,561,467.16	16,534,558.94
Other receivables	125,282,807.18	71,454,685.55
Including: interest receivables	7,937,209.88	4,220,062.95
Inventories	6,748,388,264.49	4,298,185,101.06
Non-current assets due within a year	813,785.46	466,314.46
Other current assets	596,958,856.20	369,455,435.59
Total current assets	24,567,317,861.21	18,185,841,839.47
<b>Non-current assets:</b>		
Long-term receivables	10,380,472.81	348,924.13
Long-term equity investments	531,527,769.52	487,356,977.82
Investments in other equity instruments	41,351,831.65	42,152,132.46
Other non-current financial assets	64,091,002.18	46,122,432.84
Fixed assets	2,642,484,120.80	1,668,761,553.10
Construction in progress	431,942,421.24	224,960,848.83
Right-of-use assets	629,762,039.36	561,443,365.68
Intangible assets	290,364,337.33	137,340,663.63
Goodwill	1,091,971,550.51	28,500,426.70
Long-term deferred expenses	250,549,262.26	286,061,873.00
Deferred income tax assets	297,009,500.16	167,638,369.67
Other non-current assets	89,743,706.46	75,321,941.98
Total non-current assets	6,371,178,014.28	3,726,009,509.84
Total assets	30,938,495,875.49	21,911,851,349.31
<b>Current liabilities:</b>		
Short-term borrowings	375,341,430.81	1,764,375,659.55
Derivative financial liabilities	18,402,480.68	-
Accounts payables	11,835,239,734.29	7,931,457,515.28
Contract liabilities	300,864,893.86	140,330,198.70
Payroll payable	869,508,823.23	484,791,129.88
Taxes payable	179,000,709.13	68,997,782.75

Other payables	399,836,932.07	364,975,089.16
Including: Interest payable	8,855,328.84	2,969,431.05
Non-current liabilities due within one year	934,981,355.04	97,310,645.77
Other current liabilities	-	4,892,359.93
Total current liabilities	14,913,176,359.11	10,857,130,381.02
<b>Non-current liabilities:</b>		
Long-term borrowings	3,011,668,944.64	30,707,476.42
Lease liabilities	534,968,764.47	493,960,115.15
Long-term payables	43,287,736.00	56,049,550.79
Long-time payroll payable	335,569,680.50	117,957,204.60
Estimated liabilities	11,353,780.46	1,603,967.00
Deferred income	32,724,563.92	40,311,997.69
Deferred income tax liabilities	1,944,000.32	3,919,871.67
Other non-current liabilities	4,960,300.38	3,350,545.52
Total non-current liabilities	3,976,477,770.69	747,860,728.84
Total liabilities	18,889,654,129.80	11,604,991,109.86
<b>Owners' equity (or shareholders' equity):</b>		
Paid-in capital (or share capital)	2,209,343,372.00	2,179,088,030.00
Capital reserve	2,180,964,177.00	1,719,118,051.70
Less: Treasury stock	134,707,206.58	154,978,351.25
Other comprehensive income	-91,215,977.01	6,944,545.45
Special reserve		
Surplus reserve	542,610,242.85	390,854,336.82
General risk reserve		
Undistributed profits	7,342,825,571.69	6,134,589,055.19
Total equity attributable to owners (or shareholders) of the Parent Company	12,049,820,179.95	10,275,615,667.91
Minority shareholders' interests	-978,434.26	31,244,571.54
Total owners' equity (or shareholders' equity)	12,048,841,745.69	10,306,860,239.45
Total owners' equity (or shareholders' equity)	30,938,495,875.49	21,911,851,349.31

Legal representative: Chen Chang-I  
CFO: Liu Tan-Yang  
Accounting officer: Li Ming-Hsiu

## Consolidated Income Statement

For 12 months ended Dec 31, 2020

Presented in RMB yuan

Items	Jan – Dec 2020	Jan – Dec 2019
<b>I. Total operating revenue</b>	47,696,228,222.53	37,204,188,424.22
Including: Operating revenue	47,696,228,222.53	37,204,188,424.22
<b>II. Total cost of operations</b>	45,886,423,476.23	36,034,953,586.73
Including: Operating cost	42,710,970,315.86	33,499,411,113.19
Taxes and surcharges	61,708,512.55	38,580,513.74
Sales expense	318,472,090.03	320,478,740.90
gains	1,123,158,982.65	777,648,445.27
R&D expenses	1,576,363,064.48	1,372,606,111.19
Financial expenses	95,750,510.66	26,228,662.44
Including: interest expense	90,186,351.24	80,832,617.08
Interest income	60,445,860.19	48,287,786.29
Add: other income	76,779,477.12	52,011,788.56
Investment income (losses are represented by '-')	83,440,494.33	78,715,164.41
Including: investment income of associates and joint ventures	19,752,692.15	15,277,259.53
Income from change in fair value (losses are represented by '-')	-6,272,200.14	111,776,534.98
Loss on credit impairment (losses are represented by '-')	7,894,930.75	5,640,846.55
Loss on assets impairment (losses are represented by '-')	-11,792,788.58	2,948,785.65
Gain from disposal of assets (losses are represented by '-')	1,796,090.81	1,823,485.76
<b>III. Operating profit (losses are represented by '-')</b>	1,961,650,750.59	1,422,151,443.40
Add: non-operating income	14,978,610.83	13,895,784.95
Less: non-operating expenses	3,066,306.86	3,284,269.27
<b>IV. Total profit (total losses are represented by '-')</b>	1,973,563,054.56	1,432,762,959.08
Less: income tax expense	239,997,822.59	172,655,325.59
<b>V. Net profit (net losses are represented by '-')</b>	1,733,565,231.97	1,260,107,633.49
1. Net profit from continuous operation (net losses are represented by '-')	1,733,565,231.97	1,260,107,633.49
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')	1,739,435,448.10	1,262,103,937.04
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')	-5,870,216.13	-1,996,303.55
<b>VI. Other comprehensive income, net of tax</b>	-97,879,854.60	51,008,234.88

i) Other comprehensive income attributable to owners of the Parent Company, net of tax	-98,160,522.46	51,256,889.12
Other comprehensive income that cannot be reclassified into the profit or loss	-9,966,805.24	-14,063,319.75
(1) Changes arising from re-measurement of defined benefit plans	-10,568,410.72	-7,959,104.24
(2) Other comprehensive income that cannot be transferred into profit or loss under equity method	601,605.48	-6,104,215.51
Other comprehensive income to be reclassified into the profit or loss	-88,193,717.22	65,320,208.87
(1) Other comprehensive income that can be transferred into profit or loss under equity method	18,090,277.18	-3,832,900.62
(6) Differences on translation of financial statements denominated in foreign currencies	25,410,896.65	69,153,109.49
(7) Others	-131,694,891.05	
(ii) Total comprehensive income attributable to the minority shareholders	280,667.86	-248,654.24
<b>VII. Total comprehensive income</b>	<b>1,635,685,377.37</b>	<b>1,311,115,868.37</b>
(i) Total comprehensive income attributable to the owners of the Parent Company	1,641,274,925.64	1,313,360,826.16
(ii) Total comprehensive income attributable to the minority shareholders	-5,589,548.27	-2,244,957.79
<b>VIII. Earnings per share:</b>		
(i) Basic earnings per share (RMB/share)	0.80	0.58
(ii) Diluted earnings per share (RMB/share)	0.80	0.58

Legal representative: Chen Chang-I  
CFO: Liu Tan-Yang  
Accounting officer: Li Ming-Hsiu

## Consolidated Cash Flow Statement

For 12 months ended Dec 31, 2020

Presented in RMB yuan

Items	Jan – Dec 2020	Jan – Dec 2019
<b>I. Net cash flow from operating activities</b>		
Cash received from the sale of goods and rendering of services	45,468,811,547.15	37,624,212,718.42
Refunds of taxes	340,578,159.52	310,908,590.24
Cash paid to other operation activities	187,105,390.24	182,110,934.89
Sub-total of cash inflows from operating activities	45,996,495,096.91	38,117,232,243.55
Cash paid for commodities and services	40,923,196,400.49	32,458,267,072.26
Cash paid to and on behalf of employees	2,717,199,681.64	2,457,072,003.88
Cash paid for all types of taxes	409,820,523.85	278,109,109.02
Cash paid to other operation activities	509,754,816.83	498,011,804.78
Sub-total of cash outflows from operating activities	44,559,971,422.81	35,691,459,989.94
Net cash flow from operating activities	1,436,523,674.10	2,425,772,253.61
<b>II. Cash flow from investing activities:</b>		
Cash received from recovery of investments	9,172,427,960.13	11,724,787,993.50
Cash received from return on investments	64,140,453.41	89,050,886.96
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	19,108,054.99	14,276,210.18
Cash received from other investing activities	13,522,846.50	2,939,802.23
Sub-total of cash inflows from operating activities	9,269,199,315.03	11,831,054,892.87
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	1,056,333,146.16	673,556,799.60
Cash paid for investments	9,243,640,394.90	11,259,035,164.91
Net cash paid for acquiring subsidiaries and other business units	1,980,146,094.91	493,242,220.77
Sub-total of cash outflows from investing activities	12,280,119,635.97	12,425,834,185.28
Net cash flow from investing activities	-3,010,920,320.94	-594,779,292.41
<b>III. Cash flow from financing activities:</b>		
Cash received from capital injections	67,060,849.80	49,606,752.99
Including: cash received from capital contributions by minority shareholders of subsidiaries		431,199.99
Cash received from borrowings	13,803,036,236.54	9,200,670,228.31
Cash received from other financing activities	23,486,155.84	
Sub-total of cash inflows from operating activities	13,893,583,242.18	9,250,276,981.30
Cash paid for debt repayment	11,474,728,199.05	8,971,328,733.71
Cash paid on distribution of dividends, profits or repayment of interest expenses	444,227,133.59	420,509,050.06
Cash paid on other financing activities	150,150,075.22	242,752,485.25
Sub-total of cash outflows from financing activities	12,069,105,407.86	9,634,590,269.02

Net cash flow from financing activities	1,824,477,834.32	-384,313,287.72
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>	-29,496,833.12	29,271,479.81
<b>V. Net increase in cash and cash equivalents</b>	220,584,354.36	1,475,951,153.29
Add: balance of cash and cash equivalents at the beginning of the period	6,082,639,950.14	4,606,688,796.85
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	6,303,224,304.50	6,082,639,950.14

Legal representative: Chen Chang-I

CFO: Liu Tan-Yang

Accounting officer: Li Ming-Hsiu