IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CIRCUMSTANCES, ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that: (1) you are not in the United States, and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S under the Securities Act ("**Regulation S**").

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to forward, deliver or otherwise provide access of the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined below) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Cloud Network Technology Singapore Pte. Ltd. (the "**Issuer**"), Foxconn Industrial Internet Co., Ltd. (the "**Guarantor**" or the "**Company**"), CLSA Singapore Pte Ltd, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd. and UBS AG Singapore Branch (the "**Arrangers**"), CLSA Singapore Pte Ltd, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., UBS AG Singapore Branch, Bank of China (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited (the "**Dealers**"), any person who controls the Arrangers or the Dealers, any director, officer, employee nor agent of the Issuer or the Guarantor or the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

Restrictions: Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Arrangers or the Dealers to subscribe or purchase any of the securities described therein. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Cloud Network Technology Singapore Pte. Ltd.

(incorporated under the laws of Singapore with limited liability)

(as Issuer)

U.S.$2,000,000,000
Medium Term Note Programme
Unconditionally and Irrevocably Guaranteed by

Foxconn Industrial Internet Co., Ltd.
富士康工業互聯網股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability and listed on the Shanghai Stock Exchange under stock code 601138)

(as Guarantor)

Under the U.S.$2,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Cloud Network Technology Singapore Pte. Ltd. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee**") by Foxconn Industrial Internet Co., Ltd. 富士康工業互聯網股份有限公司 (the "**Guarantor**" or the "**Company**"). Notes may be issued in bearer or registered form. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or its equivalent in other currencies), subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Each Tranche of Notes (as defined in "*Summary of the Programme*") issued under the Programme will have the benefit of a deed of guarantee dated on or about the relevant Issue Date (as defined in the terms and conditions of the Notes (the "**Conditions**")) (each, as amended, restated and/or supplemented from time to time, a "**Deed of Guarantee**") entered into between the Guarantor and Citicorp International Limited as trustee (the "**Trustee**") substantially in the form attached to the Trust Deed (as defined in the Conditions). The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local branch ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 following the issuance of each Tranche of Notes. The Guarantor intends to complete the registration of the relevant Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 150 calendar days after the relevant Issue Date). The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) *(Negative Pledge)* of the Conditions, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantor, present and future.

With respect to each Tranche of Notes where the NDRC Circular (as defined below) is applicable, registration will be completed by the Guarantor in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**NDRC Circular**"), as set forth in the applicable Pricing Supplement. After the issuance of each Tranche of Notes where the NDRC Circular is applicable, the Guarantor shall file the requisite information and documents with the NDRC within the prescribed timeframe after the relevant Issue Date of the Notes in accordance with the NDRC Circular.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of any Notes to the Official List of, and the quotation of any Notes on, the SGX-ST, are not to be taken as indications of the merits of the Issuer, the Guarantor, their respective subsidiaries, associated companies, the Programme or such Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes if traded, will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s). The Issuer may also issue unlisted Notes. This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Please see the transfer restrictions set out under the section "*Selling Restrictions*" on page 163 of this Offering Circular.

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Notes**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163–5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority. Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a registered Series and the issue date thereof, beneficial interests in a Global Note or Global Certificate may be held only through Euroclear or Clearstream or the CMU. The provisions governing the exchange of interests in Global Notes for other Global Notes and Notes in definitive form ("**Definitive Notes**") are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes and the Guarantee may not be offered, sold, or in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable pricing supplement (the "**Pricing Supplement**") and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under "*Risk Factors*" below.

S&P Global Ratings, a division of the McGraw Hill Companies Inc., has assigned a rating of A- to the Programme. The rating is only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Arrangers

CLSA **Citigroup** **DBS Bank Ltd.** **UBS**

Dealers

CLSA **Citigroup** **DBS Bank Ltd.** **UBS**

Bank of China (Hong Kong) **China International Capital Corporation**

Offering Circular dated 29 November 2021

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their respective subsidiaries (collectively, the "**Group**"), the Notes and the Guarantee, which is material in the context of the issue and offering of the Notes, (ii) the statements contained in it relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) the statements of fact contained in this Offering Circular do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. In addition, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents (as defined in the Conditions) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan and Singapore, and to persons connected therewith. The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in certain circumstances, to, or for the account or benefit of U.S. Persons (as defined in Regulation S). The Notes are being offered and sold outside the United States in reliance on Regulation S. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

MIFID II product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs/IMPORTANT — EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs/IMPORTANT — UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A (1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference, see "*Information Incorporated by Reference*". This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

Listing of the Notes on the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries, associated companies, the Programme or such Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Singapore. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

No person has been or is authorised by the Issuer and the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer, the Guarantor or the Group since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular or any Pricing Supplement and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or any person acting on behalf of any Stabilisation Manager(s)) may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, represen'tatives or affiliates or any person who controls any of them or on its behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Notes. Each of the Arrangers, the Dealers, the Trustee and the Agents and their respective directors, officers, employees, agents, advisers, representatives and affiliates and any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industries in which the Group operates in and the economic development of certain regions within the PRC have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them, and none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "**U.S.$**" and "**U.S. dollar**" are to the currency of the United States of America; all references to "**Renminbi**" and "**RMB**" are to the currency of the PRC; all references to "**S$**" and "**Singapore dollar**" are to the currency of the Republic of Singapore; all references to "**HK$**" and "**Hong Kong dollar**" are to the currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"); all references to "**£**" are to the currency of the United Kingdom; all references to "**Euro**" and "**EUR**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro as amended from time to time; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Hong Kong; references to "**PRC Government**" are to the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them; references to "**European Union**" are to the territory comprised by the member states of the European Community as constituted from time to time; references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland; references to "**Greater China**" are to Mainland China, Hong Kong and Taiwan; and references to "**CMU Notes**" are to Global Notes or Certificates that will be deposited with a sub-custodian for the CMU.

In this Offering Circular, unless otherwise indicated, the following terms and expressions shall have the following meanings:

"**Accountholder**"	each person who is for the time being shown in the records of the CMU operator as the holder of a particular principal amount of the Notes
"**CAGR**"	compound annual growth rate
"**COVID-19**"	novel coronavirus disease 2019
"**Hon Hai Precision**"	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司)
"**Huawei**"	Huawei Technologies Co., Ltd. (華為技術有限公司), a 3C company based in the PRC, and its subsidiaries
"**MIIT**"	the Ministry of Industry and Information Technology
"**MOF**"	the Ministry of Finance of the PRC
"**MOFCOM**"	the Ministry of Commerce of the PRC
"**NDRC**"	the National Development and Reform Commission of the PRC
"**PBOC**"	the People's Bank of China, the central bank of the PRC
"**SAT**"	the State Administration of Taxation of the PRC
"**VAT**"	value-added tax

For convenience only and unless otherwise noted, in this Offering Circular, all translations from RMB into U.S. dollars were made at the rate of RMB6.4566 to U.S.$1.00, the noon buying rate in effect on 30 June 2021 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States. The convenience translation is not audited and is not prepared in accordance with CAS (as defined below). No representation is made that the Singapore dollar or Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all. All amounts in the consolidated financial statements of the Group expressed in U.S. dollars are provided solely for the convenience of the reader and such amounts do not form part of such financial statements.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this Offering Circular as used in the Group's business. As such, these terms and their meanings may not correspond to standard industry meanings or usage.

"3C"	computer, communication, and consumer electronics
"5G"	fifth generation, the latest generation of cellular network technology
"EMS"	electronics manufacturing service
"IC"	integrated circuits
"IIoT"	the industrial internet of things
"IoT"	the internet of things
"IoV"	the internet of vehicles
"IP"	internet protocol
"JDM"	joint design manufacturers
"LTE"	long-term evolution, a standard for wireless broadband communication for mobile devise and data terminals
"ODM"	original design manufacturer, a company that both designs and manufactures a product for its customers
"OEM"	original equipment manufacturer, the original manufacturer and its designated contract manufacturers
"OTT"	over-the-top
"PCB"	printed circuit boards
"R&D"	research and development

FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "will", "may", "seek", "should", "aim", "intend", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategies, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Issuer and the Guarantor believe that the expectations reflected in the forward-looking statements are reasonable, no assurance is given that such expectations will prove correct.

The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. The forward-looking events in this Offering Circular are no guarantee of future performance and might not occur. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with: (i) each relevant Pricing Supplement, (ii) (a) the most recently published audited consolidated annual financial statements of the Guarantor, including the English translation thereof, provided that copy of such English translation is available on SGX-ST's website at www.sgx.com, and (b) any unaudited consolidated interim financial statements of the Guarantor, including the English translations thereof, subsequently published from time to time (if any) after the date of this Offering Circular and in each case, together with the relevant audit or review reports prepared in connection therewith, and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 prepared in Chinese and audited by PwC in accordance with China Standards on Auditing, together with the audit reports prepared in connection therewith, are incorporated in, and form part of, this Offering Circular.

Unaudited consolidated interim financial statements have not been and will not be audited by the auditors of the Guarantor or any other person and therefore should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The interim financial statements are also not necessarily indicative of the results that may be expected for the full financial year or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge at all reasonable times during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Guarantor set out at the end of this Offering Circular. If the English translations of the most recently published audited consolidated annual financial statements and/or unaudited consolidated interim financial statements of the Guarantor are incorporated by reference, copies of such English translation will be available on the SGX-ST's website at www.sgx.com.

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor has prepared consolidated financial statements as at and for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**") in accordance with the Accounting Standards for Business Enterprises — Basic Standard, and the specific accounting standards and relevant regulations issued by the Ministry of Finance since 15 February 2006 (collectively, the "**CAS**"), which have been audited by PricewaterhouseCoopers Zhong Tian LLP ("**PwC**"). CAS differs in certain material respects with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). See "*Summary of Certain Differences Between CAS and IFRS*".

The Guarantor has also prepared consolidated interim financial statements as at and for the six months ended 30 June 2021 (the "**Interim Financial Statements**") in accordance with CAS, which have been reviewed by PwC in accordance with the China Standards on Review Engagement 2101 "Review of Financial Statements" issued by the Chinese Institute of Certified Public Accountants. Unaudited consolidated interim financial statements have not been and will not be audited by the auditors of the Guarantor or any other person and therefore should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The Interim Financial Statements are also not necessarily indicative of the results that may be expected for the full financial year or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

In 2017, the MOF released the revised *CAS 14 — Revenue*, the Guarantor adopted the new standard in its audited consolidated financial statements as at and for the year ended 31 December 2020. In 2017, the MOF released the revised *CAS 22 — Recognition and Measurement of Financial Instruments*, *CAS 23 — Transfer of Financial Assets* and *CAS 37 — Presentation of Financial Instruments*, the Guarantor adopted these new standards in its audited consolidated financial statements as at and for the year ended 31 December 2019. In 2018, the MOF released the revised *Accounting Standard for Business Enterprises No. 21 — Lease*, the Guarantor adopted the new standard in the consolidated financial statements as at and for the period ended 30 June 2021.

The Guarantor has prepared the Audited Financial Statements and the Interim Financial Statements in Chinese only (the "**Chinese Financial Statements**"). The Audited Financial Statements are available at https://www.fii-foxconn.com and http://www.sse.com.cn respectively and are incorporated by reference to and form part of this Offering Circular, and the Interim Financial Statements are included in this Offering Circular. The Guarantor has prepared the English translations of its Audited Financial Statements and Interim Financial Statements (the "**Financial Statements Translation**"), which are included elsewhere in this Offering Circular. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation do not constitute audited financial statements, and are qualified in their entirety by, and are subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and none of them can give any assurance that the information contained in the Financial Statements Translation is accurate, truthful of complete.

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SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	Cloud Network Technology Singapore Pte. Ltd.
Guarantor	Foxconn Industrial Internet Co., Ltd. 富士康工業互聯網股份有限公司
Programme Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under the section "*Risk Factors*" below.
Arrangers	CLSA Singapore Pte Ltd, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd. and UBS AG Singapore Branch
Dealers	CLSA Singapore Pte Ltd, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., UBS AG Singapore Branch, Bank of China (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited
Trustee	Citicorp International Limited
Issuing and Paying Agent and Transfer Agent for Notes other than CMU Notes	Citibank, N.A., London Branch
Registrar	Citicorp International Limited
CMU Lodging and Paying Agent and Transfer Agent for CMU Notes	Citicorp International Limited

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest, principal amount of the Tranche and if applicable, the timing for the NDRC Post-Issuance Filing and the Cross-Border Security Registration, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	Euroclear, Clearstream, and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent (or the CMU Lodging and Paying Agent, as the case may be), where relevant, the relevant Registrar and the relevant Dealer.
Form of Notes	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary for Euroclear and Clearstream and/or, as the case may be, with a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**") as operator of the CMU and/or any other relevant clearing system, as the case may be. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.

Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes	The obligations of the Issuer under the Notes shall at all time rank at least equally with all its other present and future unsecured and unsubordinated indebtedness and monetary obligations, save for such obligations as may be provided by applicable legislation and subject to Condition 4(a) *(Negative Pledge)* of the Conditions.
Status of the Guarantee	The obligations of the Guarantor under the relevant Guarantee shall at all time rank at least equally with all its other present and future unsecured and unsubordinated indebtedness and monetary obligations, save for such obligations as may be provided by applicable legislation and subject to Condition 4(a) *(Negative Pledge)* of the Conditions. Payments under the relevant Guarantee are effectively subordinated to all existing and future liabilities of each of the Guarantor's subsidiaries (other than the Issuer).
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Maturities	Any maturity as may be agreed between the Issuer and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. See Condition 6(a) *(Redemption, Purchase and Options — Redemption by Instalments and Final Redemption)* of the Conditions.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement. See Condition 6(d) *(Redemption, Purchase and Options — Redemption at the Option of the Issuer)* and Condition 6(g) *(Redemption, Purchase and Options- Redemption at the Option of Noteholders)* of the Conditions.

Change of Control Redemption	Notes may be redeemed before their stated maturity at the option of the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement upon the occurrence of a Change of Control, as further described in Condition 6(e) *(Redemption, Purchase and Options — Redemption following Change of Control)* of the Conditions.
Non-Registration Event Redemption	Notes may be redeemed at the option of the Noteholders at any time following the occurrence of a Non-Registration Event, as further described in Condition 6(f) *(Redemption, Purchase and Options — Redemption for Non-Registration Event)* of the Conditions.
Tax Redemption	Early redemption will be permitted for tax reasons as described in Condition 6(c) *(Redemption, Purchase and Options — Redemption for Taxation Reasons)* of the Conditions.
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Unless otherwise permitted by the then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of GBP 100,000 (or its equivalent in other currencies). In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or in the UK or offered to the public in a Member State of the European Economic Area or in the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation (as amended or superseded), the minimum denomination shall be EUR 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).
Use of Proceeds	The Issuer intends to use the net proceeds from each issue of Notes for replenishing the working capital of the Group and refinancing. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

Negative Pledge	The Notes will contain a negative pledge provision as described in Condition 4(a) *(Negative Pledge)* of the Conditions.
Cross Default	The Notes will contain a cross default provision as further described in Condition 10 *(Events of Default)* of the Conditions.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Listing and Trading	Application has been made to the SGX-ST for permission to deal in, and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies). Unlisted Series of Notes may also be issued pursuant to the Programme. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each series of Notes. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be listed.
Ratings	S&P Global Ratings, a division of the McGraw Hill Companies Inc., has assigned a rating of A– to the Programme. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Governing Law	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan and Singapore, see "*Subscription and Sale*" below.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note(s) representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, or with a sub-custodian for the HKMA as operator of the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been extracted from the Audited Financial Statements, the English translations of which are included elsewhere in this Offering Circular. The Audited Financial Statements have been audited by PwC, the independent auditor of the Guarantor. The summary consolidated financial information as at and for the six months ended 30 June 2020 and 2021 set forth below has been extracted from the Interim Financial Statements, the English translation of which is included elsewhere in this Offering Circular. The Interim Financial Statements have been reviewed by PwC in accordance with the China Standards on Review Engagement 2101 "Review of Financial Statements" issued by the Chinese Institute of Certified Public Accountants. See "Presentation of Financial Information".

The Audited Financial Statements and Interim Financial Statements have been prepared and presented in accordance with CAS which differs in certain material respects from IFRS. For a discussion of certain differences between CAS and IFRS, see "Summary of Certain Differences between CAS and IFRS".

The summary financial information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Audited Financial Statements and the Interim Financial Statements, including the notes thereto, the English translations of which are included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)	(Unaudited but reviewed)	(Unaudited but reviewed)
Revenue	415,377,697	408,697,581	431,785,888	176,654,265	196,029,977
Less: Cost of sales	(379,485,979)	(374,450,968)	(395,719,226)	(163,903,724)	(180,744,304)
Taxes and surcharges	(456,033)	(641,577)	(723,237)	(281,469)	(316,351)
Selling and distribution expenses	(1,791,128)	(1,732,902)	(2,124,527)	(839,947)	(881,499)
General and administrative expenses	(4,351,957)	(3,521,068)	(4,502,723)	(2,521,123)	(1,943,016)
Research and development expenses	(8,998,879)	(9,427,180)	(10,037,729)	(3,716,707)	(5,233,185)
Financial income	324,098	735,316	236,295	742,779	121,219
Including: Interest expenses	(682,611)	(753,125)	(589,493)	(333,183)	(298,242)
Interest income	988,745	1,524,448	1,652,588	854,816	867,232
Add: Other Income	493,092	1,606,321	1,577,340	417,942	355,852
Investment (loss)/income	(420,162)	161,460	329,483	82,589	845,109
Including: share of profit of associates and joint ventures	(1,672)	2,167	2,233	993	(9,369)
Gains on changes in fair value	(115)	156,692	312,832	(164,957)	(375,457)
(Losses on)/Reversal of credit impairment	—	69,973	(119,851)	(150,865)	162,223
Asset impairment losses	(736,312)	(502,012)	(1,332,979)	(644,743)	(515,621)
Gains/(losses) on disposal of assets	128,307	(45,067)	34,091	2,488	14,319
Operating profit	**20,082,629**	**21,106,569**	**19,715,657**	**5,676,528**	**7,519,266**
Add: Non-operating income	38,100	85,168	91,955	50,909	30,815
Less: Non-operating expenses	(49,242)	(59,301)	(61,724)	(38,908)	(10,743)
Profit before taxation	**20,071,487**	**21,132,436**	**19,745,888**	**5,688,529**	**7,539,338**
Less: Income tax expenses	(3,163,930)	(2,526,388)	(2,319,196)	(648,816)	(813,792)
Net profit	**16,907,557**	**18,606,048**	**17,426,692**	**5,039,713**	**6,725,546**
Net profit attributable to shareholders of the parent company	16,902,307	18,606,184	17,430,783	5,040,890	6,726,636
Minority interests	5,250	(136)	(4,091)	(1,177)	(1,090)

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)	(Unaudited but reviewed)	(Unaudited but reviewed)
Other comprehensive income/(loss), net of tax	**139,779**	**151,374**	**(203,830)**	**44,500**	**(398,327)**
Items that will not be reclassified to profit or loss:					
Changes in fair value of investments in other equity instruments	—	(37,760)	—	—	—
Items that will be reclassified to profit or loss:					
Share of the other comprehensive income of the investee accounted for using equity method	—	(307)	(989)	281	(220)
Cash flow hedge reserve	—	—	—	—	20,457
Differences on translation of foreign currency financial statements	139,779	189,441	(202,841)	44,219	(424,787)
Time value of hedging	—	—	—	—	6,223
Total comprehensive income	**17,047,336**	**18,757,422**	**17,222,862**	**5,084,213**	**6,327,219**
Total comprehensive income attributable to shareholders of the parent company	17,042,086	18,757,558	17,226,953	5,085,390	6,328,309
Total comprehensive income/(loss) attributable to minority shareholders	5,250	(136)	(4,091)	(1,177)	(1,090)

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)	(Unaudited but reviewed)
Current assets				
Cash at bank and on hand	62,293,132	66,901,133	78,056,602	87,339,840
Derivative financial assets	—	157,110	467,888	245,169
Notes receivable	923	—	100	—
Accounts receivable	86,116,982	84,643,735	86,827,495	70,934,008
Advances to suppliers	215,215	228,837	171,467	237,815
Other receivables	1,354,727	455,959	395,724	645,904
Inventories	37,467,635	41,645,951	45,353,900	53,284,653
Other current assets	2,478,701	1,657,398	1,980,764	2,349,901
Total current assets	**189,927,315**	**195,690,123**	**213,253,940**	**215,037,290**
Non-current assets				
Available-for-sale securities	40,760	—	—	—
Other debt investments	—	—	40,000	40,000
Long-term equity investments	393,664	533,446	1,167,690	1,176,993
Investments in other equity instruments	—	16,928	74,943	74,056
Other non-current financial assets	—	—	280,196	279,430
Fixed assets	7,596,072	6,644,364	7,123,034	8,249,346
Construction in progress	501,073	445,902	643,821	940,345
Right-of-use assets	—	—	—	2,428,035
Intangible assets	196,982	185,727	405,317	400,507
Long-term prepaid expenses	549,145	664,612	935,728	996,351
Deferred tax assets	1,283,248	1,089,906	1,189,043	1,170,390
Other non-current assets	115,065	341,937	400,232	306,983
Total non-current assets	**10,676,009**	**9,922,822**	**12,260,004**	**16,062,436**
Total assets	**200,603,324**	**205,612,945**	**225,513,944**	**231,099,726**

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)	(Unaudited but reviewed)
Current liabilities				
Short-term borrowings	22,490,216	28,271 285	44,222,934	45,437,184
Derivative financial liabilities	—	—	—	23,590
Financial liabilities at fair value through profit or loss	117	—	—	—
Notes payable	—	—	100,000	100,000
Accounts payable	69,730,796	67,321,345	62,144,793	55,110,567
Advances from customers	57,971	103,398	—	—
Contract liabilities	—	—	97,595	93,431
Employee benefits payable	4,382,173	4,973,173	5,106,573	4,504,785
Taxes payable	3,079,926	2,322,273	1,967,584	1,246,091
Other payables	27,897,455	12,595,820	6,372,910	11,125,827
Non-current liabilities due within one year	—	—	327	1,023,064
Other current liabilities	347,193	385,314	512,496	379,654
Total current liabilities	**127,985,847**	**115,972,608**	**120,525,212**	**119,044,193**
Non-current liabilities				
Long-term borrowings	—	—	225	3,875,844
Lease liabilities	—	—	—	1,328,870
Provisions	174,549	189,498	535,305	554,623
Deferred income	6,983	18,804	273,307	273,095
Deferred tax liabilities	91,305	83,344	139,197	49,164
Total non-current liabilities	**272,837**	**291,646**	**948,034**	**6,081,596**
Total liabilities	**128,258,684**	**116,264,254**	**121,473,246**	**125,125,789**
Shareholders' equity				
Share capital	19,695,300	19,854,832	19,870,646	19,870,266
Capital surplus	25,121,959	26,692,249	27,758,040	28,095,632
Less: treasury stock	—	(942,148)	(808,531)	(580,529)
Other comprehensive income	477,370	628,744	424,914	26,587
Surplus reserve	289,183	740,214	1,437,435	1,437,435
Undistributed profits	26,710,822	42,306,789	55,070,045	56,833,533
Total equity attributable to shareholders of the parent company	72,294,634	89,280,680	103,752,549	105,682,924
Minority interests	50,006	68,011	288,149	291,013
Total shareholders' equity	**72,344,640**	**89,348,691**	**104,040,698**	**105,973,937**
Total liabilities and shareholders' equity	**200,603,324**	**205,612,945**	**225,513,944**	**231,099,726**

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)	(Unaudited but reviewed)	(Unaudited but reviewed)
Net cash generated from/(used in) operating activities	22,005,587	6,439,287	7,693,738	(5,234,027)	7,630,592
Net cash used in investing activities	(1,368,233)	(2,817,636)	(6,459,855)	(2,069,834)	(4,632,049)
Net cash generated from financing activities	24,884,688	2,719,888	8,155,867	6,511,354	4,152,133
Effect of foreign exchange rate changes	425,967	96,822	(668,120)	288,605	(244,784)
Net increase/(decrease) in cash and cash equivalents	45,948,009	6,438,361	8,721,630	(503,902)	6,905,892
Cash at the beginning of the period	14,185,257	60,133,266	66,571,627	66,571,627	75,293,257
Cash at the end of the period	60,133,266	66,571,627	75,293,257	66,067,725	82,199,149

OTHER FINANCIAL DATA

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA[1] (RMB'000)	24,633,159	24,605,734	22,738,105	7,218,882	9,665,607
EBITDA Margin[2] (per cent.) . .	5.9	6.0	5.3	4.1	4.9

Notes:

(1) EBITDA represents profit before taxation plus depreciation, amortisation, interest costs and non-operating expenses and minus non-operating income. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net profit or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA is included because the Group believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) EBITDA margin is calculated as EBITDA divided by revenue.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The businesses, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes and the Guarantee. Additional considerations and uncertainties not presently known to the Issuer or the Guarantor, or which the Issuer or the Guarantor currently deems immaterial, may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with an investment in the Notes are also described below. The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer (failing whom, the Guarantor) to repay principal, pay interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE GROUP'S INDUSTRY AND BUSINESS

Volatile global economic conditions may put downward pressure on the demand for the Group's products and services.

The global credit markets have experienced significant volatility, such as that caused by the global financial and economic crisis in recent years, including the European debt crisis, the potential withdrawal of countries from the Euro-zone, the United Kingdom's official exit from the European Union in 2020 following the signing of the UK-EU Withdrawal Agreement in October 2019, a slump in commodity prices, interest rate hikes and fears of a slowdown in the PRC economy, which have led to less favourable financial and economic conditions. In particular, there have been periods of significant volatility in the PRC stock markets. Moreover, the COVID-19 pandemic has led the global economy into a severe economic contraction since early 2020. It remains uncertain whether this will result in a prolonged downturn in the global economy, especially considering the multiple recent waves of infections in various countries and regions. In addition, even though vaccination programmes have been rolled out in many countries across the world, vaccine hesitancy exists among large swathes of the global population and, among the vaccinated, the effectiveness of vaccines is still uncertain. See "— *The Group is vulnerable to any force majeure events or natural disasters and other disruptive events that could adversely affect its business*".

In addition, there have been recent escalations in the trade tensions between the United States and the PRC. These have continued to put pressure on manufacturers and supply chains in light of the potential tariffs imposed both by the United States and the PRC. Since July 2018, the imposition of tariffs by the United States on products from the PRC and retaliation by the PRC have caused even greater volatility in the global markets. Although the United States and the PRC entered into "phase one" of an economic and trade agreement in January 2020 as an initial step towards resolving the trade disputes between them, the effect of such an agreement and the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the global economy and the industries in which the Group operates remain uncertain. See "— *China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*". For example, the 3C and technology industries continue to face strong headwinds from the intensifying trade war between the United States and the PRC.

The United States export control laws may cause disruptions to the global supply chain, including for non-U.S. companies. Under the United States export control laws, companies (including non-U.S. companies) purchasing, among others, any item in the United States, any United States-origin item wherever located, any foreign-made commodity that incorporates certain United States-origin commodities or that is bundled or commingled with certain United States-origin software, must comply with its provisions. See "— *The Group is subject to government laws and regulations, including import, export, and economic sanctions laws and regulations, that may limit its sales opportunities, expose it to liability, complicate its supply chains and increase its costs*".

While the Group has kept a close eye on the development of the trade war, there remains considerable uncertainties as to the timeline and outcome of the trade negotiations between the United States and the PRC. Failure of trade negotiations between the United States and the PRC or between the Group and its customers may lead to considerable additional costs and unexpected consequences on the Group's business, which could, in turn, harm the Group's business and growth prospects. Whilst relocating production may be a solution to mitigate the impact of tariffs, the assembly of electronic products requires great direct labour input, which means that relocating production overseas could affect the profit margin of such products. Furthermore, these volatile market conditions may continue to adversely affect the demand for the Group's products and services and those of the Group's customers. The potential sustained decrease and slowdown in demand for such products may inflict significant downward pressure on prices.

As a result, the brands producing these products may reduce their orders with the Group or the prices with which these orders are placed. The reduced orders and prices may lead to reduced revenues, lower profit margins and/or loss of market share, any of which would have a material adverse effect on the Group's business, financial condition and results of operations.

If the economies of the PRC, Europe, the U.S. or the Group's other core markets continue to grow at a slow rate, or experience a recession, the prospects of the 3C industries may be adversely affected or encounter greater business volatility, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations. However, even if the global economy experiences a full recovery, it cannot be assured that the demand for the Group's products and services will increase, or even be maintained.

The Group operates in a highly competitive environment.

The markets for the Group's products are highly competitive. For example, the Group competes with major global EMS providers, other smaller EMS companies that have a regional or product specific focus and ODMs with respect to communication and mobile network equipment and cloud computing hardware. The Group competes against many manufacturers, certain of which may have better R&D capabilities, greater global logistics, financial, marketing and other resources than the Group. In addition, certain PRC manufacturers and suppliers have substantially expanded their manufacturing capacities and advanced their technologies and deepened their relations with customers, which has further intensified competition in the industry. The Group also competes in the relatively new market of cloud-based solutions with its industrial internet solutions. The Group's success depends, in part, on the Group's ability to adapt to rapidly changing technologies, training of its staff to adequately respond to technological advances and changes, ability to improve and roll out new solutions and products with appealing features and functionalities. The Group faces intense pressure on prices and margins for its products and solutions. The Group's current and prospective customers would also constantly evaluate the Group's capabilities in light of their own capabilities and cost structures. There can be no assurance that the Group will be able to compete successfully in these markets and failure to do so could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

The Group's business is dependent on the 3C industries, the volatility of which may have a material impact on the demand for the Group's products and services.

A significant proportion of the Group's products and services, whether in the form of precision components, equipment or solutions, have end-use applications in the 3C industries globally. Accordingly, the Group's financial performance is dependent upon the continued growth of the 3C industries globally. These industries have historically been characterised by rapid technological changes and short product life cycles. In recent years, there have been significant shifts in the global demand for 3C products. Continuing adverse market conditions may lead the Group's customers to implement cost-cutting strategies such as consolidating with other manufacturers, moving production in-house, reducing production and increasing price pressure on suppliers.

As a result of the foregoing, any loss of certain key customers, failure of technology innovation, decline in sales, or decline in operating margins could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

The Group's success depends on the ability to respond effectively to rapid developments in technology and customer preferences.

Many of the markets in which the Group competes are characterised by rapid changes in market trends and customer preferences, as well as constantly evolving technological advancement in hardware performance and software features and functionality, which in turn lead to the frequent introduction of new products, short product life cycles, and continual improvement in product quality and product performance. The Group's success also depends on its ability to continue to innovate, enhance and broaden its products, services and solutions to address technological infrastructure changes such as the adoption of 5G technology in replacement of 4G technology that has accelerated the growth of the cloud computing industry, increased the use of big-data solutions and resulted in changes to electronics hardware to accommodate new features enabled by 5G technology.

To maintain the Group's competitive position in these markets, the Group must develop and introduce new products or solutions and enhance its existing offerings to be at the forefront or keep pace with rapid technological and industrial change. This process is complex, costly and uncertain, and any failure to anticipate customers' changing needs and preferences, and emerging technological trends accurately could significantly harm the Group's market share and results of operations. The Group must make long-term investments, develop or obtain, and protect appropriate intellectual property and commit significant resources before knowing whether the Group's predictions will accurately reflect customers' demand. See "— *The Group invests significant capital in developing, qualifying, and ramping up production of new products without any assurance of product sales*". In addition, after the Group develops a product, it must be able to manufacture appropriate volumes quickly and at low costs. To accomplish this, the Group must accurately forecast demand volumes, mixes of products and configurations that can meet customers' requirements, and there is no assurance that the Group can do so successfully within a given product's life-cycle or at all. Any delay in the development, production or marketing of a new product, service or solution could materially harm the Group's competitive position.

The Group may not be able to successfully develop new production processes and new products.

The Group is continually developing new products and production processes. The Group believes that its future success will depend greatly upon its ability to develop new production processes and to develop and market new products which meet customers' evolving needs, maintain technological leadership and successfully anticipate or respond to technological changes in production processes in a cost-effective manner and on a timely basis. In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to upgrade, modify or integrate the Group's products, services or technologies. However, there can be no assurance that the Group will be successful in developing new production processes and new products. Failure to do so could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Group.

The Group invests significant capital in developing, qualifying, and ramping up production of new products without any assurance of product sales.

The Group's products are required to go through extensive customer qualification processes before being selected by customers for inclusion in their end products. In order to meet the product launch schedules of the Group's customers, it may invest capital and devote substantial resources, including research, design, engineering, sales and marketing efforts, based on non-binding forecasts provided by these customers, without any assurance that the Group's products will be designed into a customer's end product or qualified by the customer as satisfying its requirements. If the Group's product is not designed into or qualified by the customer, the Group may not recover or realise any return on the capital that it has invested and its results of operations and profitability may be materially adversely affected. In addition, the time required and costs incurred by the Group to ramp-up production for new products can be significant. The Group often incurs certain non-recurring costs and expenditures for tooling and other equipment which may not be reusable in manufacturing products for other customers or different products for the same customer. Product ramp-ups typically involve greater volumes of scrap and risks to execution such as higher costs due to inefficiencies and delays in production, all of which can have a material adverse effect on the Group's results of operations and profitability.

The Group's overall margins may fluctuate as a result of changes in its product mix.

The Group's overall margins had generally declined primarily because the Group generated a greater proportion of its revenues from the sales of systems, which typically generate higher revenues but lower margins compared to components or modules. In general, the overall margins may fluctuate depending on the product mix manufactured. For example, the gross profit margin of any given product could depend on the product's end market, total volume manufactured, complexity of manufacturing processes, stage of lifecycle, maturity of technology, and other factors. As a result, a change in product mix may decrease the overall margins of the Group, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group is dependent on a small number of customers for a substantial portion of its revenues.

The Group is dependent on a small number of customers for a substantial portion of its total revenue. For the years ended 31 December 2018, 2019 and 2020, sales to the Group's top five customers accounted for 75.1 per cent., 71.0 per cent. and 64.0 per cent. of the Group's revenue, respectively. The loss of these customers, or a reduction or delay in their orders would have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also transacts with some of its key customers under a "buy and sell" arrangement where the customers will procure the raw materials and sell them to the Group, and the Group will process the products before re-selling the finished products to the customers. As the Group relies on these customers to maintain its sales level as well as on their ability to provide the raw materials, such customers are in a better bargaining position to increase the selling prices of raw materials and negotiate lower purchasing prices for the Group's products, which may lead to a decline in the Group's gross profit margin and adversely affect its profitability.

In addition, the Group generates significant accounts receivable in connection with manufacturing customised products for its key customers. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's accounts receivable were RMB86,117.0 million, RMB84,643.7 million, RMB86,827.5 million and RMB70,934.0 million, respectively, representing 42.9 per cent., 41.2 per cent., 38.5 per cent. and 30.7 per cent. of the Group's total assets as at the respective dates. As at 30 June 2021, the aggregate amount of the five largest accounts receivable represented 68 per cent. of the Group's total accounts receivable. If the Group's customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided by the Group, the Group's business, financial condition, results of operations and future prospects could be materially adversely affected.

The Group generally does not obtain long-term purchase commitments from customers and, therefore, cancellations, reductions in production quantities and delays in production by customers could adversely affect the Group's operating results.

The Group generally does not obtain firm, long-term purchase commitments from its customers. Some of the Group's customers have in the past experienced and may in the future experience significant decreases in demand for their products and services. The uncertain economic conditions in several of the markets in which the Group's customers operate have prompted and may prompt some of the customers to cancel orders, delay the delivery of some of the products that the Group manufactures or place or purchase orders for fewer products than the Group previously anticipated.

Cancellations, reductions or delay of orders by customers would:

- adversely affect the Group's operating results by reducing the volume of products that the Group manufactures for its customers;
- delay or eliminate recoupment of the Group's expenditures for inventory purchased in preparation for customer orders; and
- lower the Group's asset utilisation, which would affect the Group's results of operations.

The Group depends on a limited number of suppliers.

For the years ended 2018, 2019 and 2020, purchases from the Group's top five suppliers accounted for 47.5 per cent., 37.8 per cent. and 48.3 per cent. of the Group's total purchase amount, respectively. If the Group fails to develop or maintain its relationships with these or its other suppliers, it may not be able to manufacture its products, its products may only be available at a higher cost or after a long delay, or it could be prevented from delivering its products to its customers in the required quantities, at competitive prices and on acceptable terms of delivery. Problems of this kind could cause the Group to experience order cancellations, decreased revenue and loss of its market share. In general, the failure of a supplier to supply materials and components that meet the Group's quality, quantity and cost requirements in a timely manner due to lack of supplies or other reasons could impair its ability to manufacture its products or could increase its costs, particularly if the Group is unable to obtain these materials and components from alternative sources in a timely manner or on commercially reasonable terms. The Group's suppliers may also cease to supply raw materials at prices and on terms and conditions acceptable to the Group. The Group's reliance on its suppliers also exposes it to the risk of unexpected price increases for purchase or shortage in supply of raw materials. There is no assurance that it will be able to pass on the price of its raw materials to its customers in the future, which may have a material adverse effect on its financial condition and results of operations.

Shortages of and volatility in the prices of raw materials and components may adversely affect the Group.

The Group's business performance is significantly affected by the availability and market prices of PCB, IC, glass, metals, plastic and other raw materials and components. The Group purchases certain of these key components and raw materials from certain suppliers which the Group believes currently satisfy the Group's quality standards and can meet its volume requirements. However, the capacity of certain of these suppliers may not be equipped to cope with increases in the Group's orders.

The Group is also required, in certain circumstances, to source certain key components from qualified suppliers who have been approved by its customers. The Group may not be able to obtain satisfactory alternative sources of supply should such qualified suppliers be unable to satisfy the Group's requirements in the future. The Group may experience shortages in raw materials from time-to-time. For example, the global shortage of semiconductors in 2020 had led to a drop in the supply of the materials and components that require semiconductors to produce, such as PCB and IC, which in turn affects the supply of such materials to the Group. These shortages can result from strong demand, problems experienced by suppliers or other macroenvironmental causes, such as the COVID-19 pandemic as well as sanctions and export control rules. These unanticipated shortages have resulted and could continue to result in curtailed production or delays in production, which may prevent the Group from making scheduled shipments to customers. The Group's inability to make scheduled shipments could result in a reduction in sales and increase in inventory levels and costs, which could adversely affect the Group's relationships with existing and prospective customers. Shortages of raw materials may also increase the Group's cost of goods sold because it may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute materials. There can be no assurance that shortages of supply will not occur in the future and that, if such shortages were to occur, the Group will be able to obtain an adequate alternative supply of components and raw materials to meet production.

Additionally, the market prices of raw materials and components that the Group requires are affected by factors beyond the Group's control, primarily including but not limited to increase in global demand, depletion of existing sources and decreasing availability of new sources, geopolitics, interruptions in production by suppliers, suppliers' allocations to other purchasers, pandemics, wars, natural disasters and other similar events. Fluctuations in the prices of raw materials and components will directly affect the Group's gross profit margin. If the market prices of those raw materials and components continue to rise in the future, and the Group is not able to transfer the increased procurement costs to its downstream customers in a timely manner, the Group's cost control and production budget arrangements will be adversely affected, and the Group will be subject to the risk of rising operating costs and decreasing gross profit margin, which may adversely affect the Group's profitability.

The Group's trade secrets, patents and other non-patented intellectual property are valuable assets, and if the Group is unable to protect them from infringement, the Group's business prospects may be harmed.

The Group's success will depend in part on the Group's ability to obtain and maintain trade secrets and patent protection for the Group's technologies, know-how, processes and products as well as to successfully enforce and defend the Group's intellectual properties against third-party challenges. The Group will only be able to protect the Group's technologies, processes and products from unauthorised use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that the Group's issued patents and the Group's applications do not adequately describe, enable or otherwise provide coverage for the Group's technologies, processes or products, the Group would not be able to exclude others from developing or commercialising these technologies, processes and products. Furthermore, the degree of future protection of the Group's proprietary rights is uncertain because legal means may only provide limited protection and may not adequately protect the Group's rights or permit the Group to gain or keep its competitive advantages.

As some of the Group's technologies and production methods or processes involve unpatented proprietary technology, processes, know-how or data, the Group also relies on trade secret protection to safeguard its interests. However, trade secrets are difficult to protect. While the Group makes reasonable efforts to protect its trade secrets, including requiring its employees, contractors or scientific and other advisors to enter into confidentiality agreements with the Group, such persons may unintentionally or wilfully disclose the Group's information to the Group's competitors. In addition, confidentiality agreements may not be enforceable or provide an adequate remedy in the event of unauthorised use or disclosure. It may be difficult to prove or enforce a claim that a third party has illegally obtained and used the Group's trade secrets. It would be expensive and time consuming to pursue such claims and the outcomes would be unpredictable. In addition, the Group's competitors may independently develop technologies that are equivalent to the Group's trade secrets, in which case, the Group may not be entitled to enforce its trade secrets and the Group's business could be materially harmed.

If the Group's cybersecurity is breached, it may incur significant legal and financial exposure, damage to its reputation and a loss of confidence of its customers.

The Group's business involves the storage and transmission of its confidential information as well as those of its customers and suppliers. The Group is required to comply with strict confidentiality requirements imposed by some of the Group's key customers. Any breach in the Group's cybersecurity system could expose it to risks of loss, improper use or disclosure of such information, which may harm the Group's reputation and customer relationships and even subject the Group to potential legal liabilities or litigation. Despite the Group's efforts in implementing cybersecurity policies and advocating the policies to its employees and utilising anti-virus and firewall systems which are regularly updated, due to the Group's large number of employees, which makes information protection even more difficult, there can be no assurance that the Group will not be vulnerable to cyber-attacks in the future. If an actual or perceived breach of the Group's cybersecurity occurs or if there is an adverse perception of the Group's cybersecurity measures in the market, the Group may be exposed to significant legal, financial and business risks, including legal claims and regulatory fines and penalties, damage to its reputation and a loss of confidence in its customers, which could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may be involved in intellectual property disputes.

The Group may from time to time be subject to legal or administrative proceedings initiated by its customers or third parties based on claims that the Group's technologies, processes or products infringe the intellectual property rights of others or that the Group has misappropriated the trade secrets of others. The Group may also initiate lawsuits or other proceedings to defend the ownership of the Group's inventions and trade secrets. It is difficult, if not impossible, to predict if such disputes would be resolved in a timely manner. Litigation relating to intellectual property rights can be costly and divert technical and management personnel from their normal responsibilities. Furthermore, the Group may not be able to prevail in such litigation or proceedings. A determination in an intellectual property litigation or proceedings that results in a finding of non-infringement by others to the Group's intellectual property or an invalidation of the Group's patents may result in the use by competitors of the Group's technologies or processes and sales by competitors of products that resemble the Group's products.

Although the Group actively seeks to protect the intellectual property rights for its products and its internal know-how, there can be no assurance that claims will not be brought by its customers, suppliers or third parties against the Group from time to time. If a claim is asserted, the Group cannot ensure that any resolution of the claim would permit the Group to continue to use the technologies or processes or produce the product in question on commercially reasonable terms. Any adverse outcome from such litigation, or the time and cost of the proceedings themselves, could materially and adversely affect the Group's business, financial condition and results of operation. In addition, there is a risk that some of the Group's confidential information could be compromised by disclosure during intellectual property litigation. Furthermore, there could be public announcements throughout the course of intellectual property litigation or proceedings as to the results of hearings, motions or other interim proceedings or developments in the litigation, any of which may materially harm the Group's reputation.

The Group's production facilities are subject to risks of power shortages.

The Group operates production facilities in Hebi, Jincheng, Jiyuan, Nanning, Shanghai, Shenzhen, Taiyuan, Tianjin and Zhengzhou within China. Many cities and provinces in China have historically suffered from serious power shortages. Many of the regional grids do not have sufficient power generating capacity to fully satisfy the increased demand for electricity which have been driven by continual economic growth and persistent global warming. Local governments have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. There is no assurance that the Group's operations will not be affected by power shortages or similar administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. If such event occurs, the Group's business, results of operations, financial condition and future prospects could be materially and adversely affected.

The Group may not manage its inventory level effectively.

Incorrect forecasting of the demand for the Group's products in the future could result in an excess or a shortage of inventories. If product orders do not match the actual demand, the Group could have higher or lower than anticipated inventory levels and this could lead to higher interest charges or less interest income, price reductions, or write downs of slow moving or excess stock. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the book value of the Group's inventories was RMB37,467.6 million, RMB41,646.0 million, RMB45,353.9 million and RMB53,284.7 million, respectively, and accounted for 18.7 per cent., 20.3 per cent., 20.1 per cent. and 23.1 per cent. of the total assets, respectively. The Group's inventory level may increase as the Group's operating scale expands. On the one hand, a higher inventory amount occupies a larger amount of the Group's working capital which may result in certain operating risks; on the other hand, if the market environment changes, there may be a risk of inventory impairment in the future. The Group plans its inventory levels based on its internal assessment and forecasts of market demands. However, the Group's internal assessment and forecasts are subject to a variety of factors which are beyond its control, such as fluctuating market demand. The Group may not accurately predict the demand for its products to avoid under-stocking or over-stocking of its inventories. Any unexpected change in demand for the Group's products may have a direct impact on its sales and pricing strategies. Further, the Group may not succeed in managing inventory levels effectively. If there is a sudden decrease in market demand or if the Group's new products do not successfully meet customers' preferences, the Group's inventories may not be sold or utilised swiftly, and the Group may face the risk of inventory obsolescence. If the Group fails to maintain its inventories at an optimal level, the Group's business, financial condition and results of operations may be adversely affected.

The Group has purchased property damage and transportation insurance coverage from independent third-party insurers to cover its inventories, including finished goods delivered to, and stored in, the Group's hubs as part of its global logistics delivery network. The Group's insurance policies have a maximum coverage limit. Although the Group can raise the maximum coverage limit of its insurance policies by providing notice to its insurers, any delay in notification to the insurers of an increase in its inventory level or a new inventory storage location could result in the Group being under-insured.

In addition, price fluctuations in the Group's raw materials, components and finished goods could also result in a decline in the net realisable value of the Group's inventories, which may require inventory write-downs.

A large proportion of the properties used by the Group for production and operation are leased properties.

The Group primarily leases properties for its production and operations. The Group may not be able to successfully extend or renew such leases upon their expiration on commercially reasonable terms. In addition, the ownership of some of these leased properties is defective, and as at the date of this Offering Circular, the Group has not completed the relevant property leasing registrations for some of the leased properties. If such leases become invalid or the leased properties are demolished or any other circumstances which could impact the normal use of the leased properties happen, the Group may be forced to relocate its affected productions and operations. This could disrupt the Group's production and operations and result in significant relocation expenses. In addition, the Group may not be able to locate desirable alternative sites for its facilities and failure in relocating could adversely affect the Group's business, financial condition and results of operations.

The Group is subject to risks in relation to the operation of its manufacturing facilities.

The operation of manufacturing facilities involves many risks and hazards, including the breakdown, failure or substandard performance of equipment, delays in delivery of equipment or improper installation or operation of equipment, difficulties in upgrading or expanding existing facilities in changing manufacturing technologies, capacity constraints, labour disturbances, fire, natural disasters such as earthquakes or typhoons, floods, environmental hazards and industrial accidents. The occurrence of any such or other problems could materially and adversely affect the Group's manufacturing plants and cause delivery delays and reduced output, which would have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's profitability and results of operations could be materially and adversely affected by increases in labour costs and changes in labour laws and regulations.

A majority of the Group's workforce is employed in the PRC. The average wages paid for manufacturing labour in the PRC have increased and may continue to increase as a result of the enactment of new labour laws and social development. The enactment of labour laws and regulations may further impose liabilities on employers and stipulate stricter requirements in terms of entering into labour contracts, paying remuneration and terminating labour contracts. See "*— The implementation of PRC employment regulations may increase labour costs in the PRC generally*".

In addition, there has been a growing shortage of workers who are willing to work in factories in the PRC. Although the Group has been continuously improving its automated productions through intelligent manufacturing and industrial robots, the Group is currently involved in labour-intensive industries. Some employees of the Group are engaged in production operations with complex processes, extremely high precision requirements and high frequency repetition. Some employees are migrant workers who are facing major changes in urban life and social environment. If some employees' physical or mental health is adversely affected due to labour conditions, the Group may face additional costs and need to divert resources to employee management and employee welfare. These factors may exert considerable pressure on the Group to increase its employee benefits, which will further increase the Group's operating costs and expenses and lower the cost competitiveness of the Group's operations in the PRC.

If the Group is unable to offset the increase in labour costs or transfer these increased labour costs to its customers, its profitability and results of operations could be materially and adversely affected.

The Group's success depends on its ability to retain and attract key and qualified personnel.

The Group is highly dependent on principal members of its management. The loss of the services of some of these key management staff could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects. Furthermore, in connection with the Group's plan to expand into new markets, such as automotive and healthcare, it must attract new talents and retain skilled employees. The Group's failure to do so could limit the growth of the Group's service and product offerings, which could adversely affect the Group's business, financial condition, results of operations and future prospects.

In addition, the Group's success also depends to a significant extent upon, among other factors, the continued service of its skilled technical and sales personnel and on its ability to continue to attract, retain and motivate such personnel. Competition for attracting and retaining such individuals is intense. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain these qualified personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

Negative publicity may have a material adverse effect on the Group's business.

From time to time there may be allegations, whether accurate or not, in the domestic and international media about the Group and its business practices, including allegations that the Group had not been in compliance with the relevant labour laws and regulations. While the Group has been implementing and will continue to implement various measures to ensure compliance with the relevant standards and to improve employee morale, welfare and working environment, it cannot assure investors that these measures will be effective in addressing the issues mentioned in the allegations or to prevent future allegations from being made against the Group.

Allegations of such nature have led to negative publicity in the news, which could have a negative effect on the demand for the end products sold by brands that use the Group's manufacturing services, and may in turn have a material adverse effect on the Group's business if these customers are forced to decrease the amount of orders given to the Group. In addition, such negative publicity may inhibit the Group's ability to secure orders from new customers, which would have a material adverse effect on its results of operations and business prospects.

The Group may not be able to effectively manage its expansion and may incur high costs in its expansion into new businesses and markets.

The Group has significantly expanded its production in recent years and, in conjunction with the execution of its strategy, expects to continue to expand its production in terms of geography, customers and end-use products. To manage its growth, the Group must continue to improve its managerial, technical, operational systems, and to implement an effective information management system. In order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, the Group will be required to manage its relationships with a greater number of customers, suppliers, equipment vendors and other third parties. There can be no assurance that the Group will not experience issues such as shortages of raw materials and components, capacity constraints, construction delays, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. In particular, failure to implement the Group's expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its customer base and to maintain the quality of its production. There is also no assurance that such expansion plans will not adversely affect the Group's existing operations.

In addition to the production expansion mentioned above, the Group has continually expanded into new emerging industries, such as industrial internet, cloud service and new generation communication. It is expected that the Group will incur higher costs as it scales the "learning curve" in these new businesses, which may require the expertise that the Group is still in the process of acquiring. Higher costs may be incurred due to the Group's efforts to gather the required expertise and capabilities. These higher costs may result in lower profit margins for the Group, which in turn may adversely affect the Group's business, financial condition, results of operations and prospects. In addition, there is no guarantee that the Group will be successful in expanding into these new industries.

The Group is subject to risks arising from international operations.

The Group conducts its international operations in Asia, Europe and the Americas, and continues to consider additional opportunities to make foreign acquisitions and construct new foreign facilities. As a result of its international operations, the Group is affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labour shortage and strikes, fluctuations in currency exchange rates, earnings expatriation restrictions, difficulties in obtaining export licences and misappropriation of intellectual property. For example, the PRC enacted the Export Control Law of the People's Republic of China (中華人民共和國出口管制法) that took effect on 1 December 2020. There is no guarantee that the Group may be able to respond to such laws and regulations in a timely manner. See "— *The Group is subject to government laws and regulations, including import, export, and economic sanctions laws and regulations, that may limit its sales opportunities, expose it to liability, complicate its supply chains and increase its costs*". Additionally, to respond to customers' requirements, the Group may need to further expand internationally. If the Group pursues expansion in these locations, it may incur additional capital expenditures and experience higher labour costs in these locations. The Group cannot assure investors that it will realise the anticipated strategic benefits of its international operations or that its international operations will contribute positively to, and not adversely affect, the Group's business and results of operations.

The Group is subject to government laws and regulations, including import, export, and economic sanctions laws and regulations, that may limit its sales opportunities, expose it to liability, complicate its supply chains and increase its costs.

The Group is subject to a range of government laws and regulations based on national security, political and other policy considerations. These types of regulations are increasingly prevalent, continue to evolve and vary from jurisdiction to jurisdiction. In some cases, conflicting requirements of various jurisdictions can complicate compliance with these types of law and regulations. Actions by national governments in respect of economic sanctions could disrupt the Group's business. Furthermore, national government can react to the economic sanctions of other nations by imposing so-called "blocking sanctions" or other legal obligations that can create conflicting obligations, making compliance difficult or impossible.

The Group may be affected by export controls, including the U.S. Department of Commerce's Export Administration Regulations, and similar laws and regulations that apply in other jurisdictions in which the Group distributes or sells its products. Export control and similar regulations include restrictions and prohibitions on the sale or supply of certain products and on its transfer of parts, components, and related technical information and know-how to certain countries, regions, governments, persons and entities. On 17 August 2020, the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") published a final rule that tightens restrictions under its export laws on Huawei and its non-U.S. affiliates. The final rule, among others, expands the scope of export controls applicable to components destined for Huawei equipment. For example, any item that will be incorporated into, or will be used in the production or development of, any item produced, purchased, or ordered by Huawei or that Huawei purchases or receives now requires a licence. Manufacturing companies such as the Group, which are involved in Huawei's supply chain, may need to re-evaluate their direct and indirect business relationships in order to comply with such laws. These may in turn have an adverse impact on the Group's business and results of operations. Further, the U.S. has also imposed sanctions on China and Chinese companies for alleged activities both inside and outside of China. For instance, the U.S. government has added certain Chinese companies to the entity list administered by the BIS (the "**BIS Entity List**"), restricting others from transacting with these listed entities without U.S. government approval. The U.S. government might extend the list from time to time and impose more restrictions on Chinese companies. In November 2020, the U.S. administration issued U.S. Executive Order 13959, which was subsequently amended in January 2021 and replaced by U.S. Executive Order 14032 in June 2021, prohibiting investments by any U.S. persons in publicly traded securities of certain Chinese companies that are deemed operating in China's defence or surveillance technology sectors. Furthermore, U.S. law prohibits the import of any goods produced with forced labour. The Group's suppliers may restrict its rights to use their components in products destined for end-users or end-uses that present heightened regulatory or reputational risks, and some customers may decline to purchase its products that contain parts or components from, or that were manufactured by, suppliers and service providers that present heightened regulatory or reputational risks, including those linked to the BIS Entity List or forced labour. The loss of suppliers or customers as a result of such regulatory or supply chain limitations could materially harm the Group's business, financial condition, results of operations and prospects. Furthermore, the Group's association with such customers or suppliers could subject it to actual or perceived reputational harm among current or prospective investors, suppliers or customers, other parties doing business with the Group, or the general public. Any such reputational harm could result in the loss of suppliers or customers, which could harm the Group's business, financial condition, results of operations or prospects. Furthermore, measures adopted by an affected country to counteract the impact of another country's actions or regulations could lead to significant legal liability to multinational corporations, including the Group's. For example, in January 2021, the PRC adopted a blocking statute that, among other matters, entitles Chinese entities incurring damages from a multinational's compliance with foreign laws to seek civil remedies. In June 2021, the PRC adopted the Anti-Foreign Sanctions Law to provide a legal basis for China to adopt countermeasures against certain foreign sanctions. These may in turn have an impact on the Group's business, reputation and results of operations.

Complying with import, export and sanctions laws may be time consuming, may increase the Group's costs and may result in the delay or loss of sales opportunities. The Group is also subject to inspections by various governmental authorities monitoring its compliance with these laws. Although the Group takes precautions to prevent its products from being provided in violation of such laws and regulations, if the Group is found to be in violation of sanctions or export control laws, the Group and the individuals working for it could incur substantial fines and penalties. Changes in export, sanctions or import laws or regulations may affect whether it is feasible and profitable for the Group to manufacture its products in and distribute its products from countries that impose regulatory restrictions on the movement of its parts, components, finished products, and related technologies. Changes in these types of laws and regulations may also increase the Group's regulatory burdens in monitoring its supply chains to ensure it does not violate such laws or regulations or damage its reputation. These types of regulatory developments may also delay the introduction and sale of the Group's products, cause it to spend resources to seek necessary government authorisations or to develop different versions of its products, or, in some cases, prevent the export or import of its products to certain countries, regions, governments, persons or entities altogether, any of which could adversely affect the Group's business, financial condition and results of operations.

The Group may not be able to manage and integrate the companies and businesses it has acquired or may acquire in the future.

The Company from time to time pursues strategic acquisitions of other companies and businesses to diversify its product mix and business portfolio and to achieve business and revenue growth. Acquisitions involve numerous risks, any of which could harm the Group's business, including:

- difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company;
- difficulties in supporting and transitioning suppliers, if any, of an acquired company;
- diversion of financial and management resources from existing operations or alternative acquisition opportunities;
- failure to realise the anticipated benefits or synergies;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues;
- risks of entering new markets in which the Group has limited or no experience;
- potential loss of key employees, customers and suppliers from either its current business or an acquired company's business;
- inability to generate sufficient revenue to offset acquisition costs;
- additional or unforeseen costs associated with funding the acquisition; and
- possible write-offs or impairment charges relating to acquired businesses.

Failure to address the above risks arising from its acquisitions may jeopardise the purpose that the Group expects to achieve from the relevant acquisition, cause the Group to incur significant expenditure or losses, and materially and adversely affect its business, financial condition, results of operations and prospects.

The Group may not be able to maintain its operating margin and gross profit margin.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group had operating margin of 4.8 per cent., 5.2 per cent., 4.6 per cent., 3.2 per cent. and 3.8 per cent., respectively, and gross profit margin of 8.6 per cent., 8.4 per cent., 8.4 per cent., 7.2 per cent. and 7.8 per cent., respectively. The Group's operating margin and gross profit margin are affected by factors such as product mix, market competition, technology improvement, and fluctuations in the costs of raw material. With the improvement of intelligent manufacturing and the intensification of market competition, if the Group cannot continue to improve its capabilities in technology innovation, collaborative R&D and intelligent manufacturing in the future, which will lead to a failure to gain a competitive advantage in the fields of existing product production and new product development, the Group's operating margin and/or gross profit margin may decline. In addition, if there is an adverse change in the price of the products sold by the Group and the cost of raw materials purchased by the Group, the Group's operating margin and/or gross profit margin will also decrease accordingly.

The Group is subject to risks in relation to the management of its business and subsidiaries.

The Guarantor is a holding company and is mainly in charge of the investment and management of its wholly owned and controlled subsidiaries. The Group's main business is primarily managed and operated by various onshore and offshore subsidiaries. The Group has established a relatively complete internal management and control system and specific management systems in relation to technology development, production safety, sales management, quality control and finance and accounting. It has also established a management system to manage the organisation, production and operation, internal control, finance accounting, profit distribution of its subsidiaries. However, due to the wide range of the Group's business, together with the Group's further development and expansion, the number of its subsidiaries may continue to increase, which would make it more difficult for the Group to manage its procurement and supply, manufacturing and production, sales and services, logistics and distribution, human resources and finance accounting. If the Group fails to effectively manage its wholly owned and controlled subsidiaries, leading to the relevant subsidiaries' making decisions that are detrimental to the Group's business operations, foreign investments and other aspects, the Group's profitability and results of operations could be materially and adversely affected.

The Group may not be able to detect or prevent fraud, money laundering or other misconduct committed by its employees, representatives, agents, customers or other third parties in its business operations in a timely manner.

The Group may be exposed to fraud, money laundering or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products and services;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- engaging in or accepting bribery;
- insider dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in China and other relevant jurisdictions. The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity and adversely affect the Group's corporate image and business.

Any failure to maintain effective quality control systems at the Group's facilities could have a material adverse effect on its business and operations.

The performance and quality of the Group's products are critical to the success of its business. These factors depend significantly on the effectiveness of the Group's quality control systems which, in turn, depends on a number of factors, including the design of the systems, the quality of its training programme, and the Group's ability to ensure that its employees adhere to its quality control policies and guidelines. Any significant failure or deterioration of the Group's quality control systems could have a material adverse effect on the Group's business reputation, results of operations and financial condition.

The Group is vulnerable to any force majeure events or natural disasters and other disruptive events that could adversely affect its business.

The COVID-19 pandemic has resulted in a widespread public health crisis and numerous containment measures being taken to limit its spread, including travel bans and restrictions, quarantines, curfews and shutdowns. Recently, several new strains of COVID-19 are considered highly contagious and may pose a serious public health threat. As at the date of this Offering Circular, intensive containment measures implemented by public health authorities remain in place in many jurisdictions, leading to a severe drop in business activities and curtailing global trade. Such measures have materially impacted and are continuing to impact some of the Group's workforce and operations and the operations of some of its customers. It remains uncertain as to when the spread of COVID-19 will be contained. The impact of the COVID-19 pandemic on the Group's business has included or may in the future include:

- disruptions to or restrictions on the Group's ability to ensure the continuous provision of its products, services and solutions;
- temporary closures or reductions in operational capacity of the Group's production facilities;
- reductions in the Group's capacity utilisation levels and production levels if operations at the Group's facilities were disrupted;
- temporary closures of the Group's direct and indirect suppliers, resulting in adverse effects to the Group's supply chain, which adversely affect its ability to procure sufficient inventory to support customer orders;
- temporary shortages of skilled employees available to staff production facilities due to shelter-in-place orders and travel restrictions within as well as into and out of countries;
- deterioration in workplace safety and the wellbeing and productivity of the Group's employees;

- restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures;

- increases in operational expenses and other costs related to requirements implemented to mitigate the impact of the pandemic;

- reduction in short- and long-term demand of the Group's products, services and solutions, or other disruptions in technology buying patterns; and

- delays or limitations on the ability of the Group's customers to perform or make timely payments.

Further, the global spread of COVID-19 also has created significant macroeconomic uncertainty, volatility and disruption, which may adversely affect the liquidity positions of the Group's customers and suppliers, cost of capital and ability to access the capital markets. The COVID-19 pandemic has caused an economic slowdown that is likely to continue and is highly likely to cause recessions on a regional if not global scale.

Due to social distancing rules, the COVID-19 pandemic has sped up the digitisation of goods, services and social interactions. Activities that require physical presence, such as work, education and social activities, have been held virtually instead. This has resulted in a surge in demand of electronic devices, IoT-based products and services and networking devices. Once the COVID-19 pandemic is effectively controlled and containment measures are lifted, demand of the Group's products and services and those of the Group's customers may decrease. This may adversely affect the Group's business, financial condition and results of operations.

Additionally, certain areas in the PRC are susceptible to droughts, earthquakes, typhoons and floods. Some earthquakes and floods in recent years caused damage to production facilities and adversely affected the operations of many companies. The Group's major production facilities, as well as some of its suppliers and customers, are located in the PRC. If the customers are affected by any droughts, earthquakes, typhoons, floods or other natural disasters, demand for the Group's products could decline. If the suppliers are affected, our production schedule could be interrupted or delayed. For example, in July 2021, certain regions of the PRC (including those where the Group currently operates, such as Zhengzhou) were impacted by major flooding caused by heavy rainfall. Such natural disasters may result in a severe disruption of the Group's operations and it may not be able to reallocate resources or relocate operations in a timely manner in response to the disruption of operations. As a result, a major drought, earthquake, typhoon, flood, natural disaster, climate change or other disruptive events in the PRC or elsewhere could severely disrupt the normal operations of the Group's business and have a material adverse effect on the financial condition and results of operations.

Further, force majeure events, natural disasters, catastrophes, outbreaks of contagious diseases or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The occurrence or continuation of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its business effectively, and could also lead to the shutdown of the Group's affected operating facilities, thereby reducing its revenues. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost.

If the Group fails to comply with environmental regulations, the Group may be subject to adverse publicity and, potentially, monetary damages and fines.

Some of the Group's manufacturing processes generates various hazardous substances, including wastewater. The Group is subject to a variety of regulations relating to the use, storage, discharge and disposal of chemicals and waste used in its manufacturing processes in different jurisdictions. The Group may fail to comply with these environmental regulations and obtain the required approvals, licences and permits in a timely manner. Any failure to effectively control the use of or restrict the discharge of hazardous substances, or to comply with present and future regulations could subject the Group to adverse publicity, monetary fines and legal liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If the Group is held liable for damages in the event of environmental contamination or personal injuries, the Group's business, financial condition and results of operations could be materially and adversely affected.

Meanwhile, the Group's continuous upgrading of its environmental protection facilities and gradual introduction of innovative green technologies may significantly increase the Group's environmental protection cost and the Group may not be able to transfer the additional cost to its downstream customers in a timely manner, which may have an adverse impact on the Group's profitability.

The Group may be sued for product liability or experience problems with product quality or performance which could result in adverse publicity or subject the Group to unexpected expenses, including potentially significant monetary damages.

The Group typically provides a warranty of a limited period to its customers for certain of its communication and mobile network products. As at 30 June 2021, the Group made provisions in the amount of RMB731.1 million for product warranty. Part of the Group's products are typically produced and sold to customers to meet their specifications and if the Group's products fail to meet the specifications, the Group will usually replace the Group's products. However, the Group may still be subject to claims from the Group's customers had the end products sold by the Group's customers failed to perform or caused injury, death or damage due to problems or defects of the Group's products. While the Group has purchased product liability insurance, the possibility of future product failures could cause the Group to incur substantial expense to replace defective products, provide refunds or resolve disputes with the Group's customers through litigation, arbitration or other means.

If any product liability claims are successfully asserted against the Group, the Group could be required to pay a significant amount of monetary damages. Even if a product liability claim does not result in a judgment against the Group, the Group may still incur substantial legal expenses defending against such claim. In addition, product failures and the assertion of product liability claims against the Group, even if unsuccessful, could also result in adverse publicity that may damage the Group's reputation and customer relationships, which would have a material adverse impact on the Group's business.

The Group may be subject to liability in connection with industrial accidents at the processing and production sites.

The Group's production processes are complex and involve the operation of tools, equipment and machinery which are potentially dangerous and the use of corrosive chemicals. As a result, industrial accidents resulting in personal injuries or even deaths had occurred in the past and may occur in the future at the Group's processing and production sites, whether due to malfunction of tools, equipment or machinery or other reasons. If such events were to occur, the Group may be held liable for the personal injuries or deaths and subject to monetary damages, fines or penalties or other forms of legal liabilities as well as business interruptions caused by equipment shutdowns for relevant authorities' investigations or implementation or imposition of safety measures. In addition, work safety laws imposed by the local government authorities where the Group operates could impose compliance costs or reduce the efficiency of the Group's operations, thereby materially and adversely affecting the Group's business, financial condition and results of operations.

The Group's insurance coverage may not adequately protect the Group against certain operating and other hazards which may have an adverse effect on its business.

The Group faces various operational risks in connection with its business, including but not limited to:

- production interruptions caused by human errors, power outages, raw material shortages;
- equipment failure and other operational risks;
- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the products it manufactures;
- work-related personal injuries;
- disruption in global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as pandemics, fires, earthquakes, explosions, floods, collapses of mines or other natural disasters.

The Group believes that the coverage from its insurance policies for the above-mentioned operational risks is in line with industry norms and adequate for present operations. However, there can be no assurance that any claim under the insurance policies maintained by the Group will be timely honoured in full or at all. Furthermore, to the extent that the Group suffers loss or damage that is not covered by insurance or exceeds insurance coverage, the Group's business, results of operations and financial condition may be materially and adversely affected. There can be no assurance that the insurance currently maintained by the Group will be generally available in the future or, if available, that the premiums will remain commercially justifiable or not increase significantly.

The Group needs to observe certain financial and other covenants under the terms of its debt obligations, of which the failure to comply would put the Group in default under such debt obligations.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios or obtain the lender's prior consent, restrict the borrower from creating security or granting guarantees or prohibit the borrower from declaring or paying certain amount of dividend to its shareholder, without the lender's prior consent. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, to obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Notes after issuance.

If the Issuer, the Guarantor or any of their relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in the Notes, or in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors or holders of the debt may be entitled to terminate their commitments granted to the Issuer, the Guarantor or their subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Group contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements the right to require the Group to immediately repay their loans or declare a default of borrower as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occurs, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Issuer, the Guarantor or their subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer, the Guarantor or their subsidiaries would be able to find alternative financing. Even if the Issuer, the Guarantor or their subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor, or as the case may be, their subsidiaries.

The Group may experience fluctuations in its tax obligations, effective tax rate and changes in applicable preferential tax policies.

The Group is subject to income taxes in the PRC, the federal and applicable state and local tax jurisdictions in the United States and other foreign jurisdictions. The tax rates applicable to the Group could be rescinded or changed. In order to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment, many countries and jurisdictions have been working with OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("**BEPS**"), such as Czech Republic, Hungary, India, Japan, Mexico, Singapore, Vietnam and the United States. As the Group is a multinational corporation with offshore entities incorporated in these jurisdictions, BEPS would have a significant impact on the Group's global tax strategies and the Group may need to restructure the business and reorganise its operations to be in compliance with these changes in tax policies or new tax laws, which in turn may result in an increase in tax expenses of the Group. There is no assurance that such reorganisation may succeed or the Group may be able to respond in a timely manner. Failure to do so could have a material adverse impact on the Group's financial condition and results of operations.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's effective tax rate (calculated by income tax expenses divide by profit before taxation) was 15.8 per cent., 12.0 per cent., 11.7 per cent., 11.4 per cent. and 10.8 per cent., respectively. The Group records tax expense based on its estimates of current and future payments, which include reserves for estimates of uncertain tax positions. As a result, there could be ongoing variability in the Group's quarterly tax rates as taxable events occur and exposures are re-evaluated. Further, the Group's effective tax rate in any financial statement period may be materially affected by changes in the mix and level of its earnings.

Furthermore, the Group cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States or foreign countries upon the import or export of the Group's products and services, or what effect any of these actions would have, if any, on the Group's business, financial condition, or results of operations. The adverse impact of certain proposals on the Group's tax expense and profitability could be material, and the Group may not be able to fully offset any such incremental tax increase through product price increases or otherwise. Accordingly, changes in regulatory, geopolitical, social or economic policies, and other factors may have a material adverse effect on the Group's business in the future or may require the Group to exit a particular market or significantly modify its current business practices.

In addition, some of the Group's domestic subsidiaries in the PRC, being recognised as high-tech enterprises, have been enjoying preferential tax rate for the enterprise income tax. If these qualified subsidiaries no longer meet the requirements or qualifications for applying for tax preference as high-tech enterprises in the future or the PRC government cancels such tax preference policies, these Group's subsidiaries will not be able to enjoy the 15 per cent. preferential tax rate, which will cause the Group's income tax expense to rise and adversely affect the Group's financial condition.

It is uncertain whether the Group will be able to recover value-added taxes ("VAT") imposed by the PRC tax authority.

The amounts of input VAT and output VAT are determined by the applicable value-added tax rate in effect during the period when purchases from the Group's suppliers or sales to its customers are made. While the deductible VAT may enable the Group to reduce future tax payment, the Group's deductible VAT may also pose a risk as its recoverability is dependent on the then applicable VAT rate in effect.

There is no assurance that the deductible VAT can be recovered. If there is a lack of payment from the Group's customers or an adjustment of applicable VAT rate in effect, the output VAT may be in shortfall and the Group may have to write down the deductible VAT, which may adversely affect the Group's business, financial condition and results of operations.

In addition, export sales are exempted under VAT rules and an exporter who incurs VAT on the sales or manufacturing of goods should be able to claim a refund from the PRC tax authorities. However, a reduction in the VAT export refund rate of some goods may cause exporters to bear part of the VAT they incurred in conjunction with the exported goods. Efforts by the PRC government to increase tax revenues could result in revisions to tax laws, regulations or their interpretations, which could increase the Group's VAT and various tax liabilities.

Foreign exchange fluctuations may adversely affect the Group's results of operations and financial conditions.

The Group mainly transacts in mainland China, Hong Kong and Singapore and the main currencies used are Renminbi, Hong Kong dollar and U.S. dollar. The Hong Kong dollar is pegged to the U.S. dollar. Therefore, the Group is exposed to foreign exchange risks in exchange rate fluctuations between the U.S. dollar and RMB. The depreciation of the U.S. dollar would result in the loss of the Group's operating margins.

The value of RMB against the U.S. dollar and other foreign currencies can be subject to changes resulting from the PRC government's policies and depend to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Any significant revaluation of RMB may materially and adversely affect the Group's revenues, earnings and financial position. To the extent that the Group needs to convert foreign currencies into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against foreign currencies would have an adverse effect on the RMB amount the Group would receive from the conversion. Conversely, a significant depreciation of RMB against foreign currencies may significantly reduce the foreign currencies' equivalent of the Group's earnings, and if the Group decides to convert RMB into foreign currencies for strategic acquisitions or investments or other business purposes, appreciation of the foreign currencies against RMB would have a negative effect on the amount available to the Group in foreign currencies. With the development of the foreign exchange market and progress toward interest rate liberalisation and RMB internationalisation, the PRC government may announce further changes to the exchange rate system, and the Group cannot assure that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the future. In addition, the Group's currency exchange losses may be magnified by the PRC's exchange control regulations that restrict the Group's ability to convert RMB into foreign currencies.

The impact of future exchange rate fluctuations on the Group's results of operations and financial condition cannot be accurately predicted, and there can be no assurance that the Group's attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on the Group's financial performance.

RISKS RELATING TO THE PRC

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC experienced rapid growth in the past 30 years. However, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP decreased from 7.3 per cent. in 2014 to 6.1 per. cent. in 2019. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to "A1" from "Aa3". In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to "A+" from "AA–", citing increasing economic and financial risks from a prolonged period of strong credit growth. Further indication of the slowdown in the growth of China's economy is evidenced by press reports of an increase in bond defaults by PRC corporate issuers since the second half of 2020. In 2020, China's GDP shrank by 2.3 per cent. year-on-year, primarily as a result of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The United Kingdom withdrew from the European Union on 31 January 2020 ("**Brexit**"), but continued to participate in certain European Union organisations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the European Union. It is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world. The outlook for the world economy and financial markets remains uncertain. Any volatility in the global markets and negative economic developments could, in turn, materially and adversely affect the Group's business, prospects, financial condition or results of operations. In addition, these developments could adversely affect the Group's access to the debt capital markets and may increase funding costs, having a negative impact on the Group's revenue and financial conditions.

In addition, in recent years there has been growing tension between the United States and the PRC. The two countries have been involved in disputes over trade barriers that have escalated into a trade war. The U.S. government has changed its trade policies towards the PRC with measures such as imposition of increased tariffs on a wide range of Chinese products and restriction on exports of certain U.S. goods to China. The ongoing trade war between the United States and the PRC and any further escalations thereof could have a material adverse impact on the Chinese economy. In January 2020, the phase one agreement was signed between the PRC and the United States on trade matters. However, the PRC and the United States have not yet launched the phase two negotiation and there is no assurance that the trade disputes between the PRC and the United States will be fully resolved. Sustained or escalating tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economy and thereafter may lead to additional costs and unexpected consequences on the Group's business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental actions related to tariffs or trade agreements or policies has the potential to adversely impact the PRC's economy, which in turn could adversely impact the Group's business, financial condition and results of operations.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect the Group's business and prospects.

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, the PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Uncertainty with respect to the PRC legal system could affect the Group.

As a significant portion of the Group's business are conducted, and a significant amount of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC's legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Notes.

The operations of the Group may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp upward trend in recent years. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business and results of operations, as well as its liquidity and profitability.

Government control of currency conversion may adversely affect the value of investors' investments.

Most of the Group's revenue is denominated in RMB, which is also the reporting currency. RMB is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs. However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of SAFE or its local counterpart or the designated foreign exchange banks. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

The implementation of PRC employment regulations may increase labour costs in the PRC generally.

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) became effective on 1 January 2008 in China and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and compensation payments upon dismissal of an employee. A minimum wage requirement has also been incorporated into Labour Contract Law of the PRC. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days. Employees who consent to waive such vacation at the request of employers due to work commitments shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. The implementation of the labour law in the PRC has increased the Group's labour costs (including those incurred by contractors). In the event the Group decides to significantly change its workforce, the Labour Contract Law of the PRC could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which may result in an adverse impact on the Group's business and results of operations.

Further, in the event that there is a labour shortage or a significant increase in labour costs, the Group's business operation costs is likely to increase accordingly. In such circumstances, its profit margin may decrease and its financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years, which also results in the increase of the costs of labour. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

Potential investors should not place undue reliance on the financial information that is not audited.

The Group publishes annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its shares listed on the Shanghai Stock Exchange according to applicable PRC regulations and rules of the Shanghai Stock Exchange. Such financial information may not be audited by the Guarantor's independent auditors and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Any unaudited consolidated interim financial information is not necessarily indicative of the results that may be expected for the full financial year or any period thereafter. Consequently, potential investors should not take such financial information as an indication of the expected financial condition or results of operations of the Guarantor or the Group for the relevant full financial year. Potential investors should exercise caution when using such data to evaluate the Guarantor's or the Group's financial condition and results of operations.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes and the Guarantee are unsecured obligations.

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the relevant Guarantee may be adversely affected if:

(i) the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

(ii) there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

(iii) there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's or the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantor is subject to various restrictions under applicable laws.

Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

Any failure to complete the relevant registrations or filings with the NDRC relating to the issue of the Notes may have adverse consequences for the Guarantor, the Issuer and/or the investors of the Notes.

According to the NDRC Circular, PRC enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year or medium to long-term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 working days after the date of issuance or drawing. Thus, the Guarantor shall make the registration of the Notes to be issued prior to the relevant issue date (the "**NDRC Pre-Issue Registration**") and file the requisite information and documents relating to the issue of the Notes with the NDRC within 10 working days after the relevant issue date (the "**NDRC Post-Issuance Filing**"). In the worst-case scenario, failure to complete the NDRC Pre-Issue Registration or the NDRC Post-Issuance Filing may result in it being unlawful for the Guarantor or the Issuer to perform or comply with any of its obligations under the Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

The Guarantor will undertake in the Conditions to perform the issuance registration and filing as required by laws and regulations as applicable to it from time to time. A failure to complete any applicable registration and filing procedure will constitute a breach of the relevant laws and regulations (which may carry administrative penalties) and an event of default pursuant to which the Notes could be accelerated.

If the Guarantor fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the relevant Guarantee.

If the Guarantor fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the relevant Guarantee. The Guarantor will enter into a Deed of Guarantee in respect of each Tranche of Notes issued under the Programme. Pursuant to such Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under such Tranche of Notes and the Trust Deed. The Guarantor is required to submit for registration the relevant Deed of Guarantee and other documents to SAFE for registration in accordance with the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) within the prescribed timeframe after the execution of such Deed of Guarantee. Although the non-registration does not render the relevant Guarantee of the Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. The Guarantor intends to use its all reasonable endeavours to complete the registration of the relevant Deed of Guarantee on or before the Registration Deadline (as defined in the Conditions).

At any time following the occurrence of a Non-Registration Event (as defined in the Conditions), the holder of any Notes of the relevant Tranche will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 100 per cent. of their principal amount, together with interest accrued to but excluding such Put Settlement Date.

The administration of the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the relevant Deed of Guarantee with SAFE can be completed by the Guarantor or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the relevant Deed of Guarantee in the PRC.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.

Under the EIT law and its implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer generally would be subject to the PRC enterprise income tax at the rate of 25.0 per cent. on its worldwide income.

Furthermore, if the Issuer is deemed to be a PRC resident enterprise, the Issuer would be obligated to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10 per cent. for non-PRC resident enterprises, or at a rate of 20 per cent. for non-PRC resident individuals. In addition, any gain realised by such investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10.0 per cent. PRC income tax for non-PRC resident enterprises, or a 20.0 per cent. PRC income tax for non-PRC resident individuals. Furthermore, because the Guarantor is a PRC tax resident, the Guarantor will be required to withhold PRC tax on payments under the Guarantee with respect to interest or any redemption premium at the above rates regardless of whether the Issuer is treated as a PRC tax resident. The PRC income tax liability may be reduced under applicable income tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

On 23 March 2016, the MOF and SAT issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》) ("**Circular 36**"), which introduced a new VAT from 1 May 2016. According to Circular 36, which was amended on 11 July 2017, 25 December 2017 and 20 March 2019, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refer to the activities of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and the Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The request to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and the Guarantor. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

Noteholders are exposed to risks relating to Singapore taxation.

The Notes to be issued from time to time under the Programme during the period from the date of this Offering Circular to 31 December 2023 are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (the "**ITA**"), subject to the fulfilment of certain conditions more particularly described in "*Taxation — Singapore*". However, there can be no assurance that the Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

Modification and waivers may be made in respect of the Conditions, the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee by the Trustee or less than all of the Noteholders will be binding on all Noteholders.

The Conditions will provide that the Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Conditions, the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law or as required by, as applicable, (a) Euroclear and/or Clearstream or (b) the CMU, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee or the Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

The Conditions will also contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The insolvency laws of Singapore, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the Singapore and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve Singapore or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

Application of Singapore insolvency and related laws to the Issuer may result in a material adverse effect on the Noteholders.

There can be no assurance that the Issuer will not become bankrupt, be unable to pay its debts or become insolvent, or be the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. In the event of an insolvency or near insolvency of the Issuer, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Noteholders. Below is a non-exhaustive discussion of matters that may have a material adverse effect on the Noteholders.

Where the Issuer is insolvent or close to insolvent and the Issuer undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the Issuer. It may also be possible that if a company related to the Issuer proposes a creditor scheme of arrangement and obtains an order for a moratorium, the Issuer may also seek a moratorium even if the Issuer is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, with the consent of the judicial manager or with court permission. Accordingly, if for instance there is any need for the Trustee to bring an action against the Issuer, the need to obtain court permission or the judicial manager's consent may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Noteholders may be made subject to a binding scheme of arrangement where the majority in number representing 75.0 per cent. in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, there are cram-down provisions that may apply to a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75.0 per cent. in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Noteholders may be bound by a scheme of arrangement to which they may have dissented.

The Insolvency, Restructuring and Dissolution Act 2018 (Act 40 of 2018), which came into force on 30 July 2020, includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. This prohibition is not expected to apply to any contract or agreement that is, or that is directly connected with, a debenture. However, it may apply to related contracts that are not found to be directly connected with the Notes.

A change in English law which will govern the Notes and the Deed of Guarantee may adversely affect Noteholders.

The Conditions and the relevant Deed of Guarantee will be governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, or with a sub-custodian for the HKMA as operator of the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, Noteholders will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global

Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, Noteholders will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or in the case of the CMU, any payment that is made in respect of a Note shall be made to the person for whose account(s) interests in such Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in principal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer and the Guarantor (including rights to receive principal or interest or to vote) in respect of such Notes.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 10 *(Events of Default)* of the Conditions and taking steps and/or actions and/or institute proceedings pursuant to Condition 12 *(Enforcement)* of the Conditions), the Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of holders of the Notes. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Conditions) or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, it will be for the holders of the Notes to take such steps and/or actions and/or to institute such proceedings directly if so provided by the agreements and permitted by the applicable law.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer, or as the case may be, the Guarantor, would be obliged to increase the amounts payable in respect of any Notes or under the Trust Deed due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Singapore or the PRC or, in each case, any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero.

Failure by a Noteholder to pay a subsequent instalment of partly-paid Notes may result in a Noteholder losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in a Noteholder losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be or used as benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) No. 2016/1011 (the "**EU Benchmark Regulation**") and Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmark Regulation**") apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the European Union and the United Kingdom, respectively. The EU Benchmark Regulation and the UK Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or the UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA Announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

Separately, the Euro risk free-rate working group for the Euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new Euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the Euro area financial system.

The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

The Conditions will provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with or without the application of an Adjustment Spread (as defined in the Conditions). There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the Issuer will use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Conditions) to determine the Successor Rate or Alternative Rate (as applicable), no later than five Business Days (as defined in the Conditions) prior to the relevant Interest Determination Date (the "**IA Determination Cut-off Date**"), but in the event that the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Rate (as applicable) determined by the Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, any determinations that may need to be made by the Issuer with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer and the Guarantor (if applicable) will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border Renminbi remittances in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or out of the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the Issuer or the Guarantor will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's and the Guarantor's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong, Singapore and Taiwan, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to interest rate risks.

The value of Renminbi payments under Renminbi Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with the fluctuations in the Renminbi interest rates. If holders of Renminbi Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by:

- when the Renminbi Notes are represented by global certificates, by transfer to a Renminbi bank account maintained in Hong Kong or Singapore, as the case may be, in accordance with prevailing CMU rules and procedures, as the case may be; or

- when the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations.

In the event that a holder of Renminbi Notes fails to maintain a valid Renminbi account with a bank in Hong Kong or Singapore, as the case may be, and accordingly, payments are unsuccessful, it is possible that such amounts may be settled in a currency other than Renminbi. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws.

Under the EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Noteholders may be subject to EIT or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The EIT Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Noteholder from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Noteholder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Noteholders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Noteholders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from each issue of Notes for replenishing the working capital of the Group and refinancing. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer or the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual. An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Subscription and Sale*".

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for the words in italics and, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

This Note is one of a series ("**Series**") of Notes issued by Cloud Network Technology Singapore Pte. Ltd. (the "**Issuer**") and guaranteed by Foxconn Industrial Internet Co., Ltd. (the "**Guarantor**").

The Notes are constituted by a trust deed (as amended and/or supplemented as at the date of issue of the Notes (the "**Issue Date**") and from time to time, the "**Trust Deed**") dated 29 November 2021 between the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An agency agreement (as amended and/or supplemented as at the Issue Date and from time to time, the "**Agency Agreement**") dated 29 November 2021 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citicorp International Limited as lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly, and all references to "**Agents**" shall mean the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Calculation Agents, the Registrar and the Transfer Agents or any of them and shall include such other Agent or Agents as may be appointed from time to time under the Agency Agreement. Each Tranche of Notes will have the benefit of a deed of guarantee dated on or about the relevant date of issue of the Notes (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into between the Guarantor and the Trustee.

Copies of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement are available for inspection during usual business hours (being between 9.00 a.m. and 3.00 p.m., Monday to Friday other than a public holiday) at the principal office of the Trustee (presently at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong following prior written request and proof of holding and identity to the satisfaction of the Trustee).

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts (the "**Receiptholders**") for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below, the relevant Deed of Guarantee and the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the same Specified Denomination. Unless otherwise permitted by the then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of GBP 100,000 (or its equivalent in other currencies). In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or in the UK or offered to the public in a Member State of the European Economic Area or in the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation (as amended or superseded), the minimum Specified Denomination shall be EUR 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

*Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note or, if so specified in the relevant Pricing Supplement, a Permanent Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking SA ("**Clearstream**"); or (ii) a sub-custodian for the CMU.*

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

*For so long as any of the Notes are represented by a Global Note or a Global Certificate held on behalf of Euroclear and/or Clearstream or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made to the person for whose account(s) interests in such Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the Issuer's obligations in respect of that payment. In addition, these Conditions are modified by certain provisions contained in the Global Note or the Global Certificate (as the case may be).*

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

References in these Conditions to Coupons, Talons, Couponholders, Receipts and Receiptholders relate to Bearer Notes only.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require (in light of prevailing market practice). In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Transfers Free of Charge

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 GUARANTEE AND STATUS

(a) Guarantee

The Guarantor will in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons (the "**Guarantee**").

(b) Status of Notes and Guarantee

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and will ensure that none of the Principal Subsidiaries (other than any Listed Subsidiary or any Subsidiary of such Listed Subsidiary) will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest ("**Security Interest**") (other than any Permitted Security Interest), upon the whole or any part of its present or future property, assets or revenues to secure any International Investment Securities or to secure any guarantee or indemnity in respect of any International Investment Securities, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such International Investment Securities, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) Undertakings relating to NDRC

Where the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**NDRC Circular**") is specified hereon as applicable, the Guarantor undertakes, in relation to each Tranche of Notes, to file or cause to be filed with the NDRC the requisite information and documents in respect of the issuance of the relevant Tranche within the prescribed time frame and in accordance with the NDRC Circular (the "**NDRC Post-Issuance Filing**").

The Guarantor shall, within 10 PRC Business Days after submission of the NDRC Post-Issuance Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the submission of the NDRC Post-Issuance Filing and (ii) copies of the relevant documents evidencing the NDRC Post-Issuance Filing (if any), each certified in English as being a true and complete copy of the original by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor (together, the "**NDRC Filing Documents**"). In addition, the Guarantor shall procure that within 10 PRC Business Days after the aforementioned certificate is delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 16) confirming the submission of the NDRC Post-Issuance Filing.

The Trustee shall have no obligation or duty to monitor or ensure the submission of the NDRC Post-Issuance Filing with the NDRC or to assist the Guarantor with the submission or completion of the NDRC Post-Issuance Filing with the NDRC or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing and/or the NDRC Filing Documents or to translate or procure the translation into English of any documents in relation to or in connection with the NDRC Post-Issuance Filing and/or the NDRC Filing Documents or to give notice to the Noteholders confirming the submission of the NDRC Post-Issuance Filing, and shall not be liable to Noteholders or any other person for not doing so.

(c) Undertakings relating to the Guarantee

For the benefit of each Tranche of the Notes to be issued in accordance with these Conditions and the Trust Deed, the Guarantor shall execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed on the relevant Issue Date.

The Guarantor undertakes to, in respect of each Tranche of Notes file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local branch ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after execution of such Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外滙管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use all reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline for the relevant Tranche and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall, on or before the Registration Deadline, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration in connection with the relevant Deed of Guarantee; and (ii) a copy of the SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) and the particulars of registration, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the documents in (i) and (ii) being the "**SAFE Registration Documents**"). In addition, the Guarantor shall procure that within 10 PRC Business Days after the documents comprising the SAFE Registration Documents are delivered to the Trustee for the relevant Tranche, the Issuer gives notice to the Noteholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the registration of the Deed of Guarantee with SAFE on or before the Registration Deadline or to assist the Guarantor with the registration of the Deed of Guarantee with SAFE or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the SAFE Registration Documents or to translate or procure the translation into English of any documents in relation to or in connection with the Cross-Border Security

Registration and/or the SAFE Registration Documents or to give notice to the Noteholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

(d) Financial Statements etc.

So long as any Note remains outstanding, the Guarantor shall deliver to the Trustee:

(i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance and shall be under no obligation to verify the information contained therein) and a copy of the relevant Guarantor Audited Financial Reports within 180 days of the end of each Relevant Period (audited by an internationally or nationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) an internationally or nationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally or nationally recognised firm of accountants (and the Trustee shall have no obligation to verify the completeness or accuracy of any such translation or that the person who has translated the relevant Guarantor Audited Financial Reports meets the requirements of (x) or (y) above and may rely conclusively without liability to any Noteholder or any other person on any such translation furnished to it with the relevant Guarantor Audited Financial Reports); and

(ii) a copy of the Guarantor Unaudited Financial Reports within 150 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider and checked by the Guarantor (and the Trustee shall have no obligation to verify the completeness or accuracy of any such translation or that the person who has translated the relevant Guarantor Unaudited Financial Reports meets the requirements above and may rely conclusively without liability to any Noteholder or any other person on any such translation furnished to it with the relevant Guarantor Unaudited Financial Reports),

provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may deliver to the Trustee, as soon as they are available but in any event not more than 60 days after any financial reports of the Guarantor are filed with the stock exchange on which the Guarantor's capital stock is at such time listed for trading, copies of any financial reports of the Guarantor filed with such stock exchange in lieu of the Guarantor Audited Financial Reports and/or the Guarantor Unaudited Financial Reports referred to in this Condition 4(d) and if such financial reports shall be in the Chinese language, together with (in respect of the Guarantor Audited Financial Reports) an English translation of the Guarantor Audited Financial Reports translated by (x) an internationally or nationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally or nationally recognised firm of accountants, or (in respect of the Guarantor Unaudited Financial Reports) an English translation of the Guarantor Unaudited Financial Reports translated by a professional translation service provider and checked by the Guarantor, as case may be (and the Trustee shall have no obligation to verify the completeness or accuracy of any such translation or that the person who has translated such financial reports meets the requirements above and may rely conclusively without liability to any Noteholder or any other person on any such translation delivered to it with such financial reports by the Guarantor), in lieu of the documents identified in this Condition 4(d).

(e) Definitions

For the purposes of these Conditions:

(i) "**Capital Stock**" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

(ii) "**Compliance Certificate**" means a certificate of the Guarantor (on behalf of itself and the Issuer) in English in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Guarantor that, having made all reasonable enquiries, to the best knowledge, information and belief of the Guarantor (on behalf of itself and the Issuer), as at a date (the "**Certification Date**") not more than five days before the date of the certificate that:

(A) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(B) each of the Issuer and the Guarantor has complied with all of their respective covenants and obligations under the Trust Deed, the relevant Deed of Guarantee and the Notes, as the case may be or if non-compliance had occurred, giving details of it.

(iii) "**Guarantor Audited Financial Reports**" means, for a Relevant Period the annual audited consolidated financial statements of the Guarantor together with any statements, reports (including, if any, any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable PRC GAAP or other internationally recognised generally accepted accounting principles.

(iv) "**Guarantor Unaudited Financial Reports**" means, for a Relevant Period, the unaudited consolidated financial statements of the Guarantor together with any statements, reports (including, if any, any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared on a basis consistent with the Guarantor Audited Financial Reports.

(v) "**International Investment Securities**" means bonds, debentures, notes or other similar investment securities of the Issuer or the Guarantor or any other Person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside the PRC.

(vi) "**Listed Subsidiary**" means any Subsidiary whose ordinary shares are listed or admitted to trading on any internationally or nationally recognised stock exchange.

(vii) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or *not* being a separate legal entity) limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation.

(viii) "**Permitted Security Interest**" means:

(A) any Security Interest over any assets or properties (or related documents of title) purchased at any time by the Issuer, the Guarantor or a Principal Subsidiary subject to such Security Interest (which, for the avoidance of doubt, may be prior to the Issue Date);

(B) any Security Interest arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;

(C) any Security Interest in respect of the obligations of any Person which becomes a Principal Subsidiary or which merges with or into the Guarantor or a Principal Subsidiary after the Issue Date which is in existence at the date on which it becomes a Principal Subsidiary or merges with or into the Guarantor or a Principal Subsidiary; *provided* that any such Security Interest was not incurred in anticipation of such acquisition or of such Person becoming a Principal Subsidiary or being merged with or into the Guarantor or a Principal Subsidiary; or

(D) any Security Interest arising out of the refinancing, extension, renewal or refunding of any International Investment Securities secured by any Security Interest permitted by the foregoing limb (A) or limb (C) of this definition; provided that such International Investment Securities is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding) and is not secured by any additional property or assets.

(ix) "**PRC**" means the People's Republic of China, and for the purpose of these Conditions only, excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

(x) "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing.

(xi) "**PRC GAAP**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time;

(xii) "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(A) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least eight per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries, taken as a whole;

(B) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least eight per cent. of the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(C) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (i) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary and (ii) on or after the date on which the first available audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A) or (B) above of this definition,

provided that, in relation to paragraphs (A) and (B) above of this definition:

(I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(II) if at any relevant time in relation to the Guarantor or any of its Subsidiaries which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Guarantor;

(III) if at any relevant time in relation to any Subsidiary of the Guarantor, no accounts are audited, its revenue or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro* forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A certificate in English in substantially the form scheduled to the Trust Deed prepared and signed by an Authorised Signatory of the Guarantor that, in the opinion of the Guarantor, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Guarantor shall be conclusive and binding on the Noteholders and all parties in the absence of manifest error. The certificate shall, if there is a dispute as to whether any Subsidiary of the Guarantor is or is not a Principal Subsidiary, be accompanied by a report by an internationally or nationally recognised firm of public accountants addressed to the Guarantor as to proper extraction of the figures used by the Issuer or the Guarantor in determining the Principal Subsidiaries of the Issuer or the Guarantor and mathematical accuracy of the calculation.

(xiii) "**Registration Deadline**" means the day falling 150 calendar days after the Issue Date of the relevant Tranche or such other date as is specified hereon.

(xiv) "**Relevant Period**" means, in relation to the Guarantor Audited Financial Reports, each period of 12 months ending on the last day of its financial year (being, as at the Issue Date, 31 December of that financial year), and, in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of the first half of its financial year (being, as at the Issue Date, 30 June of that financial year).

(xv) a "**Subsidiary**" means, with respect to any Person, (A) any entity of which more than 50 per cent. of its Capital Stock is owned directly or indirectly by such Person, or (B) any company or other business entity which at any time has its accounts consolidated with those of that Person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person.

(xvi) "**Total Equity**" as of any date, means the total equity attributable to shareholders of the Guarantor on a consolidated basis determined in accordance with the applicable PRC GAAP, as shown on the Guarantor's consolidated balance sheet for the most recent financial year.

5 INTEREST AND OTHER CALCULATIONS

The amount payable in respect of the aggregate principal amount of Notes represented by a Global Certificate or a Global Note (as the case may be) shall be made in accordance with the methods of calculation provided for in the Conditions and the relevant Pricing Supplement, save that the calculation is made in respect of the total aggregate amount of the Notes represented by a Global Certificate or a Global Note (as the case may be), together with such other sums and additional amounts (if any) as may be payable under the Conditions.

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) ***Interest Payment Dates***

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention***

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day; and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes***

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, each to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) immediately above applies and the Calculation Agent have received offered quotations from fewer than two Reference Banks, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR*

For each Floating Rate Note where the Reference Rate is specified as being SIBOR (in which case such Note will be a "**SIBOR Note**") or SOR (in which case such Note will be a "**Swap Rate Note**"), the Rate of Interest payable from time to time under this Condition 5(b)(iii) will be determined by the Calculation Agent on the basis of the following provisions:

(I) in the case of Floating Rate Notes which are SIBOR Notes:

(aa) the Calculation Agent will at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Accrual Period, determine the Rate of Interest for such Interest Accrual Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Accrual Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABX SIBOR FIX — SIBOR AND SWAP OFFER RATES — RATES AT 11:00 HRS SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other Relevant Screen Page);

(bb) if no such rate appears on Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen ABSIRFIX01 (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest for such Interest Accrual Period as being the rate or if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.) for a period equal to the duration of such Interest Accrual Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Calculation Agent may select;

(cc) if on any Interest Determination Date such Calculation Agent is otherwise unable to determine the Rate of Interest under sub-paragraphs (aa) and (bb) above, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Accrual Period commencing on such Interest Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Notes and such rate shall be notified to the Calculation Agent. The Rate of Interest for such Interest Accrual Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations, as determined by the Calculation Agent;

(dd) if on any Interest Determination Date two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Accrual Period shall be determined in accordance with sub-paragraph (bb) above on the basis of the quotations of those Reference Banks providing such quotations; and

(ee) if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Accrual Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Accrual Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Accrual Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date,

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);

(II) In the case of Floating Rate Notes which are Swap Rate Notes:

(aa) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Accrual Period, determine the Rate of Interest for such Interest Accrual Period as being the rate which appears on Reuters Screen ABSIRFIX01 Page under the caption "SGD SOR rates as of 11:00 a.m. London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Accrual Period;

(bb) if on any Interest Determination Date, no such rate is quoted on Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, each Calculation Agent will determine the Rate of Interest for such Interest Accrual Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.)) for a period equal to the duration of such Interest Accrual Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as such Calculation Agent may select; and

(cc) if on any Interest Determination Date such Calculation Agent is otherwise unable to determine the Rate of Interest under sub-paragraphs (aa) and (bb) above, the Rate of Interest shall be determined by such Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Accrual Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Accrual Period by whatever means they determine to be most appropriate or, if on such day one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Accrual Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date and such rate shall be notified to the Calculation Agent,

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(D) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(iv) ***Rate of Interest for Index Linked Interest Notes***

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 5(g)(ii).

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the jurisdiction of such currency.

(h) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amount, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than Singapore dollars, euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in Singapore dollars, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in London; and/or

(v) in the case of Notes denominated in a currency and/or one or more Business Centres a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360**" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro**" means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified:

(i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

(ii) the day falling two Business Days in the relevant Financial Centre for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi;

(iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or

(iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (as may be updated, amended or supplemented from time to time), unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means:

(i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market;

(ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market;

(iii) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market;

(iv) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market; and

(v) in the case of a determination of SIBOR or SOR, the principal Singapore office of three major banks in the Singapore inter-bank market,

in each case selected by the Issuer or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the relevant Financial Centre specified hereon or, if none is specified, the local time in the relevant financial centre at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in the relevant financial centre or, if no such customary local time exists, 11:00 a.m. in the relevant financial centre and, for the purpose of this definition, "**local time**" means, with respect to the Euro-zone as a relevant financial centre, Central European Time.

"**Renminbi**" means the lawful currency for the time being of the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

"**Singapore dollars**" and "**S$**" means the lawful currency for the time being of the Republic of Singapore.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Sterling**" and "**£**" means the lawful currency for the time being in the United Kingdom.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"**U.S.$**" and "**U.S. dollars**" means the lawful currency for the time being of the United States of America.

(k) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. No Calculation Agent appointed in respect of the Notes may resign its duties without a successor having been appointed as aforesaid.

(l) Benchmark Discontinuation

(i) ***Independent Adviser***

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(l)(ii)) and, in either case, an Adjustment Spread (in accordance with Condition 5(l)(iii)) and any Benchmark Amendments (in accordance with Condition 5(l)(iv)).

An Independent Adviser appointed pursuant to this Condition 5(l) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(l).

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(l) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this Condition 5(l) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(l).

(ii) ***Successor Rate or Alternative Rate***

If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)).

(iii) ***Adjustment Spread***

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) ***Benchmark Amendments***

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(l) and the Issuer, following consultation with the Independent Adviser and acting in good faith determines (A) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(l)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer pursuant to Condition 5(l)(v), the Trustee shall (at the expense of the Issuer, failing whom the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(l), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(l) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(l) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent and the Paying Agents. In accordance with Condition 16, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the Successor Rate or, as the case may be, the Alternative Rate, (z) the applicable Adjustment Spread and the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(l); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's, the

Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(l), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(l), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(vi) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 5(l)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii) will continue to apply unless and until a Benchmark Event has occurred.

(vii) ***Definitions***

As used in this Condition 5(l):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if in the case of a Successor Rate for which no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(C) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(l)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(l)(iv).

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing be published for a period of at least five business days or ceasing to exist; or

(B) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(l)(i).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is \responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) Early Redemption

(i) ***Zero Coupon Notes***

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) of this Condition 6(b)(i), except that sub-paragraph (B) of this Condition 6(b)(i) shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph (C) of Condition 6(b)(i) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) and to the Trustee and the Issuing and Paying Agent in writing, at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to but excluding the date fixed for redemption), if the Issuer (or if the Guarantee was called, the Guarantor) satisfies the Trustee immediately before the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of Singapore or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer, or the Guarantor, as the case may be, shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer (or an Authorised Signatory of the Guarantor, as the case may be), stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change in or amendment to laws or regulations or change in the application or official interpretation thereof, and the Trustee shall be entitled (but shall not be obliged) to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on the Noteholders and Couponholders. The Trustee shall be protected and shall have no liability to any Noteholder, any Couponholder, the Issuer, the Guarantor or any other person for so accepting and relying on any such certificate and opinion.

All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may, at any time on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) and to the Trustee and the Issuing and Paying Agent in writing (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b))) together with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption following Change of Control

If Change of Control Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Change of Control (as defined below) occurs, then the holder of each such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or Condition 6(d)) to require the Issuer either to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Change of Control Put Period (as defined below) (or such other date as may be specified hereon, the "**Change of Control Put Date**") at the Change of Control Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control**" will be deemed to occur if:

(i) Hon Hai Precision Industry Co., Ltd. ceases to directly or indirectly hold or own more than 50 per cent. of the outstanding shares of the Guarantor; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person, unless the consolidation, merger, sale or transfer will not result in any person (other than Hon Hai Precision Industry Co., Ltd. or its Subsidiaries) acquiring Control over the Guarantor or the successor entity.

The Issuer shall give notice to Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control (a "**Change of Control Notice**"), which notice shall specify the nature of the Change of Control Put Option and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Note must (in the case of Bearer Notes) deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Notes) deposit the Certificate representing such Note with the Registrar or any Transfer Agent at its specified office, in each case at any time during normal business hours of such Paying Agent, Registrar or Transfer Agent, as the case may be, falling within the period (the "**Change of Control Put Period**") of 30 days following the occurrence of a Change of Control or, if later, 30 days following the date upon which a Change of Control Notice is given or such other date as may be specified hereon, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent, Registrar or Transfer Agent, as the case may be. No Note or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 90 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6(e), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (such notice being given within 30 days after the Change of Control Put Date) and to the Trustee and the Issuing and Paying Agent in writing, redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their Change of Control Redemption Amount, together with interest (if any) accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred, and, until it shall have express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred and shall not be responsible or liable to any Noteholder, any Couponholder, the Issuer, the Guarantor or any other person for so doing.

For the purpose of this Condition 6(e):

"**Capital Stock**" means, with respect to any person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such person.

"**Control**" means the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

"**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the board of directors of the Guarantor or any other governing board and does not include the wholly-owned direct or indirect subsidiaries of the Guarantor.

(f) Redemption for Non-Registration Event

At any time following the occurrence of a Non-Registration Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 100 per cent. of their principal amount, together with interest accrued to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed put exercise notice (an "**Put Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable), by not later than 30 days following the occurrence of the Non-Registration Event or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the fifth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of the Non-Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(f).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Non-Registration Event has occurred and shall not be responsible for or liable to the Noteholders, the Receiptholders, the Couponholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so

For the purpose of this Condition 6(f), a "**Non-Registration Event**" occurs when any of the SAFE Registration Documents have not been received by the Trustee on or prior to the Registration Deadline.

(g) Redemption at the Option of Noteholders

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to but excluding the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(h) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(i) Purchases

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the Noteholder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Condition 10, Condition 11(a) and Condition 12.

(j) Cancellation

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled as soon as practicable (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the

Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) In the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank;

(ii) In the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Registered Notes

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee, to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders.

(f) Unmatured Coupons and Receipts and unexchanged Talons:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;

(ii) (in the case of a payment in euro) which is a TARGET Business Day;

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate applicable on the date on which agreement is reached to issue the relevant Tranche of Notes (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders and Couponholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within Singapore or by or within the PRC in excess of the Applicable Rate, then the Issuer or the Guarantor (as the case may be) shall pay such additional amounts (in each case, the "**Additional Tax Amount**") as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amount shall be payable in respect of any Note, Coupon or Guarantee, as the case may be:

(a) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Singapore or the PRC other than the mere holding of the Note, Receipt or Coupon or where the withholding or deduction could be avoided by the Holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

(b) *Presentation more than 30 days after the Relevant Date:* in respect of which the relevant Note or Coupon or Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the relevant Note or Coupon or Certificate representing such Note for payment on the last day of such period of 30 days.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amount, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events (each, an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued and unpaid interest:

(i) Non-Payment

default is made in the payment on the due date of interest or principal in respect of any of the Notes, and (in the case of interest) such default continues for a period of three Business Days; or

(ii) Non-Payment of Additional Tax Amount

default is made in the payment of Additional Tax Amounts pursuant to Condition 8, and such default continues for a period of five Business Days; or

(iii) Breach of Other Obligations

the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes, the Trust Deed or the relevant Deed of Guarantee (other than those referred to in Condition 10(i) or Condition 10(ii) above or those the breach of which would give rise to a right of redemption pursuant to Condition 6(e)) which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not remedied within 90 days after written notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(iv) Court Judgment

a final judgment, decree or order by a court of competent jurisdiction has been entered against the Issuer, the Guarantor or any of the Principal Subsidiaries for the payment of money in excess of 1.0 per cent. of the Guarantor's Total Equity or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the Renminbi as quoted by any leading bank on the day on which this Condition 10(iv) operates) and 90 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed; or

(v) Cross-Default

(A) the Issuer or the Guarantor or any of the Principal Subsidiaries shall fail to make any payment with respect to present or future indebtedness (other than the Notes) in an aggregate principal amount in excess of 1.0 per cent. of the Guarantor's Total Equity or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the Renminbi as quoted by any leading bank on the day on which this Condition 10(v) operates) when and as the same shall become due and payable; if such failure shall continue for more than the grace period, if any, originally applicable thereto; or (B) the Issuer or the Guarantor or any of the Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or the Guarantor or any of the Principal Subsidiaries contained in any agreement or instrument evidencing the indebtedness (other than the Notes) in an aggregate principal amount in excess of 1.0 per cent. of the Guarantor's Total Equity or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the Renminbi as quoted by any leading bank on the day on which this Condition 10(v) operates) and such failure results in the acceleration of the maturity of any amount thereunder; or

(vi) Insolvency

a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganisation or other similar law (A) adjudging the Issuer, the Guarantor or any of the Principal Subsidiaries as bankrupt or insolvent, or approving as final and non-appealable a petition seeking reorganisation of the Issuer, the Guarantor or any of the Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer, the Guarantor or any of the Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer, the Guarantor or any of the Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 90 days; or

(vii) Reorganisation

the Issuer, the Guarantor or any of the Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganisation under any applicable bankruptcy, insolvency, reorganisation or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors; or

(viii) Guarantee

the relevant Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(ix) Analogous Events

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(vi) and 10(vii).

11 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the written request of Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes (other than as provided for in Condition 5(l) in the case of any change arising from a Benchmark Event), (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the relevant Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Modification and Waiver

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of these Conditions, the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law or as required by, as applicable, (a) Euroclear and/or Clearstream or (b) the CMU, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee or these Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, as the case may be, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the relevant Deed of Guarantee, the Notes, the Receipts and the Coupons, but it need not take any such steps, actions and/or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, any Subsidiary of the Issuer or the Guarantor and any other entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on any report, confirmation or certificate from or any advice or opinion of any accountants, legal counsel, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion and in such event, such report, confirmation, certificate, advice or opinion shall be binding on the Noteholders and Couponholders.

14 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest on them and if applicable, the timing for the NDRC Post-Issuance Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 15 and consolidated and forming a single series with the Notes. Any further notes consolidated and forming a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

16 NOTICES

Notices to the holders of Registered Notes shall be in English and mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, published in accordance with the rules of such stock exchange. Notices to the holders of Bearer Notes shall be valid if published in English in a daily newspaper of general circulation in Asia and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, published in accordance with the rules of such stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Receiptholders or Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

For so long as any of the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of: (i) Euroclear or Clearstream or any other clearing system, any notice to the holders of the Notes shall be validly given by delivery of the relevant notice to that clearing system for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; or (ii) the CMU, any notice to the holders of the Notes may be given by delivery of the relevant notice (A) to the CMU, or (B) to persons shown in a CMU Issue Position Report issued by the CMU on the business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note or Global Certificate, in substitution for publication as required by the Conditions, and any such notice shall be deemed to have been given to the Noteholders (in the case of (A)) on the day on which such notice is delivered to the CMU and (in the case of (B)) on the second business day on which such notice is delivered to the persons shown in the CMU Issue Position Report.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons, the Agency Agreement and the relevant Deed of Guarantee and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons, Talons, the Trust Deed, the Agency Agreement and the relevant Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons, Talons, the Trust

Deed, the Agency Agreement and the relevant Deed of Guarantee ("**Proceedings**") may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Service of Process

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in Hong Kong to receive, for it and on its behalf, service of process in any Proceedings in Hong Kong.

(d) Waiver of Immunity

Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

Cloud Network Technology Singapore Pte. Ltd.
(incorporated under the laws of Singapore with limited liability)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Unconditionally and Irrevocably Guaranteed by
Foxconn Industrial Internet Co., Ltd. 富士康工業互聯網股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
under the U.S.$2,000,000,000 Medium Term Note Programme

[**MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; [or] (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or] (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").[1] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for

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[1] Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); [or] (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97/the Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[.]/[; or] [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.][2] Consequently no key information document required by [Regulation (EU) No 1286/2014/the PRIIPs Regulation] as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[**Singapore Securities and Futures Act Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).][3]

[*The following language applies if any Tranche of the Notes is intended to be "qualifying debt securities" (as defined in the Income Tax Act, Chapter 134 of Singapore):*

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**"), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act.]

WARNING

The contents of this Pricing Supplement have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Notes. If you are in any doubt about any of the contents of this Pricing Supplement, you should obtain independent professional advice.

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[2] Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

[3] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated [date] [and the supplemental Offering Circular dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	(i)	Issuer:	Cloud Network Technology Singapore Pte. Ltd. *(incorporated under the laws of Singapore with limited liability)*
	(ii)	Guarantor:	Foxconn Industrial Internet Co., Ltd. 富士康工業互聯網股份有限公司 *(a joint stock company incorporated in the People's Republic of China with limited liability)*
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	[(iii)]	[Date on which the Notes become fungible:	[●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*]
3		Specified Currency or Currencies:	[●]
4		Aggregate Nominal Amount:	
	(i)	Series	[●]
	(ii)	Tranche	[●]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*
	(ii)	[Net Proceeds:	[●] *(Required only for listed issues)*]
	(iii)	Use of proceeds:	[●] *(Required if different from the Offering Circular)*

6	(i)	Specified Denominations:[4,5]	[●]
	(ii)	Calculation Amount:	[●] [*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify/Issue date/Not Applicable*]
8		Maturity Date:	[*Specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][6]
9		Interest Basis:	[[●] per cent. Fixed Rate] [[Specify reference rate] +/–[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [*Specify Other*] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Specify Other]
11		Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provisions for convertibility of Notes into another interest or redemption/payment basis*] [Not Applicable]
12		Put/Call Options:	[Put Option] [Call Option] [Change of Control Put Option] [(further particulars specified below)]
13		NDRC Registration:	[Not Applicable/The Registration Certificate of Enterprise Foreign Debt was issued on [●]] The requisite information and documents in connection with the Notes shall be provided to the NDRC on or before [●]

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4 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

5 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000."

6 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

14	Listing:	[Singapore/*Specify Other*/None]
15	Method of distribution:	[Syndicated/Non-syndicated]
16	Date of [Board] approval for the issuance of Notes obtained:	[●] *(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
17	Date of [Board] approval for the giving of Guarantee obtained:	[●]

Provisions Relating to Interest (if any) Payable

18	Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/*specify other*] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted*]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[7]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]
	(v) Day Count Fraction:	[30/360 or Actual/Actual-ISDA or Actual/Actual-ICMA or Actual/365 (Fixed)[8] or [*specify other*]]
	(vi) Determination Dates:	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *[N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)]* *[N.B.: Only relevant where Day Count Fraction is Actual/Actual-ICMA]*

7 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

8 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
19	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[●] *(Not applicable unless different from Interest Payment Date)*
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
	(v) Business Centre(s):	[Not Applicable/*give details*]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
	(vii) Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii) Screen Rate Determination:	
	— Reference Rate:	[●]
	— Interest Determination Date(s):	[[●] [TARGET] Business Days in [*specify city*] for [*specify currency*] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	— Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
	— ISDA Definitions (if different from those set out in the Conditions):	[●]

	(x)	Margin(s):	[+/–] [●] per cent., per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
20	Zero Coupon Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	Day Count Fraction:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
21	Index Linked Interest Note/other variable-linked interest Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Index/Formula/other variable:	[*give or annex details*]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable:	[●]
	(iv)	Interest Period(s):	[●]
	(v)	Specified Interest Payment Dates:	[●]
	(vi)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]

	(vii)	Business Centre(s):	[●]
	(viii)	Minimum Rate of Interest:	[●] per cent. per annum
	(ix)	Maximum Rate of Interest:	[●] per cent. per annum
	(x)	Day Count Fraction:	[●]
22	Dual Currency Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agents]):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v)	Day Count Fraction	[●]

Provisions Relating to Redemption

23	Call Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]

24	Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation amount
	(iii) Notice period:	[●]
25	Change of Control Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Change of Control Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s)	[●] per Calculation amount
	(ii) Change of Control Put Period	[●]
	(iii) Change of Control Put Date	[●]
26	Final Redemption Amount of each Note:	[[●] per Calculation Amount/*specify other*/see Appendix]
27	Early Redemption Amount (Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions))	[Not Applicable/*specify other*/see Appendix]

General Provisions Applicable to the Notes

28	Form of Notes:	[**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice[9]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
29	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 18(ii), 19(v) and 21(vii) relate)*
30	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues.*]
32	Details relating to Instalment Notes:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
	(iii) Minimum Instalment Amount:	[●]

9 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [●] days' notice.

	(iv) Maximum Instalment Amount:	[●]
33	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply] [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
34	Consolidation provisions:	[Not Applicable/The provisions [in Condition [15]/ annexed to this Pricing Supplement] apply]
35	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

36	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
37	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
38	U.S. Selling Restrictions:	[Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable]
39	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

40	ISIN Code:	[●]
41	Common Code:	[●]
42	CMU Instrument Number:	[●]
43	Legal Entity Identifier:	The LEI of the Issuer is 254900K7C09J488P3Y81
44	Any clearing system(s) other than Euroclear, Clearstream, the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
45	Delivery:	Delivery [against/free of] payment
46	Additional Paying Agent(s) (if any):	[●]

General

47	The aggregate principal amount of Notes issued has been translated into [U.S. dollars] at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/U.S.$[●]]
48	Rating[s]:	[The Notes to be issued have [not] been rated]/ [The Notes to be issued are expected to be rated: [S&P: [●]] [*Rating provided by any other international credit rating agency*] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[STABILISATION

In connection with this issue, [*insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or any person acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SGX-ST of the Notes described herein pursuant to the U.S.$2,000,000,000 Medium Term Note Programme.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the Group since [*insert date of last published annual accounts*].]

[USE OF PROCEEDS

[*To be specified if different from the use of proceeds in the Offering Circular].]*

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of **Cloud Network Technology Singapore Pte. Ltd.**:

By: ________________________________

Duly authorised

Signed on behalf of **Foxconn Industrial Internet Co., Ltd. 富士康工業互聯網股份有限公司**

By: ________________________________

Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Conditions 6(e) *(Redemption following Change of Control)* and 6(f) *(Redemption for Non-Registration Event)* of the Conditions may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 15 *(Further Issues)* of the Conditions may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a temporary Global Note for interests in a permanent Global Note upon the relevant certification.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) *(Transfer of Registered Notes)* of the Conditions may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that, in the case of the first transfer of part of a holding as described above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) of the Conditions will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h) *(Non-Business Days)* of the Conditions.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 *(Taxation)* of the Conditions).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the

Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness on a consolidated basis as at 30 June 2021. The following table should be read in conjunction with the Interim Financial Statements and related notes included in this Offering Circular.

	As at 30 June 2021	
	(RMB'000)	(U.S.$'000)[1]
	(Unaudited)	(Unaudited)
Current indebtedness		
Short-term borrowings	45,437,184	7,037,324
Long-term borrowings due within one year	329	51
Total current indebtedness	**45,437,513**	**7,037,375**
Non-current indebtedness		
Long-term borrowings	3,875,844	600,292
Total non-current indebtedness	**3,875,844**	**600,292**
Total indebtedness[2]	**49,313,357**	**7,637,667**
Total equity	**105,973,937**	**16,413,273**
Total capitalisation[3]	**155,287,294**	**24,050,940**

Notes:

(1) These amounts have been translated into U.S. dollars for convenience purposes at a rate of RMB6.4566 to U.S.$1.00, which is the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2021.

(2) Total indebtedness represents the sum of total current indebtedness and total non-current indebtedness. As at 30 June 2021, the Group's total indebtedness comprises short-term borrowings, long-term borrowings due within one year and long-term borrowings.

(3) Total capitalisation represents the sum of total indebtedness and total equity.

Except as disclosed in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Group since 30 June 2021.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a limited liability company incorporated under the laws of Singapore. It was incorporated in Singapore on 4 May 2017. The Issuer is an indirect wholly-owned subsidiary of the Company. The registered office of the Issuer is located at 54 Genting Lane, #03–05 Ruby Land Complex, Singapore 349562.

BUSINESS ACTIVITIES

The Issuer is one of the important overseas platforms of the Group. The Issuer serves as the order centre, sales and after-sales service centre of the Group in the Asia Pacific region. Its primary role is to manage orders from the Group's international customers, to promote the Group's international business development and to enhance the Group's capability in international operation. The Issuer also serves as the overseas financing platform of the Group.

FINANCIAL STATEMENTS

Under Singapore law, the Issuer is required to publish annual financial statements. It is also required to keep such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair financial statements and any documents required to be attached thereto to be prepared from time to time, and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

DIRECTORS

The directors of the Issuer as at the date of this Offering Circular are Ho Jui-Kun, Li Shun-Te and Lee Huey Fong.

SHARE CAPITAL

As at the date of this Offering Circular, the Issuer has issued 127,000,000 ordinary shares to Focus PC Enterprises Limited (福鑫企業有限公司), a direct wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has an issued capital of U.S.$127,000,000.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and the Issuer is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a global market leader in intelligent manufacturing and industrial internet solutions. The Group believes it enjoys substantial market share in the global market for communication equipment, networking equipment and server and storage equipment. The Group focuses on developing and delivering technology solutions that are easily implemented, customised, and scaled, assisting businesses across different fields to adapt to the fourth industrial revolution, the industry 4.0, which promotes automation in and digital transformation of production and emphasises data exchange in manufacturing technologies.

The Group's products and solutions mainly include communication and mobile network equipment, cloud computing equipment and industrial internet services. It enjoys a substantial market share in the global communication equipment market, global networking equipment market and the global server and storage equipment market. The Group has amassed a solid customer base that includes global industry leaders in electronics, cloud computing and networking and telecommunications.

The Group's global operation allows it to better serve its multinational customer base and manage regional operating risks and challenges. Headquartered in Shenzhen, China, the Group operates in different countries and regions, including Greater China, the United States, Japan, South Korea, Singapore, Mexico, Vietnam, India, Czech Republic, Hungary and Samoa, with its main production plants located in Greater China, Vietnam, Singapore, India, Czech Republic, Hungary and the United States.

The Group strives to continue to develop technologies to help manufacturing become smarter and more efficient. The Group's R&D spending was RMB8,998.9 million, RMB9,427.2 million, RMB10,037.7 million, RMB3,716.7 million and RMB5,233.2 million for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively. Its R&D focuses on strengthening the three hardware criteria (the "**three hardware**", namely, manufacturing equipment, tools and materials) and the three software criteria (the "**three software**", namely, industrial big data, industrial artificial intelligence and industrial software) of intelligent manufacturing and industrial internet. Leveraging its ability to develop and strengthen the "three hardware and three software", the Group has a comprehensive product line with end-use in areas such as smartphones and smart wearables, smart factory, smart home and smart transportation.

The Group's largest segment by revenue contribution is the communication and mobile network equipment segment, which generated over 50 per cent. of the Group's total revenue during the three years ended 31 December 2020 and the six months ended 30 June 2021. The Group's cloud computing business has been steadily growing in the past three years, recording a CAGR of 7.0 per cent. from the year ended 31 December 2018 to the year ended 31 December 2020. The Group believes its industrial internet segment, which achieved a gross profit margin of 41.7 per cent. and 33.8 per cent. for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively, demonstrates significant growth potential and provides a platform for the Group to expand and diversify its customer base. The table below sets forth the Group's revenue by business segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)
Communication and mobile network equipment	259,154,064	62.4	244,553,638	59.8	254,018,496	58.8	96,346,425	54.6	112,718,207	57.5
Cloud computing	153,223,898	36.9	162,922,637	39.9	175,305,896	40.6	79,535,169	45.0	82,332,703	42.0
Industrial internet	518,665	0.1	624,376	0.2	1,441,357	0.3	252,970	0.1	371,071	0.2
Other businesses[1]	2,481,070	0.6	596,930	0.1	1,020,139	0.3	519,701	0.3	607,996	0.3
Total revenue	**415,377,697**	**100.0**	**408,697,581**	**100.0**	**431,785,888**	**100.0**	**176,654,265**	**100.0**	**196,029,977**	**100.0**

Note:

(1) Revenue from other businesses primarily includes income from sale of materials and scrap, service income and rental income.

The Company was incorporated on 6 March 2015 and became listed on the Shanghai Stock Exchange on 8 June 2018. As at 30 June 2021, the Company had a market capitalisation of RMB246.6 billion based on the total number of 19,870,265,886 issued shares and the closing price of RMB12.41 per share. It has been a constituent of the Hang Seng China A Industry Top Index since 2018. As at 30 June 2021, the Group's total asset amounted to RMB231.1 billion.

COMPETITIVE STRENGTHS

Market leadership in intelligent manufacturing and industrial internet

The Group believes it is a leading global provider of communications and mobile network equipment and solutions and enjoys substantial market share in the global market for communication equipment, networking equipment and server and storage equipment. The Group's business scale in terms of revenue for the fiscal year of 2020 outperformed some of its major competitors, including Quanta Computer Inc., Flex Ltd., Pegatron Corporation, Jabil Inc. and Wistron Corporation, based on their published financial reports.

The Group has been successful in increasing the overall scale and establishing leading market positions because of its relationships with top-tier multinational leaders in the 3C industries. Some subsidiaries of the Company have established long-standing relationships with global leaders in core markets such as smartphones and wearables, cloud computing servers, communication and networking equipment and smart home devices. These customers (in alphabetical order) include Alibaba, Amazon, Apple, AWS, ByteDance, Cisco, CommScope, Dell, Ericsson, Google, H3C, HPE, Huawei, Lenovo, Microsoft, NetApp, Nokia, NVIDIA, Oracle, Roku, Seagate and Tencent.

The Group also enjoys a growing presence in the industrial internet market in China as the Group expands its efforts in reaching a broader range of customers beyond the 3C industries. Its market leading position in China's industrial internet market is evidenced by its participation in the drafting of the

Ministry of Information and Information Technology's "Industrial Internet Platform White Paper" to promote the development of industrial internet platforms and establish industry standards. FII Cloud, one of the Group's industrial platforms, was recognised as one of the "Top 10 Cross-Industry Industrial Internet Platforms" in China in 2019 and 2020 and one of the "Dynamic Industrial Internet Platforms" at the World Artificial Intelligence Conference 2020.

Intelligent manufacturing operation with global scale

The Group operates with a relentless focus on manufacturing efficiency and resilient supply chain. It leverages cutting-edge technologies, such as automation, IoT, robotics, AI and digital twining, to enhance its smart-manufacturing capabilities. These capabilities include core competencies covering internet factory, flexible manufacturing and smart-decisioning, which enable the Group to maintain effective quality control and achieve industry-leading efficiency. One of the Group's production sites was first listed as one of the 16 "lighthouse factories" in the World Economic Forum's Global Lighthouse Network in 2019. Lighthouse factories are considered to be frontrunner factories that lead the world in the adoption of fourth industrial revolution technologies, such as automation, IIOT, digitalisation, data analysis and 5G technologies. The Group had built a number of lighthouse factories, using robot AI technology to monitor various factors, including energy consumption, equipment conditions and product quality, enabling the Group to improve production and energy efficiency.

As the Group's customers increasingly require a broad range of manufacturing and supply chain services and solutions globally, the Group believes that its regional production capability and global delivery capability represent significant competitive advantages. The main production plants of the Group are located in Greater China, Vietnam, Singapore, India, Czech Republic, Hungary and the United States. This geographical spread allows the Group to provide worldwide one-stop service covering procurement, logistics and after-sales services. It also helps the Group to acquire a strong bargaining power vis-à-vis suppliers and vendors and enable itself to lower production costs at several stages of the production process.

The Group has developed strong industrial and process engineering expertise to develop and manage large-scale production of high-quality components and equipment. This expertise enhances the Group's ability to respond to customer requests promptly, improves production flexibility and increases manufacturing efficiency, thereby enabling agile ramp-up production. Additionally, the Group's procurement and global supply chain capability provides it with the ability to use its worldwide supplier relationships to achieve leading technologies, access, supply chain flexibility and advantageous pricing for its customers.

Strong R&D capabilities

As a technological solution provider, R&D is the cornerstone of the Group's development. Over the years, the Group has continued to strengthen its R&D capabilities. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's R&D spending amounted to RMB8,998.9 million, RMB9,427.2 million, RMB10,037.7 million, RMB3,716.7 million and RMB5,233.2 million, respectively.

Through its strong R&D capabilities, the Group has made significant breakthroughs in its core technologies including:

- the development of Fog AI, which is an artificial intelligence server for use in manufacturing that is modelled after the human hindbrain and uses edge computing, earning the Group the ranking of "50 Smartest Companies" among high-tech companies around the world by MIT Technology Review in 2019;

- the development of 5G communication products including modules, indoor and outdoor routers, data transfer units, mobile hotspots and small cells;

- the introduction of high-performance computing (HPC) and industrial internet into cloud computing that greatly expanded its end applications to include security monitoring, medical imaging analysis and DNA sequencing analysis; and

- the development of FII Cloud, which is an application platform designed specifically to target issues facing the manufacturing sector. The platform is designed to transform the landscape of the manufacturing sector by allowing customers to improve product quality, reduce production costs and accelerate delivery of products to minimise material waste through digital monitoring and artificial intelligence assisted decision making.

As a recognition of the Group's R&D capabilities and achievements, as at 30 June 2021, 12* of the Group's operating subsidiaries in China received the "High and New Technology Enterprise" (高新技術企業) accreditations from the relevant PRC governmental authorities, which allowed these subsidiaries to enjoy a preferential enterprise income tax rate of 15 per cent. compared to the standard tax rate of 25 per cent.

Prudent financial management with strong financial metrics

The Group has implemented prudent financial policies to effectively cope with any changes in market conditions, ensure its financial, investment and financing decisions are sound and well-managed and actively mitigates its risks relating to foreign exchanges and liquidity. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's cash at bank and on hand was RMB62,293.1 million, RMB66,901.1 million, RMB78,056.6 million and RMB87,339.8 million, respectively. The Group periodically monitors its indebtedness level, achieving a net cash position as at 31 December 2018, 2019 and 2020 and 30 June 2021. The Group weathered through a period of global economic uncertainties and significant market disruptions and maintained a stable gross profit margin of 8.6 per cent., 8.4 per cent. and 8.4 per cent. during the years ended 2018, 2019 and 2020, respectively, and a gross profit margin of 7.8 per cent. during the six months ended 30 June 2021.

The Group maintains long-term relationships with reputable financial institutions within and outside of China. As at 30 June 2021, total indebtedness of the Group (comprising short-term borrowings, long-term borrowings due within one year and long-term borrowings) amounted to RMB49,313.4 million, the ratio of total indebtedness to EBITDA was 5.1 and the ratio of the indebtedness to total capitalisation (total capitalisation means the sum of total debt and shareholders' equity) was 0.32. Leveraging its relationships with these banks, the Group's healthy credit history and strong financial metrics, the Group is able to maintain a robust credit profile with a reasonably low interest rate and control its average funding cost.

* This includes six subsidiaries that had been accredited High and New Technology Enterprise in the past and were in the process of renewing their accreditations as at 30 June 2021.

Proficient staff led by an experienced management team with extensive expertise

The Company's management team has wide exposure across various industries and contributes a wealth of experience and in-depth industry knowledge in the technology sector. Mr. Li Junqi, the Company's chairman, has extensive experience in the R&D of precision manufacturing, precision tools and new materials. Mr. Cheng Hung-meng, the Company's vice chairman and general manager, has extensive experience in managing companies in the fields of telecommunication, electronics and precision manufacturing. Mr. Chou Taiyu, the Company's chief technology officer and president of cloud computing solutions business unit, brings into the senior management his international experience working in a major multinational information technology and internet company based in the United States. The board of directors of the Company was recognised as the "Best Board of Directors of Listed Companies in China" by the Securities Times (證券時報) in 2020. The Company ranked 13th among the "Top 500 New Economy Companies" by the China Enterprise Evaluation Association (中國企業評價協會) in 2020.

As at 31 December 2020, the Group had over 42,500 technicians and 130,000 production staff focusing on the R&D or manufacturing operations of the Group. Relying on its proficient workforce and intelligent manufacturing techniques, revenue per employee of the Group increased from RMB1,647.0 per employee for the year ended 31 December 2018 to RMB2,201.2 per employee for the year ended 31 December 2020. The Group believes that its professional and technical staff is crucial to its continued success and is committed to recruiting top-calibre talents across the industry. The Group is able to offer a broad career development platform, competitive promotion and comprehensive training and employee benefit plans, to attract and retain professional talent.

STRATEGIES

Maintain the Group's market leadership in the electronics industry

The Group strives to maintain its market leadership in the electronics industry. Firstly, the Group aims to expand its market share in the intelligent manufacturing market of electronic information products by focusing on smartphone precision parts, smart wearables, cloud computing, network and mobile communications and smart home sub-markets. Secondly, the Group will strengthen its efforts in the development of its manufacturing capability to achieve vertical integration of core components and precision modules, allowing the Group full control of the entire industry chain, which will in turn improve the profit margins of the Group's products. Thirdly, the Group plans to expand its market share in cloud computing service by strengthening its software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) products and optimise its technology knowhow and capability in high performance computing (HPC), AI server and edge computing. Finally, the Group will upgrade its manufacturing systems to fully integrate intelligent manufacturing and industrial internet technologies to achieve higher operational efficiency.

Promote the adoption of industrial internet solutions

The Group believes it is uniquely positioned to help businesses embrace the industrial internet. The Group's industrial internet platform has been recognised by the MIIT as the "Top Ten Cross-industry Industrial Internet Platforms". As the leading enterprise in the area, the Group plans to promote the adaptation of industrial internet solutions to its customers of different fields and sizes. The Group will promote the "lighthouse factory" total solution, which is a combination of products and services encompassing hardware, software, design, management and maintenance. For its small- to medium-sized customers, the Group will promote its cloud computing services, assisting these enterprises to adopt new technologies in their operations. As more enterprises become accustomed to a technology-facilitated operation, an overall technological upgrade across the value chains of the respective industries can be achieved, thereby expanding the fields of application for industrial internet solutions and creating more business opportunities for the Group. The Group will also further its strategic relationship with local government customers to cooperate and build "intelligent manufacturing valleys", answering the needs of such government customers to digitalise operations.

Capture market opportunities in the new-energy automotive industry

Capitalising on its high precision manufacturing capability and implementing the "lighthouse factory" model, the Group aims to capture the market opportunities in the new-energy automotive industry. It will begin with the R&D and production of core parts and components. The Group believes it can do so through using its industry knowledge and experience in material, tools, equipment, production methods and technological skills to manufacture light and precise core parts and components for electronic vehicles. In addition to core parts and components for vehicle manufacturing, the Group also plans to expand into other markets of IoV including multimedia and complete IoV solutions.

Achieve core technological breakthroughs and cultivate talent

The Group will continue to dedicate resources to R&D. It will continue to work with research institutes and enterprises on the development of core technologies to continue its lead in the next generation of technology and create technical barriers. Areas of focus will include the new generation of information technology and industrial end-uses, industrial software, additive manufacturing, new material, automation, robotics and high-precision processing.

The Group's success is partly attributable to its employees. The Group will strengthen its cooperation with well-known and reputable universities and vocational institutions to attract and cultivate suitable talent to focus on its intelligent manufacturing, intellectual internet and new vehicle businesses.

THE GROUP'S DEVELOPMENT

History and Development

The Company was incorporated on 6 March 2015 in the People's Republic of China as Fujiang Technology (Shenzhen) Co., Ltd. (福匠科技(深圳)有限公司). The following table sets forth the key developments of the Group since the Company's establishment:

Year	Event
March 2015	The Company was established by Robot Holding Co., Ltd. (機器人控股有限公司) with a registered capital of U.S.$15.0 million.
March 2017	Hongfujin Precision Industry (Shenzhen) Co., Ltd. (鴻富錦精密工業(深圳)有限公司) injected U.S.$5.0 million to the Company, which increased the Company's registered capital to U.S.$20.0 million.
July 2017	Fujiang Technology was reincorporated as a joint-stock company under the name of the Company.
December 2017	The Company acquired the communication network equipment, cloud service equipment, precision tools and industrial robots businesses from Hon Hai Precision, the ultimate holding company of the Company. The consideration was settled through the issuance of the Company's shares and cash payment.
June 2018	The Company became listed on the Shanghai Stock Exchange.
April 2020	The Company completed its RMB250.0 million strategic investment in LUSTER LightTech Co., Ltd. (淩雲光技術股份有限公司), a leading company in the field of machine vision, strengthening its R&D capability in machine vision and industrial artificial intelligence.
May 2020	The Company, CITIC Holdings Co., Ltd., Guangdong Runfeng Technology Investment Co., Ltd. (廣東省潤豐科技投資有限公司) and other entities jointly set up a joint venture, Shenzhen CRF Digital Technology Co., Ltd. (深圳市信潤富聯數字科技有限公司), which is dedicated to providing intelligent manufacturing solutions and digital platforms for the industries of automobile parts and building materials.
July 2020	The Company acquired 15.19 per cent. issued share capital of Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a listed company in the PRC (300378.SZ) principally providing software service and digital and intelligent solutions, further enhancing the Company's technological capability in intelligent manufacturing and industrial internet solutions.

Recent Development

Unaudited quarterly financial results of the Group for the nine months ended 30 September 2021

On 30 October 2021, the Guarantor published its unaudited and unreviewed consolidated financial information as at and for the nine months ended 30 September 2021 (the "**2021 Quarterly Financial Statements**") on the website of Shanghai Stock Exchange (http://www.sse.com.cn/). The 2021 Quarterly Financial Statements, which are based on the Group's internal records and management accounts, have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited consolidated interim financial information is not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2021 or any period thereafter. Consequently, potential investors should not rely on such interim financial information to evaluate the Group's financial condition and results of operations. For the avoidance of doubt, the 2021 Quarterly Financial Statements are not incorporated by reference herein and do not constitute part of this Offering Circular.

For the nine months ended 30 September 2021, the Group recorded an increase in revenue and a corresponding increase in operating costs. The increase in operating costs was primarily attributable to a significant increase in financial expenses and R&D expenses, as compared to the same period in 2020. As a result of the foregoing, the Group's operating profit and net profit for the nine months ended 30 September 2021 increased as compared to the same period in 2020.

As at 30 September 2021, the Group's total current assets increased as compared to the balance as at 31 December 2020 primarily due to a significant increase in inventories, which was partially offset by a decrease in accounts receivable. As at 30 September 2021, the Group's total non-current assets increased as compared to the balance as at 31 December 2020 primarily due to a right-of-use assets and fixed assets. Total liabilities of the Group as at 30 September 2021 also increased, which was primarily attributable to increases in short-term borrowings, other payables, long-term borrowings and lease liabilities, as compared to their respective balances as at 31 December 2020. As compared to the balance as at 30 June 2021, the Group's total asset increased as at 30 September 2021 mainly due to an increase in inventories and accounts receivable, partially offset by a decrease in cash at bank and on hand as at 30 September 2021. As compared to the balance as at 30 June 2021, the Group's total liabilities also increased as at 30 September 2021, which was primarily attributable to an increase in short-term borrowings, accounts payable and employee benefits payable and partially offset by a decrease in other payables as at 30 September 2021.

None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Issuer, the Guarantor, the Group or the Group's business, financial condition or results of operations.

Awards and Recognitions

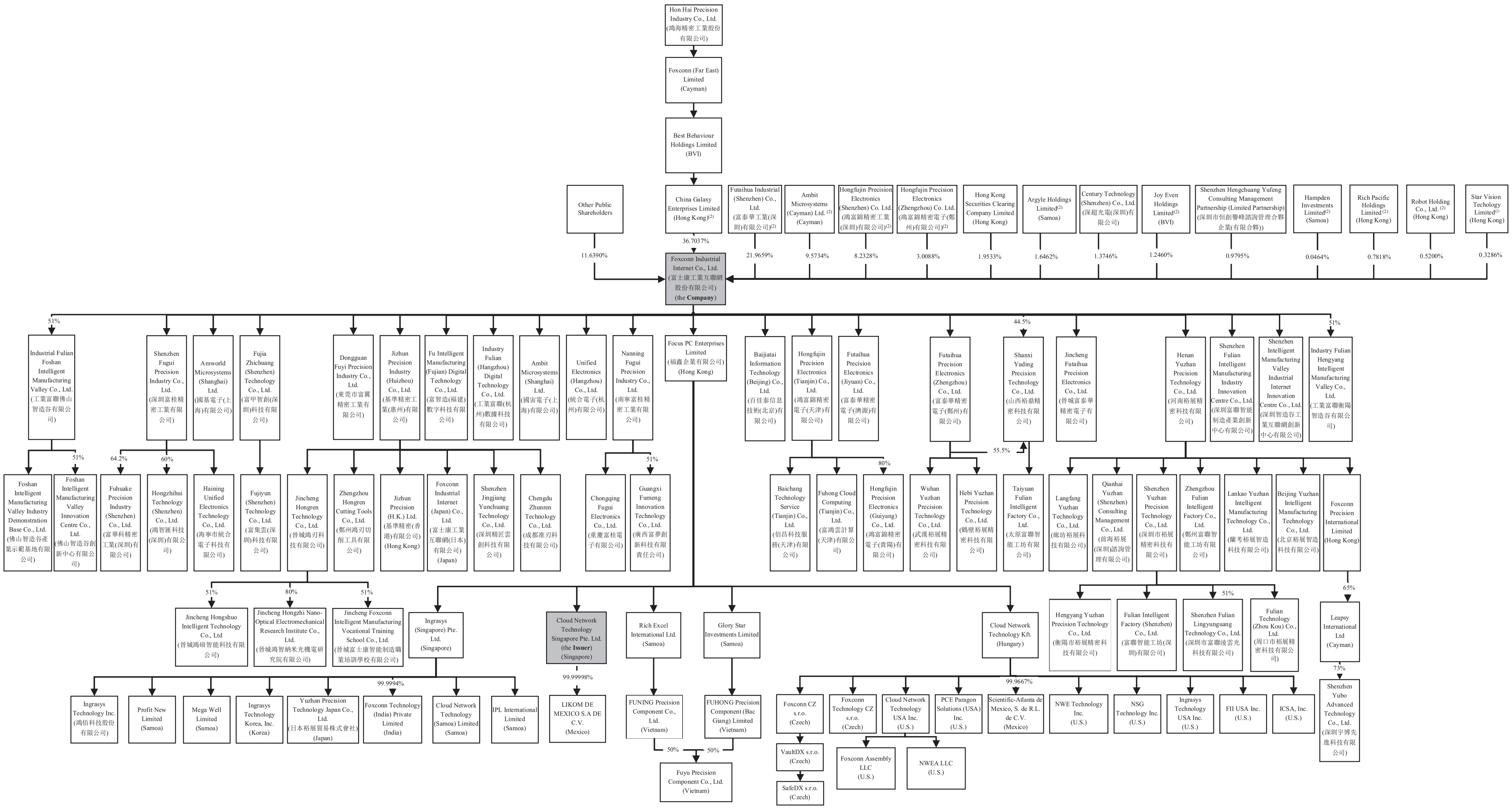
The Group has received recognition and numerous awards over the years that is testament to the Group's competitive strengths and market dominance, including the following:

Awarding	Award/Recognition
2020	
MIIT	• 2020 China White Paper on the Most Valuable Enterprise of Digital Economy — 2020 CCID Most Valuable Enterprise in Digital Economy (2020中國數字經濟最具價值企業白皮書 — 2020賽迪數字經濟領域最具價值企業) • Top 10 Cross-sector and Cross-field Industrial Internet Platforms (十大跨行業跨領域工業互聯網平台)
e-works	China's Benchmark Smart Factory (中國標杆智能工廠)
China Internet Weekly (互聯網週刊)	Top100 Industrial Internet Solution Providers (工業互聯網解決方案提供商TOP100)
Forbes China	Zhanlu Award of Global Industrial Intelligence Summit — Most Dynamic Platform Award (全球工業智能峰會湛盧獎—最具活力平台獎)
Industrial Internet World (工業互聯網世界) and Communications Weekly (通信產業報)	7th of the Industrial Internet New Infrastructure Pioneer List (工業互聯網新基建先鋒榜第7名) and Top 10 Outstanding Solutions for The Industrial Internet New Infrastructure (工業互聯網新基建十大優秀解決方案)
2019	
World Economic Forum (世界經濟論壇)	World Economic Forum Davos Manufacturing Industry Lighthouses (達沃斯世界經濟論壇"製造業燈塔工廠")
MIIT	Champion of First China Industrial Internet Competition (首屆中國工業互聯網大賽冠軍) and Industrial Internet Platform Innovation Application Case (工業互聯網平台創新應用案例)
MIT Technology Review (麻省理工科技評論) . . .	World's Smartest 50 Companies (全球最聰明的50 家公司)
China Internet Weekly (互聯網週刊) and eNet Research Institute (eNet 研究院)	Top 100 Best Solutions for China's Digital Transformation (中國數字化轉型最佳解決方案百強)
Sina Finance (新浪財經) and CASS Research Centre for Listed Companies (中國社會科學院上市公司研究中心)	Leader of Top 100 Scientific and Technological Innovation Enterprises of China's Listed Companies (中國上市公司科技創新百強企業領軍者)

Awarding	Award/Recognition
21st Century Economic Report (21 世紀經濟報道)	Industry Benchmark Enterprise (行业標杆企業)
Alliance of Industrial Internet (工業互聯網產業聯盟) ("**AII**")	• China Five-Star Certificate for Industrial Internet Platform Functional and Performance Evaluation (中國工業互聯網平台功能性能評測五星級認證) • National Excellent Industrial Internet Application Case (國家級工業互聯網優秀應用案例) • Certificate for Trusted Industrial Internet Platform Services (工業互聯網可信服務平台評估證書)
21st Century Economic Report (21 世紀經濟報道)	China Golden Great Wall Award for Intelligent Manufacturing (中國智造金長城獎)
2018	
MIIT	• National Industrial Internet Demonstration Pilot Project (國家級工業互聯網示範試點項目) • National Pilot Demonstration for Integrated Development of Manufacturing Industry and Internet (國家級製造業與互聯網融合發展試點示範) • Intelligent Manufacturing Pilot Demonstration Unit (智能製造試點示範單位) • Pilot Demonstration Unit for Industrial Internet Platform Solutions (工業互聯網平台解決方案試點示範單位), • Pilot Demonstration Project of Manufacturing Industry "Double Innovation" Platform (製造業"雙創"平台試點示範項目) • MIIT Pilot Demonstration Project of Industrial Internet Platform Integrated Innovation Application (工信部工業互聯網平台集成創新應用試點示範項目) • National Standardisation and Evaluation Certificate for the Integration of Informatisation and Industrialisation Management System (國家級兩化融合管理體系貫標評定證書)
AII	Excellent Industrial Internet Platform (優秀工業互聯網平台)
Big Data Industry Ecological Alliance (大數據產業生態聯盟) .	Chinese Big Data Companies Top 50 (中國大數據企業50強)

CORPORATE STRUCTURE

The following diagram sets forth the Group's simplified corporate structure as at 30 June 2021.



Notes:

(1) Unless specified, the shareholding and the place of incorporation of each company illustrated above are 100 per cent. and the PRC respectively.

(2) Entity controlled by Hon Hai Precision Industry Co., Ltd.

THE GROUP'S BUSINESS

Products and Solutions

The Group designs and manufactures components, equipment and solutions of communication, network, cloud computing and industrial internet. It leverages a combination of intelligent manufacturing and advanced technological capabilities to provide its customers with bespoke solutions that meet their increasingly complex manufacturing requirements. The Group's products and solutions are used by market leaders in various industries and have extensive end applications in smartphones and smart wearables, smart factory, smart home and smart transportation. The Group manages its business and reports its performance by four segments, namely communication and mobile network equipment, cloud computing, industrial internet and other businesses. The following table sets forth the Group's revenue by reportable segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)
Communication and mobile network equipment	259,154,064	62.4	244,553,638	59.8	254,018,496	58.8	96,346,425	54.6	112,718,207	57.5
Cloud computing	153,223,898	36.9	162,922,637	39.9	175,305,896	40.6	79,535,169	45.0	82,332,703	42.0
Industrial internet	518,665	0.1	624,376	0.2	1,441,357	0.3	252,970	0.1	371,071	0.2
Other businesses[1]	2,481,070	0.6	596,930	0.1	1,020,139	0.3	519,701	0.3	607,996	0.3
Total revenue	**415,377,697**	**100.0**	**408,697,581**	**100.0**	**431,785,888**	**100.0**	**176,654,265**	**100.0**	**196,029,977**	**100.0**

Note:

(1) Revenue from other businesses primarily includes income from sale of materials and scrap, service income and rental income.

The following table sets forth the Group's gross profit and gross profit margin by reportable segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)	(RMB'000)	(per cent.)
Communication and mobile network equipment	28,690,824	11.1	27,320,757	11.2	26,990,588	10.6	8,928,618	9.3	11,139,075	9.9
Cloud computing	6,395,695	4.2	6,545,583	4.0	8,118,332	4.6	3,560,228	4.5	3,824,169	4.6
Industrial internet	168,847	32.6	201,376	32.3	600,569	41.7	99,515	39.3	125,327	33.8
Other businesses[1]	636,352	25.6	178,897	30.0	357,173	35.0	162,180	31.2	197,102	32.4
Overall	**35,891,718**	**8.6**	**34,246,613**	**8.4**	**36,066,662**	**8.4**	**12,750,541**	**7.2**	**15,285,673**	**7.8**

Note:

(1) Gross profit and gross profit margin of other businesses primarily include those arising from the sale of materials and scrap, service income and rental income.

Communication and Mobile Network Equipment

Communication and mobile network equipment primarily cover telecom and network equipment, high-precision mechanical parts for intelligent mobile terminal and wearable devices, smart home devices, data centre network equipment, enterprise network equipment and broadband network terminals.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's communication and mobile network equipment segment amounted to RMB259,154.1 million, RMB244,553.6 million, RMB254,018.5 million, RMB96,346.4 million and RMB112,718.2 million, representing 62.4 per cent., 59.8 per cent., 58.8 per cent., 54.6 per cent. and 57.5 per cent. of its total revenue, respectively.

Telecom and Network Equipment

The Group has been devoted to the R&D of telecom and network equipment, such as modules, mobile routers and small cells, since the 3G and 4G era. The Group has made substantial investment in upgrading its technologies and products related to telecom and network equipment to 5G standard, the latest technology standard in the communication and mobile network sector. The Group has developed 5G technologies and products with a comprehensive coverage from transmission network, access network to terminal network.

The Group's customers in this sub-segment cover leading mobile basic equipment vendors, notebook computer brands and leading network communication brands.

The following table sets forth the Group's key products and solutions under the communication and mobile network equipment sub-segment by categories:

Infrastructure	**Terminal Product**	**IoT modules**
• Small cell; shared base station for basic equipment	• 5G mobile router/MiFi	• 5G notebook/industrial IoT modules
• Open ran solutions; remote unit/baseband unit	• 5G indoor unit/outdoor unit/fixed wireless access	• IoV/vehicle-to-everything/onboard units
• SDx 400G switch	• LTE/5G IP network camera	• 5G edge server
• Cell site router		• 5G drone
• 5G enterprise private network		

High-Precision Mechanical Parts for Intelligent Mobile Terminal and Wearable Devices

The Group offers high-precision mechanical parts for smartphone and smart wearable device production. The Group believes it has competitive advantages in raw material procurement, manufacturing equipment and tools and technologies for manufacturing of high-precision mechanical parts for smartphones and smart wearable devices.

Smart Home Devices

The Group's smart home device products offering include, among others, 4K OTT streaming audio and video devices, mesh home wireless network, IP network cameras, smart doorbells and smart speakers. Its customers include leading cloud service providers and brands and top OTT streaming audio brands.

Cloud Computing

The Group's cloud computing products primarily include cloud servers, high-performance servers, AI servers, edge servers and cloud storage devices. The Group offers one-stop services ranging from production design, technology development, key components, system construction, operation management to flexible delivery arrangements. The Group also provides customers with power distribution plans and cooling solutions. In addition, the Group assists customers in building data centres and provide cloud platform services. The Group's major customers in this segment are the world's leading server brands, the top three cloud solution providers (CSPs) in North America, top domestic CSPs and internet application service enterprises.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the revenue generated from the Group's cloud computing segment amounted to RMB153,223.9 million, RMB162,922.6 million, RMB175,305.9 million, RMB79,535.2 million and RMB82,332.7 million, respectively, representing 36.9 per cent., 39.9 per cent., 40.6 per cent., 45.0 per cent. and 42.0 per cent. of its total revenue, respectively.

Industrial Internet

The Group has introduced industrial internet solutions to intelligent manufacturing of electronic equipment to enhance productivity and production efficiency. The Group has gradually expanded its industrial internet segment to providing end-to-end lighthouse factory construction and digital transformation services to enterprises through its industrial internet platform. The Group's industrial internet solutions are categorised into four sub-segments: (i) lighthouse factory total solution, including automation and intelligent manufacturing equipment; (ii) enterprise cloud platform, data centre and digital manufacturing platform; (iii) self-developed manufacturing execution systems, warehouse management system, industrial application and third-party software products; and (iv) hardware and software integrated products such as prognostic health management, advanced production system, automated guided vehicle and IoT.

The Group's customers in this segment are leaders in various industries and local governments as well as small- to medium-sized enterprises from different fields. The Group offers industry-leading lighthouse factory total solution to leaders in various industries, namely CITIC Dicastal and MINTH in the automotive parts industry, China Resources Cement in the cement building materials industry and Seagull in the housing industry.

The Group expects that this segment will grow in the future. The 2021–2023 Industrial Internet Innovation and Development Action Plan (工業互聯網創新發展行動計劃(2021–2023年)) formulated by the MIIT favours and supports the growth of this segment. In 2020, the Group signed over 50 contracts with its customers under this segment. The Group plans to expand its industrial internet segment to local infrastructure enterprises through cooperation with local governments. The Group's signature projects with local governments include Foshan Intelligent Transportation, Smart Poles and Jincheng Smart Mine. The Group expects that domestic enterprises will have a high demand on intelligent manufacturing and digitalisation, which favours the growth of this segment.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the revenue generated from the Group's industrial internet segment amounted to RMB518.7 million, RMB624.4 million, RMB1,441.4 million, RMB253.0 million and RMB371.1 million, representing 0.1 per cent., 0.2 per cent., 0.3 per cent., 0.1 per cent. and 0.2 per cent. of its total revenue, respectively.

PRODUCTION

The Group has production operations worldwide to satisfy customers' delivery needs in various countries and regions and different time zones efficiently and effectively. The Group's production facilities are located in Greater China, the Czech Republic, Hungary, India, Mexico, Singapore, Vietnam and the United States. Within Greater China, the Group has established production facilities at various locations including Hebi, Jincheng, Jiyuan, Nanning, Shanghai, Shenzhen, Taiyuan, Tianjin and Zhengzhou.

The Group has employed automation and intelligent manufacturing in its production facilities. The Group has started implementing its industrial internet platform into its production process in various production bases worldwide. Through its industrial internet platform, the Group is able to collect production and equipment data through the terminal sensors along its production lines, so as to fully supervise and detect defects in its production equipment and production process. The Group is also able to monitor its production equipment on a real-time basis. The following table sets forth the Group's annual sales volume and production output by products for the periods indicated:

	For the year ended 31 December		
	2018	2019	2020
	(approximate figures subject to rounding)		
Network equipment			
Sales volume ('000 units)	212,730	216,400	216,120
Production output ('000 units)	212,730	216,400	216,120
Telecom equipment			
Sales volume ('000 units)	9,740	10,020	9,500
Production output ('000 units)	9,740	10,020	9,500
High-precision mechanical parts of communication network equipment			
Sales volume ('000 units)	645,530	785,230	924,790
Production output ('000 units)	649,740	778,150	924,350
Servers and its components			
Sales volume ('000 units)	10,380	12,080	10,970
Production output ('000 units)	16,020	13,910	13,960
Storage devices and its components			
Sales volume ('000 units)	2,390	2,390	2,180
Production output ('000 units)	2,420	2,430	2,530
High-precision mechanical parts of cloud service equipment			
Sales volume ('000 units)	24,750	25,250	27,700
Production output ('000 units)	21,820	25,140	28,830
Precision tools			
Sales volume ('000 units)	5,442	6,188	6,810
Production output ('000 units)	5,947	6,583	7,180
Industrial robots (including peripherals and structural parts)			
Sales volume (unit)	3,646	1,117	2,129
Production output (unit)	2,994	1,638	1,693

Procurement

The Group has established a comprehensive procurement system that sets out internal guidelines and standards on various aspects related to procurement, such as supplier selection, procurement process, procurement price and quality control. To ensure the quality of its suppliers, the Group has set up its own qualification certification system for qualified suppliers. The Group only procures from a select list of qualified suppliers. See "*Risk Factors — Risks relating to the Group's Industry and Business — The Group depends on a limited number of suppliers*". Suppliers must pass the Group's comprehensive assessment criteria to become one of the qualified suppliers of the Group. The qualified suppliers are rated based on various criteria, including, among others, quality of raw materials, speed of delivery, price, terms and conditions, settlement period, financial condition, credit rating and environmental friendliness.

In general, the Group signs a framework cooperation agreement with its suppliers. The Group's procurement department formulates the procurement plan and generates procurement orders to qualified suppliers based on the procurement plan. The Group's quality control department inspects the raw materials delivered to ensure the quality meets the Group's internal standards. The raw materials procured by the Group includes PCBs, ICs, glass, metals, plastic and other raw materials and components.

Procurement Models

The Group adopts two procurement models, namely (i) direct procurement and (ii) buy and sell model.

1. Direct Procurement

   The Group directly procures from the designated suppliers of its customers or its qualified suppliers. If customers require the Group to procure from the designated suppliers, such suppliers must also pass the Group's own qualification certification system. The procurement price is set between the customers and the designated suppliers. The raw materials directly procured from the designated suppliers mainly include stainless steel, plastic particles, main chips and components. The Group also directly procures from its qualified suppliers based on its needs. The raw materials directly procured from such qualified suppliers mainly include small metal parts, small non-metal parts and consumable raw materials. Each kind of raw materials has at least two qualified suppliers. The Group usually meets with its suppliers on a monthly or quarterly basis to review the pricing of the procured materials with reference to market prices and quality of the raw materials delivered.

2. Buy and Sell Model

   Some of the Group's customers may opt for the buy and sell model due to consideration of the specificity, confidentiality and timeliness of raw material supply. Under the buy and sell model, customers procure raw materials from their suppliers and sell the raw materials to the Group. Such suppliers deliver the procured raw materials directly to the Group for production. This model is generally adopted by internationally renowned brands. The raw materials for communication network equipment and cloud service equipment may adopt the buy and sell model. The raw materials procured under the buy and sell model mainly include main chips, PCBs, central processors, memory devices, mobile phone front panel touch screens and glass. The customers providing the raw materials are also required to become qualified under the Group's own qualification certification system.

SUPPLY CHAIN MANAGEMENT

The Group has a global supply chain management system that has enabled it to manage its suppliers by implementing more effectively the "just-in-time" concept and also provides a projection of the raw materials required in its production operations. It also provides inventory data to control the level of stocks and receivables, which enables the Group to more effectively plan and allocate its resources worldwide. Further, it enables the Group to exchange data (including details of purchase orders) relating to particular transactions with its suppliers, customers and service providers.

In addition, the Group has developed an in-house web-based turnkey system for certain of its customers. This customised system enables its customers to input their orders online and monitor the inventory level of raw materials, components, work-in-progress and finished goods, and the production and delivery schedules for such products.

SALES AND MARKETING

The Group adopts a direct sales model. The Group has formed its sales teams according to customer and product categories. The Group adopts four strategies to reinforce its cooperation and relationship with major international electronic equipment brands:

1. Tracing customers' and industrial developments

   The specialised sales teams closely trace the development strategies of customers and proactively participate in customers' tender for major products. The sales teams are also devoted to increasing customers' order and enhancing the Group's market share in products with high profit margin.

2. Global operations and provision of one-stop services

   The Group responses to customers' worldwide delivery needs through its global operations to shorten the production and delivery time. The Group also provides one-stop services ranging from product design, manufacturing of components and finished goods, trial tests, repairment service to logistics and delivery.

3. Increase investment in R&D to enhance the ratio of JDM and ODM models in production

   The Group continues to increase its investment in R&D to enhance its product development and design capability. The Group also plans to increase customer loyalty through enhancing the ratio of JDM and ODM models in production.

4. Enhance production quality and efficiency to reinforce the Group's core supplier position

   The Group continues to enhance its industrialisation and informatisation level and adopts intelligent manufacturing and the application of the industrial internet in its production process to enhance its production quality and efficiency.

The Group serves enterprises from different end markets. Some of the Group's customers are internationally renowned enterprises with substantial presence in the markets they serve. For the years ended 31 December 2018, 2019 and 2020, sales to the Group's top five customers accounted for 75.1 per cent., 71.0 per cent. and 64.0 per cent. of the Group's revenue, respectively. See "*Risk Factors — Risks relating to the Group's Industry and Business — The Group is dependent on a small number of customers for a substantial portion of its revenues*".

Members of the Group have entered into corporate purchase agreements with certain of the Group's key customers. However, such agreements do not obligate the customers to place an order with the Group. These agreements typically require the customers to provide rolling forecasts of the quantities of the products required. The Group's supply chain management system utilises these rolling forecasts to plan the inventory levels for the Group's raw materials and components and the utilisation of its production capacity. The precise terms for each shipment, such as pricing and quantities, are normally confirmed at the time each order is placed. Customers' orders are subject to cancellations and modifications before scheduled delivery dates.

The Group's principal customers generally are invoiced either at the time of shipment of the products or upon receipt of the products, with varying credit terms, depending, in part, on the customer's location and the product type. The Group's pricing policy takes account of a number of factors including customer relations, product specification, cost of production, mode of transportation and size of order.

The Group typically provides a warranty to its customers for its products. The Company believes that it has historically experienced a relatively low rejection rate for its products as a result of its quality control assurances system.

R&D

The Group believes that R&D is crucial to its business development and technological advancements. The Group is devoted to R&D and continues to increase its investment in R&D and operates a number of R&D centres and testing laboratories around the world. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's R&D spending amounted to RMB8,998.9 million, RMB9,427.2 million, RMB10,037.7 million, RMB3,716.7 million and RMB5,233.2 million, respectively, representing 2.2 per cent., 2.3 per cent., 2.3 percent., 2.1 per cent. and 2.7 per cent. of the Group's revenue in the respective periods.

The Group's product development roadmap, which is formulated by the Group's sales and marketing, R&D, application engineering and manufacturing teams and updated from time to time, reflects the products that the Group can produce at present as well as those it is expected to be able to produce in the coming years. Its R&D strategy follows its product roadmap and focuses on the development of new products, product modification, customisation and improvement to preserve its competitive position in the miniature component industry.

The Group's future success will depend in part on its ability to continue to deliver advanced products and technologies to its target markets. The Group maintains strategic relationships with its customers. Its R&D team works closely with its personnel in sales, engineering, quality control and technical support. In addition to internal cross-departmental collaboration, the Group also works closely with its customers and third-party research institutions to gain insight into industry trends and the future needs of the industries that the Group targets. The Group's collaboration with leading consumer electronic companies provides it visibility into critical design specifications and development timelines, which helps to keep the Group at the forefront of technological innovation in the consumer electronics market. Through close, long-term relationships with leading consumer electronics companies, the Group gains both a unique understanding of their product roadmaps and an ability to influence design decisions. These insights help the Group to anticipate challenges and draw its product and technology roadmap.

INTELLECTUAL PROPERTY

The Group relies on a combination of patents, copyrights, trade secret laws and confidentiality agreements to protect its intellectual property. As at 31 December 2018, 2019 and 2020, the Group's intellectual property portfolio consisted of 2,597 patents, 2,900 patents and 3,122 patents, respectively, which are mainly in the fields of intelligent manufacturing and technology services related to the industrial internet.

COMPETITION

The industry in which the Group operates is composed of companies that provide a range of manufacturing and design services to customers that design, develop and sell electronic products. Historically, the industry experienced significant changes and growth as an increasing number of companies outsourced and continue to outsource some or all of their design, manufacturing, and distribution tasks. The increasing complexity and sophistication of electronic products, the continued pressure on OEMs to reduce product costs and the shorter life cycles of electronic products intensify competition in the industry in which the Group operates. The Group believes the principal competitive factors it presently faces and will likely face in the future include:

- replacement cycle of consumer electronic products and technology;
- the ability to lead through iterations of products and technology;
- market share and business scale;
- long-term relationship with customers;
- brand recognition.

The Group believes that it has a competitive edge over its competitors in terms of market leadership, manufacturing scale and capability and R&D capability.

In relation to new entrants into the industry, the Group believes that the need for substantial capital investment and experience in providing integrated and customised services, together with the time and cost for maintaining relevant supplier qualifications and certifications, constitute a significant barrier-to-entry for new market participants with no or limited proven track record.

INFORMATION TECHNOLOGY

The Group regards information security as one of its important strategic concerns and has implemented a comprehensive range of measures to safeguard data assets from breaches, leaks and hacks. The Group manages the risk of data leakage through management, technology and promotion of awareness. For instance, the Group has standard procedures in place for accessing and handing of files concerning its intellectual property rights. Security measures such as role-based access control and encryption are also implemented to maintain the confidentiality and integrity of its data. In addition, internal training courses are held to promote its employee's ability to identify information security risks and handle crisis. As at the date of this Offering Circular, the Group believes that it is substantially in compliance with all relevant laws and regulations relating to information security that has a significant impact on the Group.

INSURANCE

The Group maintains various insurance policies with independent third-party insurers in respect of certain risks on the Group's assets, including losses to its production facilities and inventory. The Group maintains a global transit insurance policy with independent third-party insurers in connection with the transportation of its raw materials, products and equipment worldwide. The Group also maintains product liability insurance policies in respect of its products. The Group considers its insurance policies to be in line with industry standards. However, there are certain risks for which the Group is not insured including business interruptions, and the Group may not have sufficient insurance coverage for damages and liabilities that may arise in the course of its business operations or the damages or liabilities caused by third party.

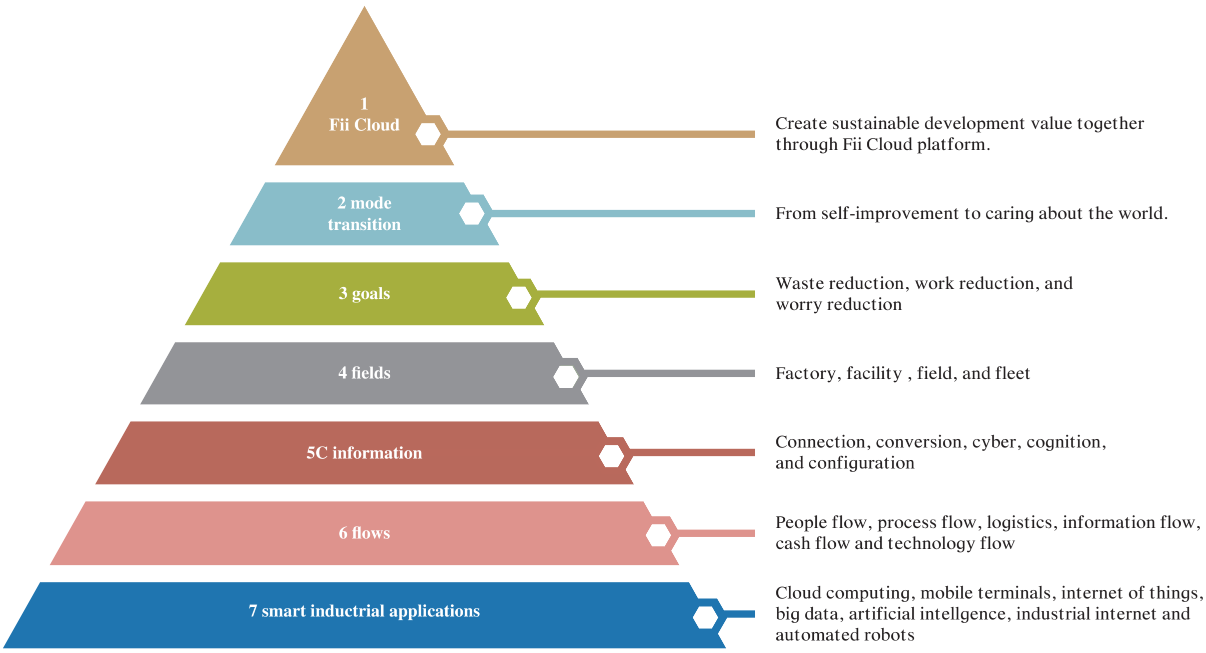
RISK MANAGEMENT AND CONTROL

The Group has established a comprehensive internal management and control system covering various aspects, such as technology development, safe production, sales management, quality control, and financial accounting. The Group relies on its risk management policies to identify and monitor the potential risks the Group faces and implement effective risk management measures in a timely manner. The Group has also implemented relevant management systems for each subsidiary according to its internal management policies. The Group is devoted to enhancing its risk management and control capability. In 2020, the Group has formed a working group consisting of various departments to establish a global risk and compliance management committee and set up its own enterprise risk management (ERM) system.

In addition, the Group emphasises on crisis management. It hires a professional risk consultant to formulate and improve its crisis management mechanism. The Group implements a clear crisis management process covering detection, notification, organisation, assessment, plans and actions. Its crisis management mechanism includes several areas, namely risk evaluation, classification of crisis events, emergency start-up mechanism and setting up crisis management procedures. The Group continues enhancing its ERM capability through increasing its employee's awareness and reinforcing its risk management measures.

SUSTAINABLE DEVELOPMENT

The Group's sustainable development strategy follows a 'seven, six, five, four, three, two, one' principle. The following pyramid sets forth the Group's sustainable development strategy:



The Group has established a sustainable development governance structure consisting of the board of directors of the Company and the corporate social responsibility committee. The board of directors of the Company is responsible for strategic planning and overall supervision. Various hierarchies of the corporate social responsibility committee are responsible for planning and execution of the Group's sustainable development strategies.

In recognition of the Group's continuous devotion to corporate social responsibility, the Group has received numerous awards over the years. In 2020, the Group was recognised as one of the Enterprises with Outstanding Contributions to Anti-epidemic in the 10th China Charity Festival; was granted the

China's Listed Companies Social Responsibility Award and was recognised as the Best Board of Directors of China's Listed Companies by Securities Times; and was recognised as the Most Socially Responsible Enterprise in China's Data Intelligence Industry by Data Yuan (數據猿). In 2019, the Group was one of the Listed Companies in the Guangdong-Hong Kong-Macao Greater Bay Area with a five-star rating in the Social Responsibility Development Index by Xinhuanet (新華網) and was granted the China's Listed Companies Public Welfare Contribution Award by JRJ.com (金融界).

ENVIRONMENTAL PROTECTION

The Group focuses on environmental protection initiatives and standards and abides by the relevant laws and regulations of the jurisdictions where it operates. It relies on a mature environmental management framework. The Group's corporate social responsibility committee manages the environmental, health and safety development strategy of the Group. The Company was given a score of 3.8 in the latest environmental, social and governance ratings issued by FTSE Russell on 21 June 2021. In particular, it received the full score of 5 in respect of environmental supply chain and high scores of 3.8, 3.8 and 4.0 on environmental, social and governance, respectively. The Company was also listed in the FTSE4Good Emerging Index. The Group has received ISO 14001 certification for certain of its facilities which certifies that its production operations conform to the prescribed environmental management system standard, six of which are certified as "Green Factories" by the MIIT. Further, ten of the Group's production plants in the PRC are also certified as ISO 50001 (energy management systems) compliant. The Group has also conducted greenhouse gas accounting in accordance with the ISO14064 greenhouse gas inventory verification standard and the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Electronic Equipment Manufacturers and obtained third-party certifications for seven production plants in the PRC.

The Group has installed waste treatment facilities and implemented waste treatment procedures in each of its production facilities to treat waste discharged during the production process. The types of waste discharged include wastewater, polluted air emissions, metal trim waste products and non-hazardous wastes. The Group has implemented internal control measures to control different types of pollutants. As at 30 June 2021, among the members of the Group, five were designated as key pollutant discharge units of water environment, nine were designated as key pollutant discharge units of solid waste and hazardous waste environment and soil environment and one was designated as a key pollutant discharge unit of atmospheric environment in the PRC. Entities designated as key pollutant discharge units are subject to close monitoring and emission limits. Waste produced by the Group is treated before being discharged in compliance with applicable environmental standards in the jurisdiction where the facility is located.

The Group believes that it is in compliance in all material respects with applicable environmental regulations currently in effect. The Group is required to conduct environmental impact assessments when carrying out construction works related to the maintenance, upgrade and expansion of its production facilities in the PRC. Though the Group may face actions arising in the ordinary course of its business by the environmental regulatory authorities in some of the jurisdictions where it operates, the Group is not involved in any material legal proceedings relating to any breach of environmental laws and regulations which may have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

OCCUPATIONAL HEALTH AND SAFETY

The Group regards occupational health and safety as one of its important operational priorities. The Group has implemented an Environmental Health and Safety ("**EHS**") management system, which covers all employees in the Group.

Over 80 per cent. of the Group's production plants worldwide have obtained OHSAS 18001 Occupational Health and Safety Certification or ISO 45001 certification. The Group's management structure is designed to involve safety and health committees at different levels responsible for production safety and occupational health. As at 31 December 2020, the safety and health committees had 1,898 members. For the year ended 31 December 2020, the Group's expenses on EHS matters amounted to RMB391 million.

As at the date of this Offering Circular, the Group believes that it is substantially in compliance with all relevant laws and regulations that have a significant impact relating to occupational health and safety, including, among others, the Production Safety Law of the PRC (中華人民共和國安全生產法) and Law of the PRC on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法).

EMPLOYEES

As at 31 December 2020, the Group's global workforce totalled 196,159 employees.

The following table sets forth a breakdown of the Group's employees by function as at 31 December 2020:

Function	Number of Employees	Percentage
Production	134,557	68.6
Sales	1,864	1.0
Technical	42,544	21.7
Financial	1,710	0.9
Administrative	15,484	7.9
Total	**196,159**	**100.0**

The following table sets forth a breakdown of employees of the Group by education levels as at 31 December 2020:

Education levels	Number of Employees	Percentage
Master's degree or above	3,826	2.0
Associate degree or bachelor's degree	51,231	26.1
Below associate degree	141,102	71.9
Total	**196,159**	**100.0**

The Group regards the stability of its staff team as the cornerstone of its continued success, and attaches great importance to the satisfaction and development of its employees. The Group is dedicated to protecting the lawful rights of the employees, providing access to equal opportunities for reward and promotion and eliminating any kind of forced labour or discriminatory behaviour in workplace. Furthermore, tailor-made training programmes covering a diversified range of subjects, such as continuing education, vocational skills and management and leadership capability, are provided to employees at different hierarchy levels to drive both career and personal progression.

As part of the Group's employee-focused human resource practice, the Group implements a competitive remuneration policy. In addition to ensuring equal compensation is given for equal work, the Group provides various incentives including year-end bonuses, achievement bonuses and performance bonuses for the employees. The Group also participates in the mandatory pension fund and social insurance schemes operated by the relevant local governmental authorities in the PRC. Recognising the importance of employee satisfaction, the Group is dedicated to promoting work-life balance for its employees through implementing diversified and flexible welfare policies, including provision of accommodation, shuttle service, medical insurance, regular health check-ups and other fringe benefits for its employees.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the date of this Offering Circular, the Group believes that it is substantially in compliance with all relevant laws and regulations of the jurisdictions where the Group operates.

As at the date of this Offering Circular, the Group is not engaged in any legal proceedings or claims of material importance and no legal proceedings or claims of material importance are known to the Issuer to be pending or threatened against the Group that could have a material adverse effect on the Group's business, financial condition and results of operations.

MANAGEMENT OF THE COMPANY

DIRECTORS

The board of directors of the Company (the "**Board**") consists of six members, including two independent directors. The chairman of the Board is elected by the majority members of the Board. The Board determines major affairs of the Company and is primarily responsible for determining business plans and investment proposals, formulating annual financial budget plans, profit distribution plans and major financing and restructuring plans, deciding on the internal management structure of the Company and appointing the general manager and other senior management officers of the Company. The following table sets forth the Company's directors as at the date of this Offering Circular:

Name	Age	Position/Title
LI Junqi (李軍旗)	52	Chairman of the Board
CHENG Hung-meng (鄭弘孟)	55	Vice chairman of the Board and general manager
CHOU Taiyu (周泰裕)	62	Director
WANG Chien-min (王健民)	54	Director
XUE Jian (薛健)	45	Independent director
SUN Zhongliang (孫中亮)	59	Independent director

Dr. LI Junqi (李軍旗), aged 52, has served as the chairman of the Board since October 2018. He also currently holds directorship and/or senior positions in various subsidiaries and related entities of the Company, including the chairman of the board of directors and the general manager of Jizhun Precision Industry (Huizhou) Co., Ltd. (基準精密工業(惠州)有限公司), the chairman of the board of directors and the general manager of Shenzhen Jingjiang Yunchuang Technology Co., Ltd. (深圳精匠雲創科技有限公司), the chairman of the board of directors and the general manager of Jinchen Hongren Technology Co., Ltd. (晉城鴻刃科技有限公司), the chairman of the board of directors and the general manager of Chengdu Zhunren Technology Co., Ltd. (成都准刃科技有限公司), the chairman of the board of directors and the general manager of Zhengzhou Hongren Cutting Tools Co., Ltd. (鄭州鴻刃切削工具有限公司), the chairman of the board of directors of Shenzhen Fulian Intelligent Manufacturing Industry Innovation Centre Co., Ltd. (深圳富聯智能製造產業創新中心有限公司), the chairman of the board of directors of Industrial Fulian Foshan Intelligent Manufacturing Valley Co., Ltd. (工業富聯佛山智造谷有限公司), the director of Jizhun Precision (H.K.) Ltd. (基準精密(香港)有限公司), the director of Foxconn Industrial Internet (Japan) Co., Ltd. (富士康工業互聯網(日本)有限公司), and the director of Qingdao Haiyuan Alloy New Material Co., Ltd. (青島海源合金新材料有限公司). He also serves as the dean of the Shenzhen Yuanmeng Precision Technology Academy (深圳市圓夢精密技術研究院). Dr. Li previously served as a lecturer at Kochi University of Technology in Japan, the chief researcher in FINE TECH Corporation in Japan, the senior technology consultant in Futaihua Industrial (Shenzhen) Co., Ltd. (富泰華工業(深圳)有限公司), the chairman of the board of directors and the general manager of Shenzhen Hongzhi Yunchuang Technology Co., Ltd. (深圳鴻智雲創科技有限公司), the chairman of the board of directors of Jin Ji Precision Pneumatic (Shenzhen) Co., Ltd. (金機精密氣動(深圳)有限公司), the director of Fu Meng (Shenzhen) Consulting Service Co., Ltd. (富盟(深圳)諮詢服務有限公司), and the deputy general manager of the Company from July 2017 to August 2021. Dr. Li obtained a Ph.D. degree in mechanical engineering from The University of Tokyo. Dr. Li was selected in 2016 as one of the twelfth batch entrepreneur talents in China's Thousand Talents Plan (國家"千人計畫"創業人才) and was selected into the Shenzhen Peacock Project (Class A) for overseas high-level talents (深圳市海外高層次人才"孔雀計畫").

Mr. CHENG Hung-meng (鄭弘孟), aged 55, has served as the vice chairman of the Board since July 2020 and the general manager of the Company since July 2017. He also holds directorship in various subsidiaries of the Company, including Amworld Microsystems (Shanghai) Ltd. (國基電子(上海)有限公司), Ambit Microsystems (Shanghai) Ltd. (國宙電子(上海)有限公司), Yuzhan Precision

Technology Japan Co., Ltd. (日本裕展貿易株式會社) and AMB Logistics Limited. Mr. Cheng previously served as the general manager of the FG business group of Hon Hai Precision and the chairman of the board of directors of Ambit Microsystems (Jiashan) Co., Ltd. (國基電子商務(嘉善)有限公司). Mr. Cheng obtained a bachelor's degree in electronics engineering from Chung Yuan Christian University.

Dr. CHOU Taiyu (周泰裕), aged 62, has served as the director of the Company since November 2019. He is also currently the Company's chief technology officer and the president of its Cloud Enterprise Solutions Business Group. Dr. Chou previously worked at Sun Microsystems, Inc. Dr. Chou obtained a Ph.D. degree in electrical and computer engineering from Carnegie Mellon University.

Mr. WANG Chien-min (王健民), aged 54, has served as the director of the Company since July 2020. Mr. Wang is also the chief marketing officer of Hon Hai Precision, the founder and the chief executive officer of Shenzhen ShuWei Ltd. (深圳數位科技有限公司), and the independent director of Ennoconn Corporation (樺漢科技股份有限公司). In addition, he co-founded Suzhou Kuan-Ching Semiconductor Co., Ltd. (蘇州冠晶半導體有限公司), and previously served as the Asia Pacific region president of I-Ching Semiconductor Ltd. (壹晶半導體公司). Mr. Wang obtained a bachelor's degree in electronic engineering from Chung Yuan Christian University and a Master of Business Administration degree from University of California, Los Angeles.

Dr. XUE Jian (薛健), aged 45, has served as the independent director of the Company since July 2017. Being an associate professor at School of Economics and Management of Tsinghua University, Dr. Xue is also currently the independent director of Golden Spring Internet of Things Inc. (北京德鑫泉物聯網科技股份有限公司), China CIFCO Investment Co., Ltd. (中國中期投資股份有限公司) and COL Digital Publishing Group Co., Ltd. (中文在綫數字出版集團股份有限公司). Dr. Xue previously served as an assistant professor in The Hong Kong University of Science and Technology, an assistant professor at School of Economics and Management of Tsinghua University, and the independent director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司). She obtained a Ph.D. degree in accounting from Carnegie Mellon University.

Mr. SUN Zhongliang (孫中亮), aged 59, has served as the independent director of the Company since December 2017. Mr. Sun also currently serves as the director and the general manager of Shenzhen Huada Beidou Technology Co., Ltd. (深圳華大北斗科技有限公司), the executive director and the general manager of Shenzhen Beidou Qihang Industrial Co., Ltd. (深圳市北斗啟航實業有限公司), the executive director and the general manager of Beijing Beidou Huada Technology Co., Ltd. (北京北斗華大科技有限公司), the executive director and the general manager of Chengdu Huada Beidou Technology Co., Ltd. (成都華大北斗科技有限公司), and the independent director of Shenzhen H&T Intelligent Control Co., Ltd. (深圳和而泰智能控制股份有限公司). He previously served as the deputy general manager of CEC Huada Electronic Design Co., Ltd. (北京中電華大電子設計有限責任公司), the deputy general manager of China Electronics Cyberspace Great Wall Co., Ltd. (中電長城網際系統應用有限公司), the vice dean of China Electronics Software Research Institute (中國電子軟體研究院), the general manager of business division of Tsinghua Tongfang Co., Ltd. (清華同方股份有限公司), and the engineer of China Academy of Space Technology (中國空間技術研究院). Mr. Sun obtained a Master of Business Administration degree from Peking University.

SUPERVISORS

The board of supervisors of the Company (the "**Supervisory Board**") currently consists of three supervisors, including two shareholder supervisors who are appointed by shareholders and one employee supervisor who is elected by the employees of the Company. The supervisors are appointed for a term of three years, renewable upon re-election and re-appointment. The Supervisory Board is primarily responsible for reviewing the Company's financial position, monitoring acts of the directors and senior management officers of the Company in their performance of duties, proposing removal of any directors and senior management officers who violate the laws, regulations, the articles of association of the Company or the shareholders' resolutions, proposing the convening of an extraordinary shareholders' meeting and submitting proposals to the shareholders' meetings. The following table sets forth the Company's supervisors as at the date of this Offering Circular:

Name	Age	Position/Title
WOO Kwok Fai Louis (胡國輝) .	74	Chairman of the Supervisory Board
ZHANG Zhanwu (張占武)	50	Employee supervisor
YANG Feifei (楊飛飛)	36	Supervisor

Dr. WOO Kwok Fai Louis (胡國輝), aged 74, has served as the chairman of the Supervisory Board since 10 July 2017. He is also currently the chairman of the board of directors of Jiaxin Aifengpai Trading Co., Ltd. (嘉興愛鋒派商貿有限公司) and the executive director of Suzhou Fumingxing Trading Co., Ltd. (蘇州富銘興商貿有限公司). Dr. Woo previously served as the marketing director for the Asia-Pacific region of Apple Inc. and its director of the Singapore Research Centre, the chief executive of AsiaWorks Pte Ltd which he co-founded, the president for Asia Pacific at Lernout &Hauspie, the managing director of Vision Century Corporation Limited (威新集團有限公司), the chief adviser for Inventec Corporation (英業達股份有限公司), and the chairman of the board of directors and the chief executive officer of CircuTech International Holdings Limited (訊智海國際控股有限公司). He also previously taught at The University of Chicago and Stanford University, and was a research assistant at The State University of New York at Albany. Dr. Woo obtained a Ph.D. degree in administration and policy analysis from Stanford University.

Dr. ZHANG Zhanwu (張占武), aged 50, has served as the employee supervisor of the Company since July 2017. Mr. Zhang is also currently the head of human resource department at Shenzhen Yuzhan Precision Technology Co., Ltd. (深圳市裕展精密科技有限公司), the vice chairman of Chinese Association of Labour Science (中國勞動學會), a visiting professor, research supervisor and member of the postgraduate degree-awarding committee at School of Business Administration of Henan University, a research supervisor at School of Management Engineering of Zhengzhou University. Dr. Zhang previously taught at Luoyang No. 3 Middle School (洛陽市第三中學), and was the deputy secretary of the youth league committee at Luoyang No. 33 Middle School (洛陽市第三十三中學). In addition, he served as the administrative assistant at Foxconn Precision Component (Shenzhen) Co., Ltd. (富士康精密組件(深圳)有限公司), and held management posts in Hongfujin Precision Industry (Shenzhen) Co., Ltd. (鴻富錦精密工業(深圳)有限公司) and Hongfujin Precision Industrial (Yantai) Co., Ltd. (鴻富錦精密電子(煙臺)有限公司) and Futaihua Industrial (Shenzhen) Co., Ltd. (富泰華工業(深圳)有限公司). Dr. Zhang obtained a Ph.D. degree in management science and engineering from Tsinghua University.

Mr. YANG Feifei (楊飛飛), aged 36, has served as a member of the Supervisory Board since June 2021. Mr. Yang is also currently the technology manager of Futaihua Industry (Shenzhen) Co., Ltd. (富泰華工業(深圳)有限公司), a representative at the 13th National People's Congress, a member of the 13th National Committee of the All-China Youth Federation, a member of the standing committee of Guangdong Youth Federation, a member of the standing committee of Shenzhen Youth Federation, the vice president of the federation of trade unions and the deputy secretary of the committee of China Communist Party of Hon Hai Technology Group (Foxconn), the Company's union president and secretary of the committee of China Communist Party, the director of Shenzhen Hongzhi Yunchuang Technology Co., Ltd. (深圳鴻智雲創科技有限公司) and the director of Shenzhen Fulian Intelligent Manufacturing Industry Innovation Centre Co., Ltd. (深圳富聯智能製造產業創新中心有限公司). Mr. Yang graduated from The Open University of China (國家開放大學).

SENIOR MANAGEMENT

The following table sets forth the Company's senior management as at the date of this Offering Circular:

Name	Age	Position/Title
KUO Chun Hung (郭俊宏)	55	Chief financial officer and secretary to the Board
WANG Ziqiang (王自強)	63	Deputy general manager
DING Zhao-bang (丁肇邦)	48	Deputy general manager
XIONG Yi (熊毅)	46	Deputy general manager

Mr. KUO Chun Hung (郭俊宏), aged 55, has served as the Company's chief financial officer and the secretary to the Board since 10 July 2017. Mr. Kuo is also currently the director of the Tsinghua-Foxconn Nanotechnology Research Centre, the executive director of Hong Chi Consultant (Shenzhen) Co., Ltd. (鴻馳諮詢顧問(深圳)有限公司) and the director of Tian'an Deyuan (Shanxi) Agriculture Co., Ltd. (天安德源(山西)農業有限公司). He previously served as the senior deputy general manager of Hon Hai Precision, the treasurer and head of the finance department of FIH Mobile Limited (富智康集團有限公司), as well as the supervisor of Futaijing Precision Electronics (Beijing) Co., Ltd. (富泰京精密電子(北京)有限公司) and Fuzhikang Precision Electronics (Langfang) Co., Ltd. (富智康精密電子(廊坊)有限公司). He participated in the investment projects of International Financial Corporation, a member of World Bank, and Government of Singapore Investment Corporation in China. Mr. Kuo obtained a Master of Business Administration degree from Tsinghua University and has completed the Corporate Leadership and Strategy training programme with Sloan School of Management at Massachusetts Institute of Technology.

Mr. WANG Ziqiang (王自強), aged 63, has served as the deputy general manager of the Company since 10 January 2018. Mr. Wang previously served as the general manager of Flextronics Electronics Technology (Shenzhen) Co., Ltd. (偉創力電子設備(深圳)有限公司) (formerly known as Meizi Xudian (Shenzhen) Technology Co., Ltd. (美資旭電(深圳)科技有限公司)) and Amkor Technology, Inc. (艾克爾國際科技股份有限公司) and the deputy general manager of the FG business group of Hon Hai Precision. Mr. Wang obtained a Master of Business Administration degree from Santa Clara University.

Mr. DING Zhao-bang (丁肇邦), aged 48, has served as the deputy general manager of the Company since 10 July 2020. Mr. Ding is also currently the general manager and the director of Ingrasys Technology Inc. (鴻佰科技股份有限公司). He joined Hon Hai Precision in 2007 where he served as the senior deputy general manger leading and managing the team responsible for the design, R&D, and manufacturing of server and storage products. Mr. Ding obtained a master's degree in electronic engineering from San José State University.

Mr. XIONG Yi (熊毅), aged 46, has served as the deputy general manager of the Company since 9 August 2021. Mr. Xiong is also currently the legal representative, the chairman of the board of directors and the general manager of Fulian Technology (Zhou Kou) Co., Ltd. (周口市裕展精密科技有限公司), the legal representative and the chairman of the board of directors of Ruizhida Optoelectronics (Shenzhen) Co., Ltd. (睿志達光電(深圳)有限公司), and the head of iLVG product department of the Company. Mr. Xiong previously served as the director of the Engineering Technology Research Centre of Shenzhen Futaihong Precision Industry Co., Ltd. (深圳富泰宏精密工業有限公司). Mr. Xiong graduated from Hunan University (湖南大學) with a degree in material formation and control engineering.

BOARD COMMITTEES

The Board has set up four committees, namely a strategic steering committee, a nomination committee, a remuneration and appraisal committee, and an audit committee. These committees operate in accordance with terms of reference established by the Board.

Strategic Steering Committee

The strategic steering committee is primarily responsible for:

- conducting research and providing recommendations on the Company's long-term development strategies and major investment decisions;
- conducting research and providing recommendations on major investments and financing plans subject to approval by the Board;
- conducting research and providing recommendations on the major capital operation and asset management projects subject to approval by the Board; and
- conducting research and providing recommendations on other major issues concerning the Company's development.

Nomination Committee

The nomination committee is primarily responsible for:

- providing recommendations on the size and composition of the Board based on the Company's business activities;
- conducting research on the standards and procedures for election of directors and general managers of the Company, and providing recommendations to the Board;
- identifying candidates suitably qualified to become the directors and senior management officers of the Company; and
- screening the candidates for directors and senior management officers, and providing recommendations to the Board.

Remuneration and Appraisal committee

The remuneration and appraisal committee is primarily responsible for:

- formulating the remuneration plans and schemes for the directors and senior management officers of the Company;
- reviewing the performance of duties by the directors and senior management officers of the Company and conducting annual appraisal of their performance;
- formulating the equity incentive plans, and the award and penalty regimes, and
- monitoring the implementation of the remuneration system of the Company.

Audit Committee

The audit committee is primarily responsible for:

- providing recommendations on the appointment and replacement of the Company's external auditors;
- coordinating the communication between the Company's internal audit department and its external auditors;
- supervising and evaluating the work of the external auditors of the Company;
- overseeing the establishment and implementation of the Company's internal audit policies and procedures;
- reviewing the Company's financial reports; and
- assessing the effectiveness of the Company's internal control system.

PRINCIPAL SHAREHOLDERS OF THE GUARANTOR

As at 30 June 2021, the Guarantor had issued 19,870,265,886 shares held by a total of 216,649 shareholders. As at the same date, Hon Hai Precision Industry Co., Ltd. beneficially owned 84.1 per cent. equity interest of the Guarantor. The following table below sets forth information regarding the top ten shareholders of the Guarantor by shareholding as at 30 June 2021:

No.	Name of shareholder	Shares held	Per cent.
1	China Galaxy Enterprise Limited(1)	7,293,115,611	36.7037
2	Futaihua Industrial (Shenzhen) Co., Ltd. (富泰華工業(深圳)有限公司)(1)	4,364,680,127	21.9659
3	Ambit Microsystems (Cayman) Ltd.(1)	1,902,255,034	9.5734
4	Hongfujin Precision Electronics (Shenzhen) Co. Ltd. (鴻富錦精密工業(深圳)有限公司)(1)	1,635,887,159	8.2328
5	Hongfujin Precision Electronics (Zhengzhou) Co. Ltd. (鴻富錦精密電子(鄭州)有限公司)(1)	597,861,110	3.0088
6	Hong Kong Securities Clearing Company Limited	388,127,524	1.9533
7	Argyle Holdings Limited(1)	327,104,697	1.6462
8	Century Technology (Shenzhen) Co., Ltd. (深超光電(深圳)有限公司)	273,134,564	1.3746
9	Joy Even Holdings Limited(1)	247,590,604	1.2460
10	Shenzhen Hengchuang Yufeng Consulting Management Partnership (Limited Partnership) (深圳市恒創譽峰諮詢管理合夥企業(有限合夥))	194,630,872	0.9795

Note:

(1) As at 30 June 2021, these entities were majority-owned by Hon Hai Precision Industry Co., Ltd.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) (the "**IRO**") and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "**SDO**").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 1 August 2021, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "*Taxation — PRC*" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Noteholders and 20 per cent. in the case of non-resident individuals. The Issuer has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Conditions.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax on payments of interest or premium (if any) made by the Guarantor at the tax rates specified above. To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Noteholders or individual Noteholders. However, it is unclear whether in practice non-PRC Noteholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries. The Issuer or the Guarantor (as the case may be) has agreed to pay additional amounts to Non-PRC Noteholders, subject to certain exceptions, so that Non-PRC Noteholders would receive the full amount of the scheduled payment, as further set out in the Conditions.

According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refer to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and the Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The request to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and the Guarantor. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("**IRAS**") and the MAS in force as at the date of this Offering Circular, and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements below do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them or any other persons involved in the Programme and issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole is arranged by CLSA Singapore Pte Ltd, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd. and UBS AG Singapore Branch, each of which is a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Notes (the "**Relevant Notes**") issued as debt securities under the Programme during the period from the date of this Offering Circular to 31 December 2023 would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore income tax;

(b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), Qualifying Income from the Relevant Notes paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

   (i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

   (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

(a) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and

(b) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

   (i) any related party of the Issuer; or

   (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

- "**break cost**", in relation to debt securities and QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

- "**prepayment fee**", in relation to debt securities and QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

- "**redemption premium**", in relation to debt securities and QDS, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from any of the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax (including for the reasons described above) is required to include such income in a return of income made under the ITA.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes".

Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition and Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 — Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

FATCA Withholding Tax

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be foreign financial institutions for these purposes. A number of jurisdictions (including the jurisdictions of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUT OF THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and out of the PRC is subject to control imposed under PRC law.

Current Account Items

Under the PRC foreign exchange control regulations, current account item payments refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying the Procedures of Cross-border RMB Business Procedures and Improving Relevant Policies (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**") which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow.

In 2014, the PBOC promulgated the Guiding Opinions on Implementing the Several Opinions of the General Office of the State Council on Supporting the Stable Growth of Foreign Trade (關於貫徹落實《國務院辦公廳關於支持外貿穩定增長的若干意見》的指導意見) (Yinfa [2014] No. 168), and regulated that on the basis of three principles of "Knowing your customers", "Knowing your business" and "Due diligence", individuals may apply to banks for personal cross-border trade settlements for trade in goods and services with personal valid identity certificates or business licence.

In January 2018, the PBOC issued the Circular on Further Improving the Cross-Border RMB Business Policies and Facilitating Trade and Investment (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知) (Yinfa [2018] No. 3), which clarified that on the basis of three principles of "Knowing your customers", "Knowing your business" and "Due diligence", banks should handle RMB cross-border settlement services under other current accounts for individuals. Other current accounts mainly include remuneration and alimony.

On 23 October 2019, SAFE promulgated the Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知，匯發[2019]29 號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplify the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, "current accounts — foreign currency cash account" and "current accounts — foreign exchange account under current accounts of overseas institutions" are included in "current accounts — foreign exchange settlement account".

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Except as otherwise specified by laws and regulations, capital account payments are generally subject to approval of and/or registration or filing with the relevant PRC authorities. On 7 April 2011, SAFE issued the Circular on Issues Concerning the Capital Accounts Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 12 October 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-Border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的通知) (the "**MOFCOM RMB FDI Circular**"), and pursuant to which, prior written consent from the appropriate office of MOFCOM and/or its local counterparts (depending on the size and the relevant industry of the investment) is required for Renminbi FDI. The MOFCOM RMB FDI Circular also requires that the proceeds of Renminbi FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement.

On 13 October 2011, the PBOC issued the Measures for Administration of RMB Settlement Business in Relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) as amended in June 2015 (the "**PBOC Renminbi FDI Measures**"), which set out operating procedures for PRC banks to handle Renminbi settlement relating to Renminbi FDI and borrowing by foreign invested enterprises of offshore Renminbi loans. Prior to the PBOC Renminbi FDI Measures, cross-border Renminbi settlement for Renminbi FDI has required approvals on a case-by-case basis from the PBOC. The new rules replace the PBOC approval requirement with less onerous post-event registration and filing requirements. Foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant Renminbi FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 14 June 2012, the PBOC promulgated the Notice concerning Clarification of Renminbi Settlement in relation to Foreign Direct Investment (關於明確外商直接投資人民幣結算業務操作細則的通知) as amended in June 2015 (the "**PBOC Notice 2012**"), which provides more detailed requirements with respect to all accounts concerning capital injection, payment of purchase price in the merger and acquisition of PRC domestic enterprises, remittance of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign investors, foreign-invested enterprises and domestic shareholders must check and clarify all the existing Renminbi accounts and provide supplementary documents to open an account or modify the information within three months after the promulgation of the PBOC Notice 2012. For those who have more than one preliminary expense account (前期費用專用

存款賬戶), capital account (資本金專用存款賬戶), merger and acquisition account (併購專用存款賬戶) or equity transfer account (股權轉讓專用存款賬戶), they are required to choose one of them and close all of the other accounts. The funds in the accounts for Renminbi capital and Renminbi denominated cross-border loan (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) shall not be used for investment in securities, financial derivatives, entrustment loans, financial products or properties of non-self use. In addition, the foreign-invested non-investment enterprises shall not use the funds in the Renminbi capital account and Renminbi denominated cross-border loan account (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) for re-investment in the PRC.

On 10 May 2013, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) (the "**Circular 21**"), which became effective on 13 May 2013 and was amended on 10 October 2018 and 30 December 2019. According to the Circular 21, a foreign-invested enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payment with the relevant bank after going through corresponding registration.

On 3 December 2013, MOFCOM promulgated the Announcement on Issues in relation to Cross-Border Renminbi Foreign Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the "**Announcement**"), which became effective and implemented from 1 January 2014. According to the Announcement, foreign-invested enterprises shall not use the capital invested through Renminbi FDI to directly and indirectly invest in securities, financial derivatives (except for strategic investment in listed companies) or entrustment loans in the PRC. The MOFCOM RMB FDI Circular ceased to be effective from the date of the implementation of the Announcement.

On 10 January 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (關於進一步改進和調整資本項目外匯管理政策的通知) which allows a domestic enterprise to lend to overseas enterprises with equity affiliation, provided that the domestic enterprise shall register the quotas of overseas lending with a SAFE branch, and the cumulative overseas loan amount may not exceed 30 per cent. of its owners' equity; if the loan amount exceeds the said percentage, the SAFE branch shall decide on a case by case basis.

In November 2014, the PBOC promulgated the Circular of the People's Bank of China on Relevant Matters Concerning Transnational Enterprise Groups Conducting Centralised Operations of Cross-Border RMB Funds《中國人民銀行關於跨國企業集團開展跨境人民幣資金集中運營業務有關事宜的通知》(Yinfa [2014] No. 324), specifically specifying requirements for transnational enterprise groups to conduct centralised operation of cross-border Renminbi funds, and eligible transnational enterprise groups may carry out cross-border Renminbi two-way capital pooling for the purposes of carrying out fund redeployment and collection operations among domestic and foreign member companies. Transnational corporations may designate member companies (including financial companies) that are legally registered and with actual operations and investments in the PRC and which have independent legal personality as sponsor(s) of the cross-border two-way Renminbi fund pooling business. The sponsor company shall open a special Renminbi deposit account in accordance with regulations which shall be specifically designed to handle cross-border two-way capital pooling business. The funds in the account are executed at the unit deposit interest rate and are not allowed to invest in securities, financial derivatives, and real estate that is not for personal use, or used to purchase wealth management products and issue entrusted loans to non-member enterprises. The cross-border two-way Renminbi fund pooling business implements net inflow cap management. The maximum net inflow of cross-border two-way Renminbi funds is calculated as follow: Renminbi funds = capital pooling accrued owner's equity × macro-prudential policy coefficient (where the macro-prudential policy coefficient is 0.5). The implementation of cross-border Renminbi two-way capital pooling requires the settlement bank of the sponsoring company to file with the local people in advance. The document also stipulates that transnational corporations should handle the centralised collection and payment services under the current account at the settlement bank.

On 30 March 2015, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) as amended in December 2019 ("**Circular 19**"), which will relax the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015. According to Circular 19, Circular 142 and Circular 36 will cease to be effective on the same date of the implementation of Circular 19. On 9 June 2016, SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across the PRC to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on SAFE's system for account-crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under Circular 16.

Previously, Renminbi may only be converted for capital account expenses after the prior approval of SAFE is obtained. However, according to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13 號)) issued on 28 February 2015, as amended in December 2019, SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans is allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

In January 2018, the PBOC issued the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知) (Yinfa [2018] No. 3), which further facilitated direct investment in Renminbi by foreign investors. If an overseas investor intends to set up a number of foreign-invested enterprises or projects in the PRC, he/she may open preliminary expenses Renminbi capital accounts. The foreign-invested enterprises may, in addition to opening Renminbi capital account in the registered bank, choose to open accounts(s) in banks located in other places, or open a number of Renminbi capital accounts, and funds can be mutually transferred between Renminbi capital accounts which have been registered under same name. Where foreign-invested enterprises' Renminbi capital funds and overseas borrowing funds are used for wages, travel expenses, sporadic purchases, etc., the bank can directly handle the company's payment instructions based on the three principles of "Knowing your customers", "Knowing your business" and "Due diligence".

On 23 October 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知，匯發[2019]29號), effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "capital accounts — special account for domestic reinvestment" is included in "capital accounts — foreign exchange capital account".

On the same day, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知，匯發[2019]28號) in order to further promote the reform of "simplification of administrative procedures and decentralisation of powers, combination of decentralisation and appropriate control, and optimisation of services". It cancelled restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

On 31 December 2020, PBOC and five other authorities jointly issued the Circular on Further Optimizing the Cross-border Renminbi Policy to Support the Stabilization of Foreign Trade and Foreign Investment (中國人民銀行、國家發展和改革委員會、商務部、國務院國有資產監督管理委員會、中國銀行保險監督管理委員會、國家外匯管理局關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知), to further improve the ground system for cross-border RMB investment and financing, RMB transaction settlement, and to promote the role of cross-border RMB in the substantial economy.

The foregoing provisions, circulars, notices and measures will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement (the "**Dealer Agreement**") 29 November 2021 (as amended and/or supplemented from time to time), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to subscribe for the Notes. Any such agreement will extend to those matters stated under "*Clearance and Settlement*" and "*Terms and Conditions of the Notes*". The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Dealer Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

The Issuer (failing which, the Guarantor) has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealer(s) (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or any person acting on behalf of any Stabilisation Manager(s)) may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Dealers.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Dealers and their respective affiliates may have, from time to time, performed and may in the future perform, various Banking Services or Transactions with the Issuer, the Guarantor and/or their respective affiliates from time to time for which they have received, or will receive, fees and expenses.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and place orders, receive allocations and may trade the Notes for their own account and such orders, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the relevant Tranche of Notes. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Dealers and/or their respective affiliates or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of any Tranche of Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained (see "*Risk Factors — Risks relating to the Market Generally — Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity*"). The Issuer, the Guarantor and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may also make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Guarantor, including any Tranche of Notes and could adversely affect the trading price and liquidity of such Notes. The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Guarantor.

The Dealers or certain of their affiliates may subscribe for the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or their respective affiliates may subscribe for the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Selling Restrictions

United States of America

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and has agreed that it shall not offer or sell, any Notes and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered and sold the Notes of any identifiable Tranche, and has agreed that it will not offer and sell the Notes of any identifiable Tranche (i) as part of their distribution at any time and (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer and each Relevant Dealer, by the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed to notify the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable Tranche so that the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that Tranche and notify the other Relevant Dealers of the end of the distribution compliance period. Each Dealer has agreed that, at or prior to confirmation of sale of Notes and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes and the Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect.

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable Tranche of Notes, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

1 except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**"):

(i) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

(ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

2 it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

3 if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and

4 with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses 1, 2 and 3 on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in Clauses 1, 2 and 3.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules

In addition, to the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, each Dealer has represented and agreed that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client, as defined in point (11) of MiFID II; or

   (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in the Prospectus Regulation, and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation, and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other Regulatory Restrictions in the United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the PRC.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

    (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law;

    (iv) as specified in Section 276(7) of the SFA; or

    (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer have determined and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

None of the Issuer, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement, in all cases at its own expense.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN CAS AND IFRS

The consolidated financial statements of the Guarantor have been prepared and presented in accordance with CAS. CAS applicable to the Group is substantially in line with IFRS, except for certain modifications which reflects the PRC's unique circumstances and environment.

The following is a general summary of the differences between CAS and IFRS applicable to the Group which relate to the adoption dates of new accounting standards. The Guarantor is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between CAS and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below.

Additionally, no attempt has been made to identify possible future differences between CAS and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate CAS and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future. Accordingly, there is no assurance that the following summary of differences between CAS and IFRS is complete.

In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between CAS and IFRS and/or between CAS and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Differences in the adoption dates of New Accounting Standards

CAS No. 21 — Leases was adopted since 1 January 2021 in the consolidated financial statements of the Guarantor, whereas the relevant standards under IFRS, namely IFRS 16 "Leases" is effective for annual reporting periods beginning on or after 1 January 2019.

The revised *CAS 22 — Recognition and Measurement of Financial Instruments*, *CAS 23 — Transfer of Financial Assets*, *CAS 24 — Hedging* and *CAS 37 — Presentation of Financial Instruments* were adopted since 1 January 2019 in the consolidated financial statements of the Guarantor, whereas the relevant standards under IFRS, namely IFRS 9 "Financial Instruments" is effective for annual reporting periods beginning on or after 1 January 2018.

The revised *CAS 14 — Revenue (Revised in 2017)* was adopted since 1 January 2020 in the consolidated financial statements of the Guarantor, while the relevant standards under IFRS, namely IFRS 15 "Revenue from contracts with customers" is effective for annual reporting periods beginning on or after 1 January 2018.

GENERAL INFORMATION

1. Listing

Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, the admission of any Notes to the Official List of, and the quotation of any Notes on the SGX-ST, are not to be taken as indications of the merits of the Issuer, the Guarantor, their respective subsidiaries, associated companies, the Programme or such Notes.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies).

2. Authorisation

The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 29 October 2021. The giving of the Guarantee and the establishment of the Programme were authorised by a resolution of the board of directors of the Guarantor passed on 28 May 2021.

3. Legal and Arbitration Proceedings

Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor and any other member of the Group is or has been involved in any legal or arbitration proceedings (nor are the Issuer or the Guarantor aware that any such proceedings are pending or threatened), which may have, or have had during the 12 months prior to the date of this Offering Circular, a material effect on the financial position or profitability of the Issuer, the Guarantor or the Group as a whole.

4. Significant Material Adverse Change

Since 30 June 2021, there has been no material adverse change nor significant change in the financial or trading position or prospects of the Guarantor and the Group.

5. Documents on Display

Copies of the following documents may be inspected by the holders of the Notes during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Guarantor at No. 2, 2nd Dong Huan Road, Longhua, Shenzhen City, Guangdong Province, China, for so long as the Notes are capable of being issued under the Programme:

(i) the memorandum and articles of association of the Issuer and the Guarantor;

(ii) the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 (together with the English translations thereof);

(iii) the unaudited and reviewed consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2021 (together with the English translation thereof);

(iv) copies of all documents deemed to be incorporated by reference in this Offering Circular;

(v) a copy of this Offering Circular together with any supplement to this Offering Circular, if any; and

(vi) copies of the Agency Agreement, the Trust Deed and the Deed of Guarantee.

For so long as any of the Notes is outstanding, copies of the documents referred to in sub-paragraph 5(vi) above will also be available for inspection by the Noteholders at all reasonable times during the usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office of the Trustee (being as at the date of this Offering Circular at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holdings and identity to the satisfaction of the Trustee.

6. Information undertaking

Each of the Issuer and the Guarantor has undertaken in the Trust Deed to make available to the Trustee the latest annual consolidated financial statements of the Guarantor and a directors' certificate confirming no event of default or potential event of default with respect to the Trust Deed and the Conditions within a certain period after the end of each financial year of the Guarantor.

7. Clearing of the Notes

The Notes may be accepted for clearance through Euroclear and Clearstream. The appropriate ISIN and common code in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The Notes may be accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement (if applicable). The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

8. Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 254900K7C09J488P3Y81.

INDEX TO FINANCIAL STATEMENTS

The Guarantor has prepared the Audited Financial Statements and the Interim Financial Statements in Chinese only. Should there be any inconsistency between the Chinese Financial Statements and the English translations of its Audited Financial Statements and Interim Financial Statements, the Chinese Financial Statements shall prevail. The Financial Statements Translation do not constitute audited financial statements, and are qualified in their entirety by, and are subject to the financial information set out or referred to in, the Chinese Financial Statements.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2021 PREPARED IN CHINESE

ENGLISH TRANSLATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2021

ENGLISH TRANSLATION OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

ENGLISH TRANSLATION OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

富士康工业互联网股份有限公司

截至2021年6月30日止6个月期间财务报表及审阅报告

富士康工业互联网股份有限公司

截至 2021 年 6 月 30 日止 6 个月期间财务报表及审阅报告

审阅报告

普华永道中天阅字(2021)第 0053 号

富士康工业互联网股份有限公司全体股东：

我们审阅了后附的富士康工业互联网股份有限公司(以下简称“贵公司”)的中期财务报表，包括 2021 年 6 月 30 日的合并及公司资产负债表，截至 2021 年 6 月 30 日止 6 个月期间的合并及公司利润表、合并及公司股东权益变动表和合并及公司现金流量表以及中期财务报表附注。按照企业会计准则的规定编制中期财务报表是贵公司管理层的责任，我们的责任是在实施审阅工作的基础上对中期财务报表出具审阅报告。

我们按照《中国注册会计师审阅准则第 2101 号—财务报表审阅》的规定执行了审阅业务。该准则要求我们计划和实施审阅工作，以对中期财务报表是否不存在重大错报获取有限保证。审阅主要限于询问公司有关人员和对财务数据实施分析程序，提供的保证程度低于审计。我们没有实施审计，因而不发表审计意见。

根据我们的审阅，我们没有注意到任何事项使我们相信上述中期财务报表没有按照企业会计准则的规定编制，未能在所有重大方面公允反映贵公司2021年6月30日的合并及公司财务状况以及截至2021年6月30日止6个月期间的合并及公司经营成果和现金流量。

普华永道中天会计师事务所 (特殊普通合伙)	注册会计师	张 津
中国•上海市 2021年8月9日	注册会计师	高文俊

普华永道中天会计师事务所(特殊普通合伙)
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富士康工业互联网股份有限公司

2021年6月30日合并及公司资产负债表

(除特别注明外，金额单位为人民币千元)

资　　产	附注	2021年6月30日 合并	2020年12月31日 合并	2021年6月30日 公司	2020年12月31日 公司
流动资产					
货币资金	五(1)	87,339,840	78,056,602	23,580,081	20,795,507
衍生金融资产	五(2)	245,169	467,888	-	-
应收票据		-	100	-	-
应收账款	五(3)、十四(1)	70,934,008	86,827,495	24,503	72,188
预付款项	五(4)	237,815	171,467	1,160	679
其他应收款	五(5)、十四(2)	645,904	395,724	3,577,569	5,426,221
存货	五(6)	53,284,653	45,353,900	-	-
其他流动资产	五(7)	2,349,901	1,980,764	1,106	3,544
流动资产合计		215,037,290	213,253,940	27,184,419	26,298,139
非流动资产					
其他债权投资		40,000	40,000	-	-
长期股权投资	五(9)、十四(3)	1,176,993	1,167,690	42,734,090	40,152,263
其他权益工具投资	五(8(a))	74,056	74,943	-	-
其他非流动金融资产	五(8(b))	279,430	280,196	-	-
固定资产	五(10)	8,249,346	7,123,034	1,136	1,289
在建工程	五(11)	940,345	643,821	-	-
使用权资产	五(12)	2,428,035	——	3,053	——
无形资产	五(13)	400,507	405,317	1	6
长期待摊费用	五(14)	996,351	935,728	-	-
递延所得税资产	五(15)	1,170,390	1,189,043	9,235	9,115
其他非流动资产		306,983	400,232	-	-
非流动资产合计		16,062,436	12,260,004	42,747,515	40,162,673
资产总计		231,099,726	225,513,944	69,931,934	66,460,812

负　债　及　股　东　权　益	附注	2021年6月30日 合并	2020年12月31日 合并	2021年6月30日 公司	2020年12月31日 公司
流动负债					
短期借款	五(17)	45,437,184	44,222,934	-	-
衍生金融负债	五(2)	23,590	-	-	-
应付账款	五(19)	55,110,567	62,144,793	-	-
合同负债	五(20)	93,431	97,595	-	-
应付职工薪酬	五(21)	4,504,785	5,106,573	10,259	9,189
应交税费	五(22)	1,246,091	1,967,584	127,599	88,079
其他应付款	五(23)	11,125,827	6,372,910	5,601,009	861,127
一年内到期的非流动负债	五(25)、五(26)	1,023,064	327	-	-
其他流动负债	五(24)	379,654	512,496	1,447	-
流动负债合计		119,044,193	120,525,212	5,740,314	958,395
非流动负债					
长期借款	五(25)	3,875,844	225	-	-
租赁负债	五(26)	1,328,870	——	1,637	——
预计负债	五(28)	554,623	535,305	-	-
递延收益	五(27)	273,095	273,307	-	-
递延所得税负债	五(15)	49,164	139,197	16,964	87,061
非流动负债合计		6,081,596	948,034	18,601	87,061
负债合计		125,125,789	121,473,246	5,758,915	1,045,456
股东权益					
股本	一、五(29)	19,870,266	19,870,646	19,870,266	19,870,646
资本公积	五(30)	28,095,632	27,758,040	38,825,538	38,508,386
减：库存股	五(50)	(580,529)	(808,531)	(580,529)	(808,531)
其他综合收益	五(49)	26,587	424,914	-	-
盈余公积	五(31)	1,437,435	1,437,435	1,437,435	1,437,435
未分配利润	五(32)	56,833,533	55,070,045	4,620,309	6,407,420
归属于母公司股东权益合计		105,682,924	103,752,549	64,173,019	65,415,356
少数股东权益	五(33)	291,013	288,149	——	——
股东权益合计		105,973,937	104,040,698	64,173,019	65,415,356
负债及股东权益总计		231,099,726	225,513,944	69,931,934	66,460,812

后附财务报表附注为财务报表的组成部分。

企业负责人：李军旗　　主管会计工作的负责人：郭俊宏　　会计机构负责人：黄昭期

李軍旗　　俊宏　　黄昭期

富士康工业互联网股份有限公司

截至2021年6月30日止6个月期间合并及公司利润表
(除特别注明外，金额单位为人民币千元)

项目	附注	截至2021年6月30日止6个月期间	截至2020年6月30日止6个月期间	截至2021年6月30日止6个月期间	截至2020年6月30日止6个月期间
		合并	合并	公司	公司
一、营业收入	五(34)、十四(4)	196,029,977	176,654,265	45,787	32,290
减：营业成本	五(34)、五(40)、十四(4)	(180,744,304)	(163,903,724)	(38,975)	(17,824)
税金及附加	五(35)	(316,351)	(281,469)	(20)	(13)
销售费用	五(36)、五(40)	(881,499)	(839,947)	-	-
管理费用	五(37)、五(40)	(1,943,016)	(2,521,123)	(16,865)	(43,619)
研发费用	五(38)、五(40)	(5,233,185)	(3,716,707)	-	-
财务收入	五(39)	121,219	742,779	244,149	357,333
其中：利息费用		(298,242)	(333,183)	-	-
利息收入		867,232	854,816	244,241	357,302
加：其他收益	五(43)	355,862	417,942	766	10,460
投资收益	五(44)、十四(5)	845,109	82,589	3,003,121	1,500,000
其中：对联营企业和合营企业的投资(损失)/收益		(9,369)	993	-	-
公允价值变动损失	五(45)	(375,457)	(164,957)	-	-
信用减值转回/(损失)	五(41)	162,223	(150,865)	(1,038)	367
资产减值损失	五(42)	(515,621)	(644,743)	-	-
资产处置收益	五(46)	14,319	2,488	-	-
二、营业利润		7,519,266	5,676,528	3,236,925	1,838,994
加：营业外收入	五(47(a))	30,815	50,909	-	-
减：营业外支出	五(47(b))	(10,743)	(38,908)	(316)	(25,632)
三、利润总额		7,539,338	5,688,529	3,236,609	1,813,362
减：所得税费用	五(48)	(813,792)	(648,816)	(60,572)	(78,348)
四、净利润		6,725,546	5,039,713	3,176,037	1,735,014
其中：同一控制下企业合并中被合并方在合并前实现的净利润		-	-	-	-
按经营持续性分类					
持续经营净利润		6,725,546	5,039,713	3,176,037	1,735,014
终止经营净损失		-	-	-	-
按所有权归属分类					
归属于母公司股东的净利润		6,726,636	5,040,890	3,176,037	1,735,014
少数股东损益		(1,090)	(1,177)	——	——
五、其他综合损益的税后净额	五(49)	(398,327)	44,500	-	-
归属于母公司股东的其他综合收益的税后净额		(398,327)	44,500	-	-
不能重分类进损益的其他综合收益		-	-	-	-
其他权益工具投资公允价值变动		-	-	-	-
将重分类进损益的其他综合收益		(398,327)	44,500	-	-
权益法下可转损益的其他综合收益		(220)	281	-	-
现金流量套期储备		20,457	-	-	-
套期的时间价值部分		6,223	-	-	-
外币财务报表折算差额		(424,787)	44,219	-	-
归属于少数股东的其他综合收益的税后净额		-	-	——	——
六、综合收益总额		6,327,219	5,084,213	3,176,037	1,735,014
归属于母公司股东的综合收益总额		6,328,309	5,085,390	3,176,037	1,735,014
归属于少数股东的综合损益总额		(1,090)	(1,177)	——	——
七、每股收益				——	
基本每股收益(元)	五(51)	0.34	0.25	——	——
稀释每股收益(元)	五(51)	0.34	0.25	——	——

后附财务报表附注为财务报表的组成部分。

企业负责人：李军旗 李軍旗

主管会计工作的负责人：郭俊宏

会计机构负责人：黄昭期

富士康工业互联网股份有限公司

截至2021年6月30日止6个月期间合并及公司现金流量表
(除特别注明外，金额单位为人民币千元)

项目	附注	截至2021年6月30日止6个月期间 合并	截至2020年6月30日止6个月期间 合并	截至2021年6月30日止6个月期间 公司	截至2020年6月30日止6个月期间 公司
一、经营活动产生/(使用)的现金流量					
销售产品、提供劳务收到的现金		216,107,714	195,403,392	96,736	70,762
收到的税费返还		2,180,558	1,490,935	-	-
收到其他与经营活动有关的现金	五(52(a))	2,461,071	1,895,928	550,650	281,187
经营活动现金流入小计		220,749,343	198,790,255	647,386	351,949
购买商品、接受劳务支付的现金		(196,318,757)	(187,504,563)	-	-
支付给职工以及为职工支付的现金		(11,687,201)	(9,577,640)	(33,690)	(20,880)
支付的各项税费		(2,246,597)	(2,668,639)	(91,516)	(105,381)
支付其他与经营活动有关的现金	五(52(b))	(2,866,196)	(4,273,440)	(17,685)	(36,807)
经营活动现金流出小计		(213,118,751)	(204,024,282)	(142,891)	(163,068)
经营活动产生/(使用)的现金流量净额	五(53(a))	7,630,592	(5,234,027)	504,495	188,881
二、投资活动(使用)/产生的现金流量					
取得投资收益所收到的现金		858,475	88,537	5,003,997	4,000,000
处置固定资产、无形资产和其他长期资产收回的现金净额		22,350	50,966	-	-
收到其他与投资活动有关的现金	五(52(c))	484,279	116,260	-	-
投资活动现金流入小计		1,365,104	255,763	5,003,997	4,000,000
购建固定资产、无形资产和其他长期资产支付的现金		(2,853,365)	(1,935,223)	(32)	(19)
投资支付的现金		-	(90,491)	(2,439,000)	(985,400)
取得子公司及其他营业单位支付的现金净额	五(53(b))	-	(16,198)	-	-
支付其他与投资活动有关的现金	五(52(d))	(3,143,788)	(283,685)	-	(21,931)
投资活动现金流出小计		(5,997,153)	(2,325,597)	(2,439,032)	(1,007,350)
投资活动(使用)/产生的现金流量净额		(4,632,049)	(2,069,834)	2,564,965	2,992,650
三、筹资活动产生/(使用)的现金流量					
吸收投资收到的现金		23,563	212,376	23,563	102,876
其中：子公司吸收少数股东投资收到的现金		-	109,500	-	-
取得借款收到的现金		81,518,228	76,034,913	-	-
收到其他与筹资活动有关的现金		-	-	1,281	-
筹资活动现金流入小计		81,541,791	76,247,289	24,844	102,876
偿还债务支付的现金		(76,273,368)	(61,048,397)	-	-
分配股利、利润或偿付利息支付的现金		(260,811)	(4,108,912)	(9,907)	(3,743,226)
支付其他与筹资活动有关的现金	五(52(e))	(855,479)	(4,578,626)	(19,433)	-
筹资活动现金流出小计		(77,389,658)	(69,735,935)	(29,340)	(3,743,226)
筹资活动产生/(使用)的现金流量净额		4,152,133	6,511,354	(4,496)	(3,640,350)
四、汇率变动对现金的影响		(244,784)	288,605	-	-
五、现金净增加/(减少)额	五(53(a))	6,905,892	(503,902)	3,064,964	(458,819)
加：期初现金余额		75,293,257	66,571,627	20,447,262	22,057,516
六、期末现金余额	五(53(b))	82,199,149	66,067,725	23,512,226	21,598,697

后附财务报表附注为财务报表的组成部分。

企业负责人：李军旗　　主管会计工作的负责人：郭俊宏　　会计机构负责人：黄昭期

李軍旗

富士康工业互联网股份有限公司

截至2021年6月30日止6个月期间合并股东权益变动表
(除特别注明外，金额单位为人民币千元)

项目	附注	归属于母公司股东权益							少数股东权益	股东权益合计
		股本	资本公积	减：库存股	其他综合收益	盈余公积	未分配利润	合计		
2019年12月31日年末余额		19,854,832	26,692,249	(942,148)	628,744	740,214	42,306,789	89,280,680	68,011	89,348,691
截至2020年6月30日止6个月期间增减变动额										
综合收益总额										
净利润		-	-	-	-	-	5,040,890	5,040,890	(1,177)	5,039,713
其他综合损益		-	-	-	44,500	-	-	44,500	-	44,500
综合损益总额合计		-	-	-	44,500	-	5,040,890	5,085,390	(1,177)	5,084,213
股东投入和减少资本										
股东投入资本		-	-	-	-	-	-	-	126,229	126,229
股份支付计入股东权益的金额	五(30)、五(50)	17,271	85,606	74,660	-	-	-	177,426	-	177,426
股份支付摊销的金额	五(50)	-	506,627	-	-	-	-	506,627	-	506,627
其他		-	1,278	-	-	-	-	1,278	-	1,278
利润分配										
对股东的分配	五(32)	-	-	-	-	-	(3,974,421)	(3,974,421)	-	(3,974,421)
限制性股票之可撤销现金股利		-	-	26,629	-	-	2,878	29,507	-	29,507
2020年6月30日期末余额		19,872,103	27,285,759	(840,989)	673,244	740,214	43,376,136	91,106,487	193,063	91,299,550
2020年12月31日年末余额		19,870,646	27,758,040	(808,531)	424,914	1,437,435	55,070,045	103,752,549	288,149	104,040,698
截至2021年6月30日止6个月期间增减变动额										
综合收益总额										
净利润		-	-	-	-	-	6,726,636	6,726,636	(1,090)	6,725,546
其他综合损益		-	-	-	(398,327)	-	-	(398,327)	-	(398,327)
综合损益总额合计		-	-	-	(398,327)	-	6,726,636	6,328,309	(1,090)	6,327,219
股东投入和减少资本										
股东投入资本		-	-	-	-	-	-	-	-	-
股份支付计入股东权益的金额	五(30)、五(50)	2,048	21,953	189,166	-	-	-	213,167	-	213,167
股份支付摊销的金额	五(50)	-	307,379	-	-	-	-	307,379	-	307,379
其他		(2,428)	8,260	14,608	-	-	-	20,440	3,954	24,394
利润分配										
对股东的分配	五(32)	-	-	-	-	-	(4,966,790)	(4,966,790)	-	(4,966,790)
限制性股票之可撤销现金股利		-	-	24,228	-	-	3,642	27,870	-	27,870
2021年6月30日期末余额		19,870,266	28,095,632	(580,529)	26,587	1,437,435	56,833,533	105,882,924	291,013	105,973,937

后附财务报表附注为财务报表的组成部分。

企业负责人：李军旗　　主管会计工作的负责人：郭俊宏　　会计机构负责人：黄昭期

李軍旗

富士康工业互联网股份有限公司

截至2021年6月30日止6个月期间公司股东权益变动表
(除特别注明外，金额单位为人民币千元)

项目	股本	资本公积	减：库存股	盈余公积	未分配利润	股东权益合计
2019年12月31日年末余额	19,854,832	37,443,873	(942,148)	740,214	4,102,735	61,199,506
截至2020年6月30日止6个月期间增减变动额						
综合收益总额						
净利润	-	-	-	-	1,735,014	1,735,014
综合损益总额合计	-	-	-	-	1,735,014	1,735,014
股东投入和减少资本						
股份支付计入股东权益的金额	17,271	85,605	74,550	-	-	177,426
股份支付摊销的金额	-	506,627	-	-	-	506,627
利润分配						
对股东的分配	-	-	-	-	(3,974,421)	(3,974,421)
限制性股票之可撤销现金股利	-	-	26,629	-	2,878	29,507
2020年6月30日期末余额	19,872,103	38,036,105	(840,969)	740,214	1,866,206	59,673,659
2020年12月31日年末余额	19,870,646	38,508,386	(808,531)	1,437,435	6,407,420	65,415,366
截至2021年6月30日止6个月期间增减变动额						
综合收益总额						
净利润	-	-	-	-	3,176,037	3,176,037
综合损益总额合计	-	-	-	-	3,176,037	3,176,037
股东投入和减少资本						
股份支付计入股东权益的金额	2,048	21,953	189,166	-	-	213,167
股份支付摊销的金额	-	307,379	-	-	-	307,379
其他	(2,428)	(12,180)	14,608	-	-	-
利润分配						
对股东的分配	-	-	-	-	(4,966,790)	(4,966,790)
限制性股票之可撤销现金股利	-	-	24,228	-	3,642	27,870
2021年6月30日期末余额	19,870,266	38,825,538	(580,529)	1,437,435	4,620,309	64,173,019

后附财务报表附注为财务报表的组成部分。

企业负责人：李军旗　　主管会计工作的负责人：郭俊宏　　会计机构负责人：黄昭期

李軍旗

一　公司基本情况

富士康工业互联网股份有限公司(以下简称“本公司”)最初系由 Robot Holding Co., Ltd.于 2015 年 3 月 6 日在中华人民共和国广东省深圳市注册成立的外商独资企业，经批准的经营期限为 50 年，注册资本为 15,000,000 美元。Robot Holding Co., Ltd.为注册在中国台湾的鸿海精密工业股份有限公司(以下简称“鸿海精密”)间接全资持有。

于 2017 年度内，本公司通过一系列股权变更，整体改制变更为股份有限公司。于 2017 年 12 月 6 日，本公司召开董事会及股东大会，审议通过了《富士康工业互联网股份有限公司重组方案》(“重组方案”)及《关于富士康工业互联网股份有限公司增加注册资本的议案》(“增资议案”)。根据重组方案，鸿海精密将下属部分核心业务(通信网络设备、云服务设备、精密工具和工业机器人等)(“重组业务”)转入本公司，本公司以增资扩股和支付现金的方式取得重组业务中相关股权和经营性资产(主要包括生产经营设备、模具及存货等)(“重组资产”)并于 2017 年 12 月 31 日完成重组(“重组”)。

于 2017 年 12 月 31 日，本公司股本变更为 17,725,770,199 元，股份总数变更为 17,725,770,199 股，每股面值 1 元。重组完成后，本公司的控股股东为注册在中国香港的中坚企业有限公司(英文名 China Galaxy Enterprises Limited，以下简称“中坚公司”)。中坚公司为鸿海精密间接全资持有。

经中国证券监督管理委员会以“证监许可[2018]815 号”文核准，本公司向社会公开发行人民币普通股 1,969,530,023 股，并于 2018 年 6 月 8 日在上海证券交易所上市交易。公开发行完成后，本公司股本变更为 19,695,300,222 元，股份总数变更为 19,695,300,222 股，每股面值 1 元。

一 公司基本情况(续)

本公司根据《富士康工业互联网股份有限公司 2019 年股票期权与限制性股票激励计划(草案修订稿)》(以下简称“《激励计划(草案修订稿)》”)的相关规定和本公司 2019 年第一次临时股东大会授权，分别于 2019 年 4 月 30 日、2019 年 9 月 11 日、2019 年 12 月 31 日召开董事会审议通过授予计划，累计向 4,763 名激励对象授予 179,319,758 股限制性人民币普通股(A股)，累计向 986 名激励对象授予 32,433,776 份股票期权。截止 2020 年 4 月 14 日止，本公司累计收到 4,685 名实际认购人支付的限制性股票出资款共计人民币 1,061,613,656 元，增加注册资本及股本人民币 176,642,773 元，增加资本公积人民币 884,970,883 元。上述增资完成后，本公司股本更变为 19,871,942,995 元，股份总数变更为 19,871,942,995 股，每股 1 元。

于 2021 年 6 月 30 日，因股票期权激励对象行权和限制性股票回购注销，本公司股本变更为 19,870,265,886 元，股份总数变更为 19,870,265,886 股，每股面值 1 元(附注五(29))。

本公司的经营范围为：工业互联网技术研发；通讯系统研发；企业管理服务；从事电子产品及其零配件的进出口及相关配套业务(不涉及国营贸易管理商品，涉及配额、许可证管理及其它专项规定管理的商品，按国家有关规定办理申请)。

本财务报表由本公司董事会于 2021 年 8 月 9 日批准报出。

二　财务报表的编制基础

本财务报表按照财务部于 2006 年 2 月 15 日及以后期间颁布的《企业会计准则——基本准则》以及各项具体会计准则及相关规定(以下合称“企业会计准则”)、以及中国证券监督管理委员会《公开发行证券的公司信息披露编报规则第 15 号——财务报告的一般规定》的披露规定编制。

本财务报表以持续经营为基础编制。

三　主要会计政策和会计估计

本公司及子公司(以下合称“本集团”)根据生产经营特点确定具体会计政策和会计估计，主要体现在应收款项的预期信用损失的计量(附注三(8))、存货的计价方法(附注三(9))、固定资产折旧和无形资产摊销(附注三(11)、(14))、收入的确认(附注三(21))等。

本集团在确定重要的会计政策时所运用的关键判断、重要会计估计及其关键假设详见附注三(27)。

(1)　遵循企业会计准则的声明

本公司截至 2021 年 6 月 30 日止 6 个月期间的财务报表符合企业会计准则的要求，真实、完整地反映了本公司 2021 年 6 月 30 日的合并及公司财务状况，以及截至 2021 年 6 月 30 日止 6 个月期间的合并及公司经营成果和现金流量等有关信息。

(2)　会计年度

会计年度为公历 1 月 1 日起至 12 月 31 日止。本期财务报表的实际编制期间为截至 2021 年 6 月 30 日止 6 个月期间。

三 主要会计政策和会计估计(续)

(3) 记账本位币

本公司及子公司根据其经营所处经济环境中的主要货币确定为记账本位币。本公司及本集团中国境内子公司以人民币为记账本位币，本集团新加坡、美国地区子公司以美元为记账本位币，本集团中国香港地区子公司以美元或港币为记账本位币。本集团编制本财务报表时所采用的列报货币为人民币。

(4) 企业合并

(a) 同一控制下的企业合并

本集团支付的合并对价及取得的净资产均按账面价值计量。如被合并方是最终控制方以前年度从第三方收购来的，则以被合并方的资产、负债(包括最终控制方收购被合并方而形成的商誉)在最终控制方合并财务报表中的账面价值为基础。本集团取得的净资产账面价值与支付的合并对价账面价值的差额，调整资本公积(股本溢价)；资本公积(股本溢价)不足以冲减的，调整留存收益。为进行企业合并发生的直接相关费用于发生时计入当期损益。为企业合并而发行权益性证券或债务性证券的交易费用，计入权益性证券或债务性证券的初始确认金额。

(b) 非同一控制下的企业合并

本集团发生的合并成本及在合并中取得的可辨认净资产按购买日的公允价值计量。合并成本大于合并中取得的被购买方于购买日可辨认净资产公允价值份额的差额，确认为商誉；合并成本小于合并中取得的被购买方可辨认净资产公允价值份额的差额，计入当期损益。为进行企业合并发生的直接相关费用于发生时计入当期损益。为企业合并而发行权益性证券或债务性证券的交易费用，计入权益性证券或债务性证券的初始确认金额。

(5) 合并财务报表的编制方法

编制合并财务报表时，合并范围包括本公司及全部子公司。

从取得子公司的实际控制权之日起，本集团开始将其纳入合并范围；从丧失实际控制权之日起停止纳入合并范围。对于同一控制下企业合并取得的子公司，自其与本公司同受最终控制方控制之日起纳入本公司合并范围，并将其在合并日前实现的净利润在合并利润表中单列项目反映。

在编制合并财务报表时，子公司与本公司采用的会计政策或会计期间不一致的，按照本公司的会计政策和会计期间对子公司财务报表进行必要的调整。对于非同一控制下企业合并取得的子公司，以购买日可辨认净资产公允价值为基础对其财务报表进行调整。

三　主要会计政策和会计估计(续)

(5)　合并财务报表的编制方法(续)

集团内所有重大往来余额、交易及未实现利润在合并财务报表编制时予以抵销。子公司的股东权益、当期净损益及综合收益中不归属于本公司所拥有的部分分别作为少数股东权益、少数股东损益及归属于少数股东的综合收益总额在合并财务报表中股东权益、净利润及综合收益总额项下单独列示。子公司少数股东分担的当期亏损超过了少数股东在该子公司期初所有者权益中所享有的份额的，其余额冲减少数股东权益。本公司向子公司出售资产所发生的未实现内部交易损益，全额抵销归属于母公司股东的净利润；子公司向本公司出售资产所发生的未实现内部交易损益，按本公司对该子公司的分配比例在归属于母公司股东的净利润和少数股东损益之间分配抵销。子公司之间出售资产所发生的未实现内部交易损益，按照母公司对出售方子公司的分配比例在归属于母公司股东的净利润和少数股东损益之间分配抵销。

如果以本集团为会计主体与以本公司或子公司为会计主体对同一交易的认定不同时，从本集团的角度对该交易予以调整。

(6)　现金及现金等价物

现金及现金等价物是指库存现金，可随时用于支付的存款。

(7)　外币折算

(a)　外币交易

外币交易按交易发生日的即期汇率将外币金额折算为记账本位币入账。

于资产负债表日，外币货币性项目采用资产负债表日的即期汇率折算为记账本位币。为购建符合借款费用资本化条件的资产而借入的外币专门借款产生的汇兑差额在资本化期间内予以资本化；为了规避外汇风险进行套期的套期工具的汇兑差额按套期会计方法处理；其他汇兑差额直接计入当期损益。以历史成本计量的外币非货币性项目，于资产负债表日采用交易发生日的即期汇率折算。汇率变动对现金的影响额在现金流量表中单独列示。

(b)　外币财务报表的折算

境外经营的资产负债表中的资产和负债项目，采用资产负债表日的即期汇率折算，股东权益中除未分配利润项目外，其他项目采用发生时的即期汇率折算。境外经营的利润表中的收入与费用项目，采用交易发生日的即期汇率折算。上述折算产生的外币报表折算差额，计入其他综合收益。境外经营的现金流量项目，采用现金流量发生日的即期汇率折算。汇率变动对现金的影响额，在现金流量表中单独列示。

三 主要会计政策和会计估计(续)

(8) 金融工具

金融工具，是指形成一方的金融资产并形成其他方的金融负债或权益工具的合同。当本集团成为金融工具合同的一方时，确认相关的金融资产或金融负债。

(a) 金融资产

(i) 分类和计量

本集团根据管理金融资产的业务模式和金融资产的合同现金流量特征，将金融资产划分为：(1) 以摊余成本计量的金融资产；(2) 以公允价值计量且其变动计入其他综合收益的金融资产；(3) 以公允价值计量且其变动计入当期损益的金融资产。

金融资产在初始确认时以公允价值计量。对于以公允价值计量且其变动计入当期损益的金融资产，相关交易费用直接计入当期损益；对于其他类别的金融资产，相关交易费用计入初始确认金额。因销售产品或提供劳务而产生的、未包含或不考虑重大融资成分的应收账款或应收票据，本集团按照预期有权收取的对价金额作为初始确认金额。

- 债务工具

本集团持有的债务工具是指从发行方角度分析符合金融负债定义的工具，分别采用以下两种方式进行计量：

以摊余成本计量：

本集团管理此类金融资产的业务模式为以收取合同现金流量为目标，且此类金融资产的合同现金流量特征与基本借贷安排相一致，即在特定日期产生的现金流量，仅为对本金和以未偿付本金金额为基础的利息的支付。本集团对于此类金融资产按照实际利率法确认利息收入。此类金融资产主要包括货币资金、应收票据、应收账款和其他应收款。

以公允价值计量且其变动计入其他综合收益：

本集团管理此类金融资产的业务模式为既以收取合同现金流量为目标又以出售为目标，且此类金融资产的合同现金流量特征与基本借贷安排相一致。此类金融资产按照公允价值计量且其变动计入其他综合收益，但减值损失或利得、汇兑损益和按照实际利率法计算的利息收入计入当期损益。此类金融资产主要包括其他债权投资等。

三　主要会计政策和会计估计(续)

(8)　金融工具(续)

(a)　金融资产(续)

(i)　分类和计量(续)

- 权益工具

本集团将对其没有控制、共同控制和重大影响的权益工具投资按照公允价值计量且其变动计入当期损益，列示为交易性金融资产；自资产负债表日起预期持有超过一年的，列示为其他非流动金融资产。

此外，本集团将部分非交易性权益工具投资指定为以公允价值计量且其变动计入其他综合收益的金融资产，列示为其他权益工具投资。该类金融资产的相关股利收入计入当期损益。

(ii)　减值

本集团对于以摊余成本计量的金融资产、以公允价值计量且其变动计入其他综合收益的债务工具投资等，以预期信用损失为基础确认损失准备。

本集团考虑有关过去事项、当前状况以及对未来经济状况的预测等合理且有依据的信息，以发生违约的风险为权重，计算合同应收的现金流量与预期能收到的现金流量之间差额的现值的概率加权金额，确认预期信用损失。

于每个资产负债表日，本集团对于处于不同阶段的金融工具的预期信用损失分别进行计量。金融工具自初始确认后信用风险未显著增加的，处于第一阶段，本集团按照未来 12 个月内的预期信用损失计量损失准备；金融工具自初始确认后信用风险已显著增加但尚未发生信用减值的，处于第二阶段，本集团按照该工具整个存续期的预期信用损失计量损失准备；金融工具自初始确认后已经发生信用减值的，处于第三阶段，本集团按照该工具整个存续期的预期信用损失计量损失准备。

对于在资产负债表日具有较低信用风险的金融工具，本集团假设其信用风险自初始确认后并未显著增加，按照未来 12 个月内的预期信用损失计量损失准备。

本集团对于处于第一阶段和第二阶段、以及较低信用风险的金融工具，按照其未扣除减值准备的账面余额和实际利率计算利息收入。对于处于第三阶段的金融工具，按照其账面余额减已计提减值准备后的摊余成本和实际利率计算利息收入。

三　主要会计政策和会计估计(续)

(8)　金融工具(续)

(a)　金融资产(续)

(ii)　减值(续)

对于因销售商品、提供劳务等日常经营活动形成的应收票据和应收账款，无论是否存在重大融资成分，本集团均按照整个存续期的预期信用损失计量损失准备。

当单项金融资产无法以合理成本评估预期信用损失的信息时，本集团依据信用风险特征将应收款项划分为若干组合，在组合基础上计算预期信用损失，确定组合的依据和计提方式如下：

组合一	应收银行存款利息、保证金(含押金)、退税款、应收集团内委托贷款及股利
组合二	银行承兑汇票
组合三	除上述组合外的其他款项

对于划分为组合的应收账款和因销售商品、提供劳务等日常经营活动形成的应收票据，本集团参考历史信用损失经验，结合当前状况以及对未来经济状况的预测，编制应收账款逾期天数与整个存续期预期信用损失率对照表，计算预期信用损失。除此以外的应收票据和划分为组合的其他应收款，本集团参考历史信用损失经验，结合当前状况以及对未来经济状况的预测，通过违约风险敞口和未来 12 个月内或整个存续期预期信用损失率，计算预期信用损失。

本集团将计提或转回的损失准备计入当期损益。对于持有的以公允价值计量且其变动计入其他综合收益的债务工具，本集团将减值损失或利得计入当期损益的同时调整其他综合收益。

(iii)　终止确认

金融资产满足下列条件之一的，予以终止确认：(1) 收取该金融资产现金流量的合同权利终止；(2) 该金融资产已转移，且本集团将金融资产所有权上几乎所有的风险和报酬转移给转入方； (3) 该金融资产已转移，虽然本集团既没有转移也没有保留金融资产所有权上几乎所有的风险和报酬，但是放弃了对该金融资产控制。

三　主要会计政策和会计估计(续)

(8)　金融工具(续)

(a)　金融资产(续)

(iii)　终止确认(续)

其他权益工具投资终止确认时，其账面价值与收到的对价以及原直接计入其他综合收益的公允价值变动累计额之和的差额，计入留存收益；其余金融资产终止确认时，其账面价值与收到的对价以及原直接计入其他综合收益的公允价值变动累计额之和的差额，计入当期损益。

(b)　金融负债

金融负债于初始确认时分类为以摊余成本计量的金融负债和以公允价值计量且其变动计入当期损益的金融负债。

本集团的金融负债主要为以摊余成本计量的金融负债，包括应付票据、应付账款、其他应付款、借款及应付债券等。该类金融负债按其公允价值扣除交易费用后的金额进行初始计量，并采用实际利率法进行后续计量。期限在一年以下(含一年)的，列示为流动负债；期限在一年以上但自资产负债表日起一年内(含一年)到期的，列示为一年内到期的非流动负债；其余列示为非流动负债。

当金融负债的现时义务全部或部分已经解除时，本集团终止确认该金融负债或义务已解除的部分。终止确认部分的账面价值与支付的对价之间的差额，计入当期损益。

(c)　金融工具的公允价值确定

存在活跃市场的金融工具，以活跃市场中的报价确定其公允价值。不存在活跃市场的金融工具，采用估值技术确定其公允价值。在估值时，本集团采用在当前情况下适用并且有足够可利用数据和其他信息支持的估值技术，选择与市场参与者在相关资产或负债的交易中所考虑的资产或负债特征相一致的输入值，并尽可能优先使用相关可观察输入值。在相关可观察输入值无法取得或取得不切实可行的情况下，使用不可观察输入值。

三 主要会计政策和会计估计(续)

(8) 金融工具(续)

(d) 套期工具

为规避某些特定风险，本集团将某些金融工具指定为套期工具进行套期。满足规定条件的套期，本集团用套期会计方法进行处理。

衍生工具于合同签订日进行初始确认并按公允价值进行初始和后续计量。衍生工具的公允价值为正反映为资产，为负反映为负债。

本集团的套期主要系现金流量套期。衍生工具的公允价值变动的确认方法取决于该衍生工具是否被指定为且符合套期工具的要求，以及被套期项目的性质。本集团将某些衍生工具指定用于：

- 对已确认资产或负债、对极可能发生的预期交易进行现金流量套期；

在套期开始时，本集团完成了套期相关文档，内容包括被套期项目与套期工具的关系，以及各种套期交易对应的风险管理目标和策略。本集团也在套期开始时和开始后持续的记录了套期是否有效的评估，即套期工具是否能够很大程度上抵销被套期项目现金流量的变动。

套期有效性

套期同时满足下列条件的，本集团认定套期关系符合套期有效性要求：

- 被套期项目和套期工具之间存在经济关系；
- 被套期项目和套期工具经济关系产生的价值变动中，信用风险的影响不占主导地位；
- 套期关系的套期比率，应当等于企业实际套期的被套期项目数量与对其进行套期的套期工具实际数量之比。

现金流量套期

对于被指定现金流量套期的套期工具并符合相关要求的衍生工具，其公允价值变动中的套期有效部分，作为现金流量套期储备，确认为其他综合收益。套期无效部分相关的利得或损失确认为当期损益。

三　主要会计政策和会计估计(续)

(8)　**金融工具(续)**

(d)　套期工具(续)

现金流量套期(续)

如果被套期的预期交易随后确认为非金融资产或非金融负债，或非金融资产或非金融负债的预期交易形成适用公允价值套期的确定承诺时，则原在其他综合收益中确认的现金流量套期储备金额转出，计入该资产或负债的初始确认金额。其余现金流量套期在被套期的预期现金流量影响损益的相同期间，如预期销售发生时，将其他综合收益中确认的现金流量套期储备转出，计入当期损益。

当套期工具到期、被出售或不再满足套期会计的标准时，现金流量套期储备中的已累计的利得或损失仍保留在权益中直到被套期项目影响损益的期间再确认为损益。当预期交易不会发生时，已确认在其他综合收益中的累计利得或损失立即重分类至当期损益。

远期外汇合约及外汇期权的时间价值

对于远期外汇合约及外汇期权，本集团将即期价格变动和时间价值分开，仅就即期价格变动指定为套期工具，将时间价值的公允价值变动中与被套期项目相关的部分计入其他综合收益。同时，本集团将套期开始日的时间价值中与被套期项目相关的部分，在套期关系影响损益的期间内进行摊销，摊销金额从其他综合收益中转出，确认为当期损益。

(9)　**存货**

(a)　分类

存货包括原材料、半成品、产成品、在途材料以及发出商品，按成本与可变现净值孰低计量。

(b)　发出存货的计价方法

存货发出时的成本按加权平均法核算，产成品、半成品和发出商品成本包括原材料、直接人工以及在正常生产能力下按系统的方法分配的制造费用。

(c)　存货可变现净值的确定依据及存货跌价准备的计提方法

存货跌价准备按存货成本高于其可变现净值的差额计提。可变现净值按日常活动中，以存货的估计售价减去至完工时估计将要发生的成本、估计的销售费用以及相关税费后的金额确定。

三　主要会计政策和会计估计(续)

(9)　存货(续)

(d)　本集团的存货盘存制度采用永续盘存制。

(10)　长期股权投资

长期股权投资包括本集团对子公司及联营企业的长期股权投资。

子公司为本集团能够对其实施控制的被投资单位。联营企业为本集团能够对其财务和经营决策具有重大影响的被投资单位。

对子公司的投资，在公司财务报表中按照成本法确定的金额列示，在编制合并财务报表时按权益法调整后进行合并；对联营企业投资采用权益法核算。

(a)　投资成本确定

同一控制下企业合并形成的长期股权投资，在合并日按照被合并方所有者权益在最终控制方合并财务报表中的账面价值的份额作为投资成本；非同一控制下企业合并形成的长期股权投资，按照合并成本作为长期股权投资的投资成本。

对于以企业合并以外的其他方式取得的长期股权投资，以支付现金取得的长期股权投资，按照实际支付的购买价款作为初始投资成本。

(b)　后续计量及损益确认方法

采用成本法核算的长期股权投资，按照初始投资成本计量，被投资单位宣告分派的现金股利或利润，确认为投资收益计入当期损益。

三　主要会计政策和会计估计(续)

(10) 长期股权投资(续)

(b) 后续计量及损益确认方法(续)

采用权益法核算的长期股权投资，初始投资成本大于投资时应享有被投资单位可辨认净资产公允价值份额的，以初始投资成本作为长期股权投资成本；初始投资成本小于投资时应享有被投资单位可辨认净资产公允价值份额的，其差额计入当期损益，并相应调增长期股权投资成本。

采用权益法核算的长期股权投资，本集团按应享有或应分担的被投资单位的净损益份额确认当期投资损益。确认被投资单位发生的净亏损，以长期股权投资的账面价值以及其他实质上构成对被投资单位净投资的长期权益减记至零为限，但本集团负有承担额外损失义务且符合预计负债确认条件的，继续确认预计将承担的损失金额。被投资单位除净损益、其他综合收益和利润分配以外所有者权益的其他变动，调整长期股权投资的账面价值并计入资本公积。被投资单位分派的利润或现金股利于宣告分派时按照本集团应分得的部分，相应减少长期股权投资的账面价值。本集团与被投资单位之间未实现的内部交易损益按照持股比例计算归属于本集团的部分，予以抵销，在此基础上确认投资损益。本集团与被投资单位发生的内部交易损失，其中属于资产减值损失的部分，相应的未实现损失不予抵销。

(c) 确定对被投资单位具有控制、重大影响的依据

控制是指拥有对被投资单位的权力，通过参与被投资单位的相关活动而享有可变回报，并且有能力运用对被投资单位的权力影响其回报金额。

重大影响是指对被投资单位的财务和经营政策有参与决策的权力，但并不能够控制或者与其他方一起共同控制这些政策的制定。

(d) 长期股权投资减值

对子公司及联营企业的长期股权投资，当其可收回金额低于其账面价值时，账面价值减记至可收回金额(附注三(16))。

(除特别注明外，金额单位为人民币千元)

三　主要会计政策和会计估计(续)

(11) 固定资产

(a) 固定资产确认及初始计量

固定资产包括土地、房屋及建筑物、机器设备、运输工具、办公及电子设备以及其他设备等。

固定资产在与其有关的经济利益很可能流入本集团、且其成本能够可靠计量时予以确认。购置或新建的固定资产按取得时的成本进行初始计量。

与固定资产有关的后续支出，在与其有关的经济利益很可能流入本集团且其成本能够可靠计量时，计入固定资产成本；对于被替换的部分，终止确认其账面价值；所有其他后续支出于发生时计入当期损益。

(b) 固定资产的折旧方法

除具有永久性产权的土地外，其他固定资产折旧采用年限平均法并按其入账价值减去预计净残值后在预计使用寿命内计提。具有永久性产权的土地不计提折旧。对计提了减值准备的固定资产，则在未来期间按扣除减值准备后的账面价值及依据尚可使用年限确定折旧额。

除具有永久性产权的土地外，其他固定资产的预计使用寿命、净残值率及年折旧率列示如下：

	预计使用寿命	预计净残值	年折旧率
房屋及建筑物	20-30 年	1 元	3.3%至 5.0%
房屋及建筑物-附属设施	6-11 年	1 元	9.1%至 16.7%
机器设备	3-12 年	1 元	8.3%至 33.3%
运输工具	5-6 年	1 元	16.7%至 20.0%
办公及电子设备	4-6 年	1 元	16.7%至 25.0%
其他设备	5-6 年	1 元	16.7%至 20.0%

对固定资产的预计使用寿命、预计净残值和折旧方法于每年年度终了进行复核并作适当调整。

(c) 当固定资产的可收回金额低于其账面价值时，账面价值减记至可收回金额(附注三(16))。

三　主要会计政策和会计估计(续)

(11)　固定资产(续)

(d)　固定资产的处置

当固定资产被处置、或者预期通过使用或处置不能产生经济利益时，终止确认该固定资产。固定资产出售、转让、报废或毁损的处置收入扣除其账面价值和相关税费后的金额计入当期损益。

(12)　在建工程

在建工程按实际发生的成本计量。实际成本包括建筑成本、安装成本、符合资本化条件的借款费用以及其他为使在建工程达到预定可使用状态所发生的必要支出。在建工程在达到预定可使用状态时，转入固定资产并自次月起开始计提折旧。当在建工程的可收回金额低于其账面价值时，账面价值减记至可收回金额(附注三(16))。

(13)　借款费用

本集团发生的可直接归属于需要经过相当长时间的购建活动才能达到预定可使用状态之固定资产的购建的借款费用，在资产支出及借款费用已经发生、为使资产达到预定可使用状态所必要的购建活动已经开始时，开始资本化并计入该资产的成本。当购建的资产达到预定可使用状态时停止资本化，其后发生的借款费用计入当期损益。如果资产的购建活动发生非正常中断，并且中断时间连续超过 3 个月，暂停借款费用的资本化，直至资产的购建活动重新开始。

对于为购建符合资本化条件的资产而借入的专门借款，以专门借款当期实际发生的利息费用减去尚未动用的借款资金存入银行取得的利息收入或进行暂时性投资取得的投资收益后的金额确定专门借款借款费用的资本化金额。

对于为购建符合资本化条件的资产而占用的一般借款，按照累计资产支出超过专门借款部分的资本支出加权平均数乘以所占用一般借款的加权平均实际利率计算确定一般借款借款费用的资本化金额。实际利率为将借款在预期存续期间或适用的更短期间内的未来现金流量折现为该借款初始确认金额所使用的利率。

三　主要会计政策和会计估计(续)

(14) 无形资产

无形资产包括土地使用权、软件、商标和专利权等，以成本计量。

(a) 土地使用权

土地使用权按使用年限 35-50 年平均摊销。外购土地使用权及建筑物的价款难以在土地使用权与建筑物之间合理分配的，全部作为固定资产。

(b) 软件

软件按实际支付的价款入账，按预计可使用年限 3-7 年平均摊销。

(c) 商标

商标按实际支付的价款入账，按预计可使用年限 2-10 年平均摊销。

(d) 专利权

专利权按实际支付的价款入账，按预计可使用年限 2-5 年平均摊销。

(e) 定期复核使用寿命和摊销方法

对使用寿命有限的无形资产的预计使用寿命及摊销方法于每年年度终了进行复核并作适当调整。

(f) 研究与开发

内部研究开发项目支出根据其性质以及研发活动最终形成无形资产是否具有较大不确定性，被分为研究阶段支出和开发阶段支出。

三　主要会计政策和会计估计(续)

(14) 无形资产(续)

(f) 研究与开发(续)

为研究生产工艺而进行的有计划的调查、评价和选择阶段的支出为研究阶段的支出，于发生时计入当期损益；大规模生产之前，针对生产工艺最终应用的相关设计、测试阶段的支出为开发阶段的支出，同时满足下列条件的，予以资本化：

- 生产工艺的开发已经技术团队进行充分论证；
- 管理层已批准生产工艺开发的预算；
- 前期市场调研的研究分析说明生产工艺所生产的产品具有市场推广能力；
- 有足够的技术和资金支持，以进行生产工艺的开发活动及后续的大规模生产；以及
- 生产工艺开发的支出能够可靠地归集。

不满足上述条件的开发阶段的支出，于发生时计入当期损益。以前期间已计入损益的开发支出不在以后期间重新确认为资产。已资本化的开发阶段的支出在资产负债表上列示为开发支出，自该项目达到预定用途之日起转为无形资产。

(g) 无形资产减值

当无形资产的可收回金额低于其账面价值时，账面价值减记至可收回金额(附注三(16))。

(15) 长期待摊费用

长期待摊费用包括使用权资产改良及其他已经发生但应由本年和以后各期负担的、分摊期限在一年以上的各项费用，按预计受益期间分期平均摊销，并以实际支出减去累计摊销后的净额列示。

(16) 长期资产减值

固定资产、在建工程、使用寿命有限的无形资产、长期待摊费用及对子公司、联营企业的长期股权投资等，于资产负债表日存在减值迹象的，进行减值测试。减值测试结果表明资产的可收回金额低于其账面价值的，按其差额计提减值准备并计入资产减值损失。可收回金额为资产的公允价值减去处置费用后的净额与资产预计未来现金流量的现值两者之间的较高者。资产减值准备按单项资产为基础计算并确认，如果难以对单项资产的可收回金额进行估计的，以该资产所属的资产组确定资产组的可收回金额。资产组是能够独立产生现金流入的最小资产组合。

上述资产减值损失一经确认，以后期间不予转回价值得以恢复的部分。

三 主要会计政策和会计估计(续)

(17) 职工薪酬

职工薪酬是本集团为获得职工提供的服务或解除劳动关系而给予的各种形式的报酬或补偿，包括短期薪酬和离职后福利等。

(a) 短期薪酬

短期薪酬包括工资、奖金、津贴和补贴、职工福利费、医疗保险费、工伤保险费、生育保险费、住房公积金、工会和教育经费、中国台湾地区的全民健康保险、短期带薪缺勤等。本集团在职工提供服务的会计期间，将实际发生的短期薪酬确认为负债，并计入当期损益或相关资产成本。

(b) 离职后福利

离职后福利计划分类为设定提存计划和设定受益计划。设定提存计划是本集团向独立的基金缴存固定费用后，不再承担进一步支付义务的离职后福利计划；设定受益计划是除设定提存计划以外的离职后福利计划。于报告期内，本集团的离职后福利主要是为员工缴纳的基本养老保险、失业保险和海外地区的退休金，均属于设定提存计划。

(c) 基本养老保险

本集团职工参加了由当地劳动和社会保障部门组织实施的社会基本养老保险。本集团以当地规定的社会基本养老保险缴纳基数和比例，按月向当地社会基本养老保险经办机构缴纳养老保险费。职工退休后，当地劳动及社会保障部门有责任向已退休员工支付社会基本养老金。本集团在职工提供服务的会计期间，将根据上述社保规定计算应缴纳的金额确认为负债，并计入当期损益或相关资产成本。

(18) 股份支付

股份支付是为了获取职工提供服务而授予权益工具或者承担以权益工具为基础确定的负债的交易。权益工具包括本公司及子公司或本公司的母公司的权益工具。股份支付分为以权益结算的股份支付和以现金结算的股份支付。本集团实施的限制性股票计划及股票期权计划均作为以权益结算的股份支付进行核算。

三　主要会计政策和会计估计(续)

(18)　股份支付(续)

以权益结算的股份支付换取职工提供服务的，以授予职工权益工具的公允价值计量。授予后立即可行权的，在授予日按照公允价值计入当期损益，相应增加资本公积；完成等待期内的服务或达到规定业绩条件才可行权的，在等待期内每个资产负债表日，本集团根据最新取得的可行权职工人数变动、是否达到规定业绩条件等后续信息对可行权权益工具数量作出最佳估计，以此为基础，按照授予日的公允价值，将当期取得的服务计入当期损益，相应增加资本公积。

本集团根据不同情况，根据授予日股价、现金流量折现模型、布莱克-斯克尔斯期权定价模型、实施股权激励获得的对价等综合考虑确定所授予权益工具的公允价值。

在满足业绩条件和服务期限条件的期间，应确认以权益结算的股份支付的成本或费用，并相应增加资本公积。可行权日之前，于每个资产负债表日为以权益结算的股份支付确认的累计金额反映了等待期已届满的部分以及本集团对最终可行权的权益工具数量的最佳估计。

对于最终未能达到可行权条件的股份支付，本集团不确认成本或费用，除非可行权条件是市场条件或非可行权条件，此时无论是否满足市场条件或非可行权条件，只要满足所有可行权条件中的非市场条件，即视为可行权。

本集团修改股份支付计划条款时，如果修改增加了所授予权益工具的公允价值，本集团根据修改前后的权益工具在修改日公允价值之间的差额相应确认取得服务的增加。如果本集团按照有利于职工的方式修改可行权条件，本集团按照修改后的可行权条件核算；如果本集团以不利于职工的方式修改可行权条件，核算时不予以考虑，除非本集团取消了部分或全部已授予的权益工具。如果本集团取消了所授予的权益工具，则于取消日作为加速行权处理，将原本应在剩余等待期内确认的金额立即计入当期损益，同时确认资本公积。

如果本集团需要按事先约定的回购价格回购未被解锁而失效或作废的限制性股票，本集团按照限制性股票的数量以及相应的回购价格确认负债及库存股票。

(19)　股利分配

现金股利于股东大会批准的当期，确认为负债。

三　主要会计政策和会计估计(续)

(20)　预计负债

因产品质量保证、亏损合同等形成的现时义务，当履行该义务很可能导致经济利益的流出，且其金额能够可靠计量时，确认为预计负债。

预计负债按照履行相关现时义务所需支出的最佳估计数进行初始计量，并综合考虑与或有事项有关的风险、不确定性和货币时间价值等因素。货币时间价值影响重大的，通过对相关未来现金流出进行折现后确定最佳估计数；因随着时间推移所进行的折现还原而导致的预计负债账面价值的增加金额，确认为利息费用。

于资产负债表日，对预计负债的账面价值进行复核并作适当调整，以反映当前的最佳估计数。

预期在资产负债表日起一年内需支付的预计负债，列报为流动负债。

(21)　收入

本集团在客户取得相关商品或服务的控制权时，按预期有权收取的对价金额确认收入。

(a)　销售产品

本集团生产产品并销售予各地客户。对于境内销售，本集团在将产品交付客户指定的承运人，或将产品按照协议合同规定运至约定交货地点并由客户确认接收后，确认收入。对于境外销售，本集团根据销售合同或订单规定的国际贸易条款，将出口产品按照合同或订单规定办理出口报关手续并装船后或运至指定的交货地点后，确认收入。满足上述销售实现条件的情况下，客户具有自行销售产品的权利并承担该产品可能发生价格波动或毁损的风险。

本集团给予客户的信用期根据客户的信用风险特征确定，与行业惯例一致，不存在重大融资成分。本集团根据产品为客户提供产品质量保证，并确认相应的预计负债(附注三(20))。

本集团已收或应收客户对价而应向客户转让产品的义务列示为合同负债。

(b)　提供劳务

本集团对外提供加工及研发服务，于劳务提供期间确认收入。

如果本集团已收或应收的合同价款超过已完成的劳务，则将超过部分确认为合同负债。本集团对于同一合同下的合同资产和合同负债以净额列示。

三 主要会计政策和会计估计(续)

(21) 收入(续)

(b) 提供劳务(续)

合同成本包括合同履约成本和合同取得成本。本集团为提供加工劳务而发生的成本，确认为合同履约成本，并在确认收入时，按照已完成劳务的进度结转计入主营业务成本。如果合同履约成本的账面价值高于因提供该劳务预期能够取得的剩余对价减去估计将要发生的成本，本集团对超出的部分计提减值准备，并确认为资产减值损失。于资产负债表日，本集团对于合同履约成本根据其初始确认时摊销期限是否超过一年，以减去相关资产减值准备后的净额，分别列示为存货和其他非流动资产。

(22) 政府补助

政府补助为本集团从政府无偿取得的货币性资产或非货币性资产，包括税费返还、财政补贴等。

政府补助在本集团能够满足其所附的条件并且能够收到时，予以确认。政府补助为货币性资产的，按照收到或应收的金额计量。政府补助为非货币性资产的，按照公允价值计量；公允价值不能可靠取得的，按照名义金额计量。

与资产相关的政府补助，是指本集团取得的、用于购建或以其他方式形成长期资产的政府补助。与收益相关的政府补助是指除与资产相关的政府补助之外的政府补助。

与资产相关的政府补助，冲减相关资产的账面价值，或确认为递延收益并在相关资产使用寿命内按照合理、系统的方法分摊计入损益。与收益相关的政府补助，用于补偿以后期间的相关成本费用或损失的，确认为递延收益，并在确认相关成本费用或损失的期间，计入当期损益或冲减相关成本，用于补偿已发生的相关成本费用或损失的，直接计入当期损益或冲减相关成本。本集团对同类政府补助采用相同的列报方式。

与日常活动相关的政府补助纳入营业利润，与日常活动无关的政府补助计入营业外收支。

三　主要会计政策和会计估计(续)

(23) 递延所得税资产和递延所得税负债

递延所得税资产和递延所得税负债根据资产和负债的计税基础与其账面价值的差额(暂时性差异)计算确认。对于按照税法规定能够于以后年度抵减应纳税所得额的可抵扣亏损，确认相应的递延所得税资产。对于商誉的初始确认产生的暂时性差异，不确认相应的递延所得税负债。对于既不影响会计利润也不影响应纳税所得额(或可抵扣亏损)的非企业合并的交易中产生的资产或负债的初始确认形成的暂时性差异，不确认相应的递延所得税资产和递延所得税负债。于资产负债表日，递延所得税资产和递延所得税负债，按照预期收回该资产或清偿该负债期间的适用税率计量。

递延所得税资产的确认以很可能取得用来抵扣可抵扣暂时性差异、可抵扣亏损和税款抵减的应纳税所得额为限。

对与子公司、联营企业投资相关的应纳税暂时性差异，确认递延所得税负债，除非本集团能够控制该暂时性差异转回的时间且该暂时性差异在可预见的未来很可能不会转回。对与子公司、联营企业投资相关的可抵扣暂时性差异，当该暂时性差异在可预见的未来很可能转回且未来很可能获得用来抵扣可抵扣暂时性差异的应纳税所得额时，确认递延所得税资产。

同时满足下列条件的递延所得税资产和递延所得税负债以抵销后的净额列示：

- 递延所得税资产和递延所得税负债与同一税收征管部门对本集团内同一纳税主体征收的所得税相关；
- 本集团内该纳税主体拥有以净额结算当期所得税资产及当期所得税负债的法定权利。

(24) 租赁

租赁，是指在一定期间内，出租人将资产的使用权让与承租人以获取对价的合同。

本集团作为承租人

本集团于租赁期开始日确认使用权资产，并按尚未支付的租赁付款额的现值确认租赁负债。租赁付款额包括固定付款额，以及在合理确定将行使购买选择权或终止租赁选择权的情况下需支付的款项等。按销售额的一定比例确定的可变租金不纳入租赁付款额，在实际发生时计入当期损益。本集团将自资产负债表日起一年内(含一年)支付的租赁负债，列示为一年内到期的非流动负债。

三 主要会计政策和会计估计(续)

(24) 租赁(续)

本集团的使用权资产包括租入的房屋及建筑物、机器设备及运输工具等。使用权资产按照成本进行初始计量，该成本包括租赁负债的初始计量金额、租赁期开始日或之前已支付的租赁付款额、初始直接费用等，并扣除已收到的租赁激励。本集团能够合理确定租赁期届满时取得租赁资产所有权的，在租赁资产剩余使用寿命内计提折旧；若无法合理确定租赁期届满时是否能够取得租赁资产所有权，则在租赁期与租赁资产剩余使用寿命两者孰短的期间内计提折旧。当可收回金额低于使用权资产的账面价值时，本集团将其账面价值减记至可收回金额。

对于租赁期不超过 12 个月的短期租赁和单项资产全新时价值较低的低价值资产租赁，本集团选择不确认使用权资产和租赁负债，将相关租金支出在租赁期内各个期间按照直线法计入当期损益或相关资产成本。

租赁发生变更且同时符合下列条件时，本集团将其作为一项单独租赁进行会计处理：(1)该租赁变更通过增加一项或多项租赁资产的使用权而扩大了租赁范围；(2)增加的对价与租赁范围扩大部分的单独价格按该合同情况调整后的金额相当。

当租赁变更未作为一项单独租赁进行会计处理时，除新冠肺炎疫情直接引发的合同变更采用简化方法外，本集团在租赁变更生效日重新确定租赁期，并采用修订后的折现率对变更后的租赁付款额进行折现，重新计量租赁负债。租赁变更导致租赁范围缩小或租赁期缩短的，本集团相应调减使用权资产的账面价值，并将部分终止或完全终止租赁的相关利得或损失计入当期损益。其他租赁变更导致租赁负债重新计量的，本集团相应调整使用权资产的账面价值。

三　主要会计政策和会计估计(续)

(24)　租赁(续)

对于由新冠肺炎疫情直接引发且仅针对 2022 年 6 月 30 日之前的租金减免，本集团选择采用简化方法，在达成协议解除原支付义务时将未折现的减免金额计入当期损益，并相应调整租赁负债。

本集团作为出租人

实质上转移了与租赁资产所有权有关的几乎全部风险和报酬的租赁为融资租赁。其他的租赁为经营租赁。

(a)　经营租赁

本集团经营租出自有的房屋建筑物、机器设备及运输工具时，经营租赁的租金收入在租赁期内按照直线法确认。本集团将按销售额的一定比例确定的可变租金在实际发生时计入租金收入。

对于由新冠肺炎疫情直接引发且仅针对 2022 年 6 月 30 日之前的租金减免，本集团选择采用简化方法，将减免的租金作为可变租金，在减免期间将减免金额计入当期损益。

除上述新冠肺炎疫情直接引发的合同变更采用简化方法外，当租赁发生变更时，本集团自变更生效日起将其作为一项新租赁，并将与变更前租赁有关的预收或应收租赁收款额作为新租赁的收款额。

(b)　融资租赁

于租赁期开始日，本集团对融资租赁确认应收融资租赁款，并终止确认相关资产。本集团将应收融资租赁款列示为长期应收款，自资产负债表日起一年内(含一年)收取的应收融资租赁款列示为一年内到期的非流动资产。

三 主要会计政策和会计估计(续)

(25) 持有待售及终止经营

同时满足下列条件的非流动资产或处置组划分为持有待售：(一)根据类似交易中出售此类资产或处置组的惯例，在当前状况下即可立即出售；(二)本集团已与其他方签订具有法律约束力的出售协议且已取得相关批准，预计出售将在一年内完成。

符合持有待售条件的非流动资产(不包括金融资产、以公允价值计量的投资性房地产以及递延所得税资产)，以账面价值与公允价值减去出售费用后的净额孰低计量，公允价值减去出售费用后的净额低于原账面价值的金额，确认为资产减值损失。

被划分为持有待售的非流动资产和处置组中的资产和负债，分类为流动资产和流动负债，并在资产负债表中单独列示。

终止经营为满足下列条件之一的、能够单独区分的组成部分，且该组成部分已被处置或划归为持有待售类别：(一)该组成部分代表一项独立的主要业务或一个单独的主要经营地区；(二)该组成部分是拟对一项独立的主要业务或一个单独的主要经营地区进行处置的一项相关联计划的一部分；(三)该组成部分是专为转售而取得的子公司。

利润表中列示的终止经营净利润(损失)包括其经营损益和处置损益。

(26) 分部信息

本集团根据内部组织形式、管理要求及内部报告制度为依据确定经营分部，以经营分部为基础确定报告分部并披露分部信息。

经营分部是指本集团内同时满足下列条件的组成部分：(1)该组成部分能够在日常活动中产生收入、发生费用；(2)本公司管理层能够定期评价该组成部分的经营成果，以决定向其配置资源、评价其业绩；(3)本公司能够取得该组成部分的财务状况、经营成果和现金流量等有关会计信息。如果两个或多个经营分部具有相似的经济特征，并且满足一定条件的，则合并为一个经营分部。

由于本集团收入及业绩超过 90%源自电子产品业务，因此并未呈列分部信息。

三 主要会计政策和会计估计(续)

(27) 重要会计估计和判断

本集团根据历史经验和其他因素，包括对未来事项的合理预期，对所采用的重要会计估计和关键判断进行持续的评价。

(a) 采用会计政策的关键判断

(i) 金融资产的分类

本集团在确定金融资产的分类时涉及的重大判断包括业务模式及合同现金流量特征的分析等。

本集团在金融资产组合的层次上确定管理金融资产的业务模式，考虑的因素包括评价和向关键管理人员报告金融资产业绩的方式、影响金融资产业绩的风险及其管理方式、以及相关业务管理人员获得报酬的方式等。

本集团在评估金融资产的合同现金流量是否与基本借贷安排相一致时，存在以下主要判断：本金是否可能因提前还款等原因导致在存续期内的时间分布或者金额发生变动；利息是否仅包括货币时间价值、信用风险、其他基本借贷风险以及成本和利润的对价。例如，提前偿付的金额是否仅反映了尚未支付的本金及以未偿付本金为基础的利息，以及因提前终止合同而支付的合理补偿。

(ii) 信用风险显著增加的判断

本集团判断信用风险显著增加的主要标准为逾期天数超过 30 日，或者以下一个或多个指标发生显著变化：债务人所处的经营环境、内外部信用评级、实际或预期经营成果的显著变化、担保物价值或担保方信用评级的显著下降等。

本集团判断已发生信用减值的主要标准为逾期天数超过 90 日(即，已发生违约)，或者符合以下一个或多个条件：债务人发生重大财务困难，进行其他债务重组或很可能破产等。

三 主要会计政策和会计估计(续)

(27) 重要会计估计和判断(续)

(a) 采用会计政策的关键判断(续)

(iii) 收入的确认

本集团部分业务中存在客户同时是部分原材料供应商的情况(“Buy and Sell 模式”)，这种 Buy and Sell 模式是在电子产品制造行业中广泛存在的业务模式。本集团综合考虑以下情况，判断本集团在 Buy and Sell 模式下的业务中属于主要责任人，并相应根据销售交易对价的总额确认收入：

- 根据有关合同条款，本集团是主要的义务人，负有向客户销售产品的首要责任，包括确保所销售的产品可以被客户接受；
- 本集团在交易过程中承担了所交易的产品所有权上的主要风险和报酬；
- 本集团能够独立协商并确定对客户最终销售产品的销售价格；以及
- 本集团承担了与产品销售有关的主要信用风险。

本集团在向客户采购原材料时，会产生应付客户对价。该等应付客户对价是为了向客户取得其他可明确区分商品的，采用与本集团其他采购相一致的方式确认所购买的商品。本集团向客户采购原材料的订单与向客户销售产品的订单不存在对应关系。

(iv) 附有产品质量保证的销售

本集团为部分通信及移动网络设备、云计算产品提供一定约定期间的产品质量保证，该产品质量保证的期限和条款是按照与通信及移动网络设备、云计算产品相关的法律法规的要求而提供的，本集团并未因此提供任何额外的服务或额外的质量保证，故该产品质量保证不构成单独的履约义务。

(b) 重要会计估计及其关键假设

下列重要会计估计及关键假设存在会导致下一会计年度资产和负债的账面价值出现重大调整的重要风险：

(除特别注明外，金额单位为人民币千元)

三 主要会计政策和会计估计(续)

(27) 重要会计估计和判断(续)

(b) 重要会计估计及其关键假设

(i) 预期信用损失的计量

本集团通过违约风险敞口和预期信用损失率计算预期信用损失，并基于违约概率和违约损失率确定预期信用损失率。在确定预期信用损失率时，本集团使用内部历史信用损失经验等数据，并结合当前状况和前瞻性信息对历史数据进行调整。

在考虑前瞻性信息时，本集团考虑了不同的宏观经济情景。截至 2021 年 6 月 30 日止 6 个月期间，“基准”、“不利”及“有利”这三种经济情景的权重分别是 80%、10%和 10%。本集团定期监控并复核与预期信用损失计算相关的重要宏观经济假设和参数，包括经济下滑的风险、外部市场环境、技术环境、客户情况的变化、国内生产总值和消费者物价指数等。截至 2021 年 6 月 30 日止 6 个月期间，本集团已考虑了新冠肺炎疫情引发的不确定性，并相应更新了相关假设和参数，各情景中所使用的关键宏观经济参数列示如下：

	经济情景		
	基准	不利	有利
全球生产总值	5.60%	5.48%	5.72%

(ii) 所得税和递延所得税

本集团在多个地区缴纳企业所得税。在正常的经营活动中，部分交易和事项的最终税务处理都存在不确定性。在计提各个地区的所得税费用时，本集团需要作出重大判断。如果这些税务事项的最终认定结果与最初入账的金额存在差异，该差异将对作出上述最终认定期间的所得税费用和递延所得税的金额产生影响。

递延所得税资产和递延所得税负债按照预期收回该资产或清偿该债务期间的适用所得税税率计量。预期适用所得税税率是根据有关现行的税务法规及本集团的实际情况而确定。

三 主要会计政策和会计估计(续)

(27) 重要会计估计和判断(续)

(b) 重要会计估计及其关键假设

(ii) 所得税和递延所得税(续)

如附注四(b)所述，本集团部分子公司为高新技术企业。高新技术企业资质的有效期为三年，到期后需向相关政府部门重新提交高新技术企业认定申请。根据以往年度高新技术企业到期后重新认定的历史经验以及该等子公司的实际情况，本集团认为该等子公司于未来年度能够持续取得高新技术企业认定，进而按照 15%的优惠税率计算其相应的递延所得税。倘若未来部分子公司于高新技术企业资质到期后未能取得重新认定，则需按照 25%的法定税率计算所得税，进而将影响已确认的递延所得税资产、递延所得税负债及所得税费用。

对于能够结转以后年度的可抵扣亏损，本集团以未来期间很可能获得用来抵扣可抵扣亏损的应纳税所得额为限，确认相应的递延所得税资产。未来期间取得的应纳税所得额包括本集团通过正常的生产经营活动能够实现的应纳税所得额，以及以前期间产生的应纳税暂时性差异在未来期间转回时将增加的应纳税所得额。本集团在确定未来期间应纳税所得额取得的时间和金额时，需要运用估计和判断。如果实际情况与估计存在差异，可能导致对递延所得税资产的账面价值进行调整。

三　主要会计政策和会计估计(续)

(27) 重要会计估计和判断(续)

(b) 重要会计估计及其关键假设(续)

(iii) 存货可变现净值

存货按成本与可变现净值孰低计量，包括对于超过一定期限库龄的存货以及过时或毁损的存货品类估计其可变现净值并计提存货跌价准备。存货可变现净值为一般业务中存货的估计售价减去估计的销售费用和相关税费后的金额确定。该些估计主要根据当时市况及过往经验作出，并会因技术革新、客户喜好及竞争对手面对市况转变所采取行动不同而产生重大差异。管理层于各资产负债表日重新评估该等估计。

(iv) 固定资产及无形资产的预计净残值及使用寿命或预计受益期

本集团对固定资产及无形资产等的预计净残值及预计使用寿命作出了估计。该估计是根据同类性质、功能的投资性房地产、固定资产及无形资产的实际净残值和预计使用寿命的历史经验作出的，可能由于技术更新或其他原因产生重大改变。当净残值或预计使用寿命小于先前的估计时，本集团将增加折旧及摊销费用。

(除特别注明外，金额单位为人民币千元)

三 主要会计政策和会计估计(续)

(28) 重要会计政策变更

财政部于 2018 年颁布了修订后的《企业会计准则第 21 号——租赁》(以下简称“新租赁准则”)，本集团已采用上述准则和通知编制截至 2021 年 6 月 30 日止 6 个月期间的财务报表，对本集团及本公司报表的影响列示如下：

(a) 租赁

(i) 本集团及本公司于 2021 年 1 月 1 日首次执行新租赁准则，根据相关规定，本集团及本公司对于首次执行日前已存在的合同选择不再重新评估。本集团及本公司对于该准则的累积影响数调整 2021 年年初留存收益以及财务报表相关项目金额，2020 年度的比较财务报表未重列。

会计政策变更的内容和原因	受影响的报表项目	影响金额 2021 年 1 月 1 日	
		本集团	本公司
对于首次执行新租赁准则前已存在的经营租赁合同，本集团及本公司按照剩余租赁期区分不同的衔接方法：	使用权资产	2,308,629	3,975
	租赁负债	(1,441,004)	(2,486)
	一年内到期的非流动负债	(867,625)	(1,489)
剩余租赁期超过 12 个月的，本集团及本公司根据 2021 年 1 月 1 日的剩余租赁付款额和增量借款利率确认租赁负债，并假设自租赁期开始日即采用新租赁准则，并根据 2021 年 1 月 1 日增量借款利率确定使用权资产的账面价值。			
剩余租赁期不超过 12 个月的，本集团及本公司采用简化方法，不确认使用权资产和租赁负债，对财务报表无显著影响。			
对于首次执行新租赁准则前已存在的低价值资产的经营租赁合同，本集团及本公司采用简化方法，不确认使用权资产和租赁负债，对财务报表无显著影响。			

(除特别注明外，金额单位为人民币千元)

三 主要会计政策和会计估计(续)

(28) 重要会计政策变更 (续)

(a) 租赁(续)

于 2021 年 1 月 1 日，本集团及本公司在计量租赁负债时，对于具有相似特征的租赁合同采用同一折现率，所采用的增量借款利率的加权平均值为 3.97%—5.11%。

(ii) 于 2021 年 1 月 1 日，本集团及本公司将原租赁准则下披露的尚未支付的最低经营租赁付款额调整为新租赁准则下确认的租赁负债的调节表如下：

	本集团	本公司
于 2020 年 12 月 31 日披露未来最低经营租赁付款额	2,365,814	4,183
按增量借款利率折现计算的上述最低经营租赁付款额的现值	2,149,413	3,975
加：其他(注 1)	308,607	-
减：不超过 12 个月的租赁合同付款额的现值	(148,502)	-
单项租赁资产全新时价值较低的租赁合同付款额的现值	(889)	-
于 2021 年 1 月 1 日确认的租赁负债(含一年内到期的非流动负债) (附注三(28)(a)(i))	2,308,629	3,975

注 1：本集团及本公司于 2020 年 12 月 31 日披露尚未支付最低经营租赁付款额的口径未包括续约选择权的因素。在首次执行日确定租赁负债时，对于合理确定将行使续约选择权的租赁，本集团及本公司将续约期的租赁付款额纳入租赁负债的计算。

四　税项

本集团适用的主要税种及其税率列示如下：

税种	税率	计税依据
企业所得税		
-中国大陆(a)	15%(b)，25%	应纳税所得额
-中国港澳台地区	16.5%，20%	应纳税所得额
-海外地区	0%-36.88%	应纳税所得额
增值税	3%-13%	应纳税增值额(应纳税额按应纳税销售额乘以适用税率扣除当期允许抵扣的进项税额后的余额计算)
城市维护建设税	5%-7%	缴纳的增值税税额
教育费附加	3%	缴纳的增值税税额
地方教育费附加	2%	缴纳的增值税税额

(a)　根据国家税务总局颁布的《关于设备、器具扣除有关企业所得税政策的通知》(财税[2018]54 号)及相关规定，本集团在 2018 年 1 月 1 日至 2020 年 12 月 31 日的期间内，新购买的低于 500 万元的设备可于资产投入使用的次月一次性计入当期成本费用，在计算应纳税所得额时扣除，不再分年度计算折旧。

根据财政部、国家税务总局 2021 年 3 月 15 日颁布的《关于延长部分税收优惠政策执行期限的公告》(财政部、税务总局公告[2021]6 号)及相关规定，延长上述税收优惠至 2023 年 12 月 31 日。

(b)　税收优惠及批文

(1)　富泰华精密电子(郑州)有限公司系设立于河南省郑州市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

四 税项(续)

(b) 税收优惠及批文(续)

(2) 鸿富锦精密电子(天津)有限公司系设立于天津市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

(3) 南宁富桂精密工业有限公司系设立于广西省南宁市的有限责任公司。公司自 2012 年起享受西部大开发的优惠政策。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(4) 国基电子(上海)有限公司系设立于上海市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

(5) 基准精密工业(惠州)有限公司系设立于广东省惠州市的有限责任公司。公司于 2016 年被认定为高新技术企业，于 2019 年 12 月通过复审再次被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

四　税项(续)

(b)　税收优惠及批文(续)

(6)　晋城鸿刃科技有限公司系设立于山西省晋城市的有限责任公司。公司于 2016 年被认定为高新技术企业。于 2019 年 11 月通过复审再次被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(7)　成都准刃科技有限公司系设立于四川省成都市的有限责任公司。公司自 2015 年起享受西部大开发的优惠政策。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(8)　富泰华精密电子(济源)有限公司系设立于河南省济源市的有限责任公司。公司于 2017 年被认定为高新技术企业。于 2020 年 9 月通过复审再次被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(9)　鸿富锦精密电子(贵阳)有限公司系设立于贵州省贵州市的有限责任公司。公司自 2018 年起享受西部大开发的优惠政策。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(10)　重庆富桂电子有限公司系设立于重庆市的有限责任公司。公司自 2018 年起享受西部大开发的优惠政策。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(11)　深圳市裕展精密科技有限公司系设立于深圳市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

四 税项(续)

(b) 税收优惠及批文(续)

(12) 晋城富泰华精密电子有限公司系设立于山西省晋城市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

(13) 河南裕展精密科技有限公司系设立于河南省郑州市的有限责任公司。公司于 2018 年被认定为高新技术企业。根据规定，高新技术企业资格期满后，需要通过相关部门复审，才能延续优惠税率政策。截止本中期财务报表批准报出日，公司尚在准备复审资料和申请中，尚未获得自 2021 年至 2023 年期间可以继续享受高新技术企业 15%优惠税率的正式批复。公司管理层估计正式批复将在 2021 年度取得。由于公司自 2018 年度至 2020 年度一直按照 15%的优惠税率预缴所得税，且未发现不符合高新技术企业资格认证条件的情况。管理层认为无法继续享受 15%优惠税率的可能性很小，因此仍然按照 15%所得税税率来计算截至 2021 年 6 月 30 日止 6 个月期间的所得税费用及 2021 年 6 月 30 日的递延所得税。

(14) 山西裕鼎精密科技有限公司系设立于山西省太原市的有限责任公司。公司于 2019 年被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(15) 深圳精匠云创科技有限公司系设立于深圳市的有限责任公司。公司于 2019 年被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

(16) 鹤壁裕展精密科技有限公司系设立于河南省鹤壁市的有限责任公司。公司于 2020 年被认定为高新技术企业。经税务机关批准，该公司截至 2021 年 6 月 30 日止 6 个月期间实际适用的企业所得税税率为 15%(截至 2020 年 6 月 30 日止 6 个月期间：15%)。

五 合并财务报表项目附注

(1) 货币资金

	2021 年 6 月 30 日	2020 年 12 月 31 日
库存现金	501	653
银行存款	87,150,834	77,342,545
其他货币资金	87,480	327,602
存款应收利息	101,025	385,802
	87,339,840	78,056,602
其中：存放在境外的款项	12,656,385	11,692,094

于 2021 年 6 月 30 日，其他货币资金 69,480 千元为本集团向银行存入并由银行向海关开具保函的保证金(2020 年 12 月 31 日：63,725 千元)，18,000 千元为本集团向银行存入用以进行远期结售汇业务的保证金 (2020 年 12 月 31 日：263,877 千元)。

上述保函保证金、结汇保证金为受限制存款。

(2) 衍生金融资产和衍生金融负债

	2021 年 6 月 30 日	2020 年 12 月 31 日
衍生金融资产—		
远期外汇合约-非套期工具(a)	91,521	467,888
远期外汇合约-套期工具(b)	6,545	-
外汇期权-套期工具(c)	147,103	-
	245,169	467,888

	2021 年 6 月 30 日	2020 年 12 月 31 日
衍生金融负债—		
远期外汇合约-套期工具(b)	(23,590)	-
外汇期权-套期工具(c)	-	-
	(23,590)	-

五 合并财务报表项目附注(续)

(2) 衍生金融资产和衍生金融负债(续)

(a) 远期外汇合约- 非套期工具

于 2021 年 6 月 30 日，衍生金融资产主要为本集团持有的远期外汇合约，其名义金额为美元 1,000,000 千元及欧元 15,000 千元(2020 年 12 月 31 日：美元 4,733,500 千元)。远期外汇合约包括根据合约确定的远期汇率与到期实际即期汇率之间的差额以净额进行结算的无本金远期外汇交易合约，以及根据合同约定未来某一时间交割一定外汇的远期购汇合约。本集团按照外汇市场公开报价折算到现值确定其公允价值。

(b) 远期外汇合约- 套期工具

于 2021 年 6 月 30 日，本集团未到期的远期外汇合约的主要信息如下：

名义金额合计	到期日范围	人民币兑美元汇率范围
卖出美元 900,000 千元	2021 年 8 月 26 日至 2021 年 10 月 28 日	6.4384 至 6.5062

截至 2021 年 6 月 30 日止 6 个月期间，本集团为管理外汇风险，将集团内记账本位币为人民币的子公司应收美元应收款指定为被套期项目，将上述购入的远期外汇合约的即期要素的价值变动指定为现金流量套期的套期工具，将远期外汇合约的远期要素的公允价值变动中与被套期项目相关部分计入其他综合收益，并在相应期间内摊销计入当期损益。套期工具和被套期项目之间存在经济关系，该等远期外汇合约与对应以美元计价的金融资产的币种、金额等主要条款相匹配。

截至 2021 年 6 月 30 日止 6 个月期间，作为现金流量套期工具的远期外汇合约，其即期要素的公允价值变动损失中的有效部分 59,240 千元计入财务费用(附注五(39))，用于抵消被套期项目对当期损益的影响(截至 2020 年 6 月 30 日止 6 个月期间：无)；远期要素的公允价值变动部分 42,194 千元计入其他综合收益，截至 2021 年 6 月 30 日止 6 个月期间，时间价值在套期关系影响损益的期间转入财务费用 19,142 千元。

五　合并财务报表项目附注(续)

(2)　衍生金融资产和衍生金融负债(续)

(c)　外汇期权 - 套期工具

于 2021 年 6 月 30 日，本集团未到期的重大外汇期权的主要信息如下：

名义金额合计	到期日范围	人民币兑美元汇率范围
卖出美元 1,448,000 千元	2021 年 7 月 30 日至 2021 年 12 月 31 日	6.5000 至 6.6000

截至 2021 年 6 月 30 日止 6 个月期间，本集团将集团内公司间很可能发生的预期交易指定为被套期项目，将上述购入的外汇期权的内在价值指定为现金流量套期工具，将外汇期权的时间价值的公允价值变动计入其他综合收益，并在相应期间内摊销计入当期损益。套期工具和被套期项目之间存在经济关系，该等外汇期权与对应货币项目、外币借款或债券的币种、金额等主要条款相匹配。

截至 2021 年 6 月 30 日止 6 个月期间，作为现金流量套期工具的外汇期权，已交割部分公允价值变动损益中的有效部分 43,630 千元计入营业收入，用于抵消被套期项目对当期损益的影响(截至 2020 年 6 月 30 日止 6 个月期间：无)，已交割部分的时间价值在套期关系影响损益的期间转入营业成本 3,757 千元；

截至 2021 年 6 月 30 日止 6 个月期间，作为现金流量套期工具的外汇期权，未交割部分的内在价值和时间价值的公允价值变动部分 29,539 千元和 14,067 千元分别计入其他综合收益-现金流量套期储备和其他综合收益-套期的时间价值部分中。

五　合并财务报表项目附注(续)

(3)　应收账款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应收账款	71,686,747	87,757,582
减：坏账准备	(752,739)	(930,087)
	70,934,008	86,827,495

(a)　应收账款账龄分析如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
一年以内	71,667,931	87,747,429
一到二年	17,209	7,589
二到三年	1,448	1,933
三年以上	159	631
	71,686,747	87,757,582

(b)　于 2021 年 6 月 30 日，按欠款方归集的余额前五名的应收账款主要系应收货款，汇总分析如下：

	余额	坏账准备金额	占应收账款余额总额比例
余额前五名的应收账款总额	48,606,124	491,845	68%

(c)　因金融资产转移而终止确认的应收账款分析如下：

于 2021 年 6 月 30 日，本集团对应收账款进行了无追索权的保理，相应终止确认的应收账款账面余额为 1,166,569 千元，坏账准备为 11,808 千元(2020 年 12 月 31 日：终止确认的应收账款账面余额为 2,126,301 千元，坏账准备为 22,326 千元)。

(d)　坏账准备

本集团对于应收账款，无论是否存在重大融资成分，均按照整个存续期的预期信用损失计量损失准备。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(3)　应收账款(续)

(d)　坏账准备(续)

(i)　于 2021 年 6 月 30 日，单项计提坏账准备的应收账款分析如下：

	账面余额	整个存续期预期信用损失率	坏账准备	理由
应收账款 1	6,459	100.00%	(6,459)	经评估，个别认定
应收账款 2	6,438	100.00%	(6,438)	经评估，个别认定
应收账款 3	2,507	100.00%	(2,507)	经评估，个别认定
应收账款 4	2,324	100.00%	(2,324)	经评估，个别认定
应收账款 5	1,014	100.00%	(1,014)	经评估，个别认定
应收账款 6	510	100.00%	(510)	经评估，个别认定
应收账款 7	415	100.00%	(415)	经评估，个别认定
应收账款 8	405	100.00%	(405)	经评估，个别认定
应收账款 9	395	100.00%	(395)	经评估，个别认定
应收账款 10	375	100.00%	(375)	经评估，个别认定
应收账款 11	364	100.00%	(364)	经评估，个别认定
应收账款 12	352	100.00%	(352)	经评估，个别认定
应收账款 13	305	100.00%	(305)	经评估，个别认定
应收账款 14	217	100.00%	(217)	经评估，个别认定
应收账款 15	212	100.00%	(212)	经评估，个别认定
应收账款 16	161	100.00%	(161)	经评估，个别认定
应收账款 17	108	100.00%	(108)	经评估，个别认定
其他	185	100.00%	(185)	经评估，个别认定
	22,746		(22,746)	

(ii)　组合计提坏账准备的应收账款分析如下：

	2021 年 6 月 30 日			2020 年 12 月 31 日		
	账面余额	坏账准备		账面余额	坏账准备	
	金额	整个存续期预期信用损失率	金额	金额	整个存续期预期信用损失率	金额
未逾期	71,096,138	1.02%	(723,452)	86,677,136	1.05%	(908,358)
逾期一年以内	566,522	1.13%	(6,376)	1,066,610	1.22%	(13,013)
逾期一到二年	1,155	8.14%	(94)	5,270	14.99%	(790)
逾期二到三年	186	38.17%	(71)	984	34.96%	(344)
	71,664,001		(729,993)	87,750,000		(922,505)

五 合并财务报表项目附注(续)

(3) 应收账款(续)

(d) 坏账准备(续)

(iii) 截至 2021 年 6 月 30 日止 6 个月期间，本集团转回的坏账准备金额为 183,449 千元，计提的坏账准备金额为 15,807 千元。(截至 2020 年 6 月 30 日止 6 个月期间：本集团计提的坏账准备金额为 294,899 千元，转回的坏账准备金额为 142,720 千元)。

(iv) 截至 2021 年 6 月 30 日止 6 个月期间，本集团实际核销的应收账款账面余额为 643 千元，坏账准备金额为 643 千元(截至 2020 年 6 月 30 日止 6 个月期间：无)。

(4) 预付款项

(a) 预付款项账龄分析如下：

	2021 年 6 月 30 日		2020 年 12 月 31 日	
	金额	占总额比例	金额	占总额比例
一年以内	237,815	100%	171,467	100%

于 2021 年 6 月 30 日，本集团无账龄超过一年的预付款项 (2020 年 12 月 31 日：无)。

(b) 于 2021 年 6 月 30 日，余额前五名的预付款项主要系预付材料款及税金，分析如下：

	与本集团关系	金额	占预付账款总额比例	预付时间	未结算原因
余额前五名的预付账款总额	第三方	152,508	64%	一年以内	未到预定的交货期

于 2020 年 12 月 31 日，余额前五名的预付款项主要系预付材料款及税金，分析如下：

	与本集团关系	金额	占预付账款总额比例	预付时间	未结算原因
余额前五名的预付账款总额	第三方	62,264	36%	一年以内	未到预定的交货期

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(5) 其他应收款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应收租金返还	288,820	-
应收关联方款项(附注七(5))	170,615	70,452
应收代付款	51,013	95,805
应收退税款	46,275	126,375
保证金	3,085	1,346
其他	116,276	126,507
	676,084	420,485
减：坏账准备	(30,180)	(24,761)
	645,904	395,724

(a) 其他应收款账龄分析如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
一年以内	629,449	367,773
一到两年	1,667	8,971
两到三年	30,083	31,481
三年以上	14,885	12,260
	676,084	420,485

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(5) 其他应收款(续)

(b) 损失准备及其账面余额变动表

	第一阶段					第三阶段		
	未来 12 个月内预期信用损失(组合)		未来 12 个月内预期信用损失(单项)		小计	整个存续期预期信用损失(已发生信用减值)		合计
	账面余额	坏账准备	账面余额	坏账准备	坏账准备	账面余额	坏账准备	坏账准备
2020 年 12 月 31 日	408,225	(12,501)	-	-	(12,501)	12,260	(12,260)	(24,761)
本期新增的款项	255,599	(3,582)	-	-	(3,582)	-	(1,837)	(5,419)
转入第三阶段	(2,625)	788	-	-	788	2,625	(788)	-
2021 年 6 月 30 日	661,199	(15,295)	-	-	(15,295)	14,885	(14,885)	(30,180)

i) 本期无由于确定预期信用损失时所采用的参数数据发生变化，而转回的坏账准备。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(5)　其他应收款(续)

(b)　损失准备及其账面余额变动表(续)

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，本集团不存在处于第二阶段的其他应收款。处于第一阶段和第三阶段的其他应收款分析如下：

(i)　于 2021 年 6 月 30 日，单项计提坏账准备的其他应收款分析如下：

	账面余额	整个存续期预期信用损失率	坏账准备	理由
第三阶段：				
其他应收款 1	9,908	100%	9,908	预期无法收回
其他	4,977	100%	4,977	预期无法收回
	14,885		14,885	

于 2020 年 12 月 31 日，单项计提坏账准备的其他应收款分析如下：

	账面余额	整个存续期预期信用损失率	坏账准备	理由
第三阶段：				
其他应收款 1	9,908	100%	(9,908)	预期无法收回
其他	2,352	100%	(2,352)	预期无法收回
	12,260		(12,260)	

(ii)　于 2021 年 6 月 30 日及 2020 年 12 月 31 日，组合计提坏账准备的其他应收款均处于第一阶段，分析如下：

	2021 年 6 月 30 日			2020 年 12 月 31 日		
	账面余额	损失准备		账面余额	损失准备	
	金额	计提比例	金额	金额	计提比例	金额
应收保证金(含押金)、应收退税款账龄组合：						
一年以内	49,360	0.00%	-	127,721	0.00%	-
其他款项账龄组合：						
一年以内	580,089	1.05%	(6,103)	240,052	0.90%	(2,160)
一到二年	1,667	10.00%	(167)	8,971	10.00%	(897)
二到三年	30,083	30.00%	(9,025)	31,481	30.00%	(9,444)
	661,199		(15,295)	408,225		(12,501)

五　合并财务报表项目附注(续)

(5)　其他应收款(续)

(c)　截至 2021 年 6 月 30 日止 6 个月期间，本集团计提的坏账准备金额为 5,419 千元，本期无转回的坏账准备(截至 2020 年 6 月 30 日止 6 个月期间：本集团计提的坏账准备金额为 1,438 千元，转回的坏账准备金额为 2,752 千元)。

(d)　截至 2021 年 6 月 30 日止 6 个月期间，无实际核销的其他应收款(截至 2020 年 6 月 30 日止 6 个月期间：无)。

(e)　于 2021 年 6 月 30 日，按欠款方归集的余额前五名的其他应收款分析如下：

	性质	余额	账龄	占其他应收款余额总额比例	坏账准备
其他应收款 1	应收租金返还	288,820	一年以内	42.72%	(2,888)
其他应收款 2	应收退税款	38,000	一年以内	5.62%	(380)
其他应收款 3	应收代垫款	30,284	一年以内	4.48%	(303)
其他应收款 4	应收股权款	29,487	二到三年	4.36%	(8,846)
其他应收款 5	其他	9,908	五年以上	1.47%	(9,908)
		396,499		58.65%	(22,325)

(f)　于2021年6月30日，本集团无按照应收金额确认的政府补助。

(6)　存货

(a)　存货分类如下：

	2021 年 6 月 30 日		
	账面余额	存货跌价准备及合同履约成本减值准备	账面价值
原材料	29,664,082	(776,822)	28,887,260
产成品	12,978,136	(369,144)	12,608,992
半成品	8,476,827	(153,033)	8,323,794
在途材料	2,458,642	-	2,458,642
发出商品	1,002,785	-	1,002,785
合同履约成本	3,180	-	3,180
	54,583,652	(1,298,999)	53,284,653

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(6)　存货(续)

(a)　存货分类如下(续)：

	2020 年 12 月 31 日		
	账面余额	存货跌价准备及合同履约成本减值准备	账面价值
原材料	23,465,984	(819,806)	22,646,178
产成品	9,833,721	(717,441)	9,116,280
半成品	8,031,375	(151,128)	7,880,247
在途材料	3,333,990	-	3,333,990
发出商品	2,340,801	-	2,340,801
合同履约成本	36,404	-	36,404
	47,042,275	(1,688,375)	45,353,900

(b)　存货跌价准备及合同履约成本减值准备分析如下：

	2020 年 12 月 31 日	本期计提	本期转销	外币报表折算差异	2021 年 6 月 30 日
原材料	(819,806)	(338,905)	376,849	5,040	(776,822)
半成品	(151,128)	(61,645)	58,856	884	(153,033)
产成品	(717,441)	(115,071)	462,699	669	(369,144)
	(1,688,375)	(515,621)	898,404	6,593	(1,298,999)

(c)　存货跌价准备情况如下：

	确定可变现净值的具体依据	本期转回或转销存货跌价准备的原因
原材料	存货的估计售价减去估计的销售费用以及相关税费后的金额确定	出售、使用或报废
半成品	所生产的产成品的估计售价减去进一步加工的成本、估计的销售费用以及相关税费后的金额确定	出售、使用或报废
产成品	存货的估计售价减去估计的销售费用以及相关税费后的金额确定	出售或报废

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(7)　其他流动资产

	2021 年 6 月 30 日	2020 年 12 月 31 日
待抵扣进项税额	2,160,576	1,781,004
待摊销模具	117,782	129,005
预缴企业所得税	71,543	70,755
	2,349,901	1,980,764

(8)　其他权益工具投资和其他非流动金融资产

(a)　其他权益工具投资

	2021 年 6 月 30 日	2020 年 12 月 31 日
权益工具投资		
-非上市公司股权	74,056	74,943

	其他权益工具投资
2020 年 12 月 31 日	74,943
—新增	-
—外币报表折算差异	(887)
2021 年 6 月 30 日	74,056

(b)　其他非流动金融资产

	2021 年 6 月 30 日	2020 年 12 月 31 日
权益工具投资		
-非上市公司股权	279,430	280,196

	其他非流动金融资产
2020 年 12 月 31 日	280,196
—新增	-
—外币报表折算差异	(766)
2021 年 6 月 30 日	279,430

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(9) 长期股权投资

	2021 年 6 月 30 日	2020 年 12 月 31 日
联营企业(a)	1,176,993	1,167,690
减：长期股权投资减值准备	-	-
	1,176,993	1,167,690

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，本集团不存在长期股权投资变现的重大限制。

(a) 联营企业

	2020 年 12 月 31 日	本期增减变动 追加投资	减少投资	按权益法调整的净损益 (附注五(44))	外币折算差异	其他综合收益调整	其他权益变动	宣告发放现金股利或利润	计提减值准备	其他	2021 年 6 月 30 日	减值准备期末余额
AMAX Engineering Corporation	121,773	-	-	8,839	(1,506)	(220)	-	-	-	-	128,886	-
随锐科技集团股份有限公司	270,352	-	-	(1,941)	-	-	24,395	-	-	-	292,806	-
北京天泽智云科技有限公司	114,475	-	-	(2,307)	-	-	-	-	-	-	112,168	-
上海东方富联科技有限公司	21,464	-	-	(9,671)	-	-	-	-	-	-	11,793	-
深圳市龙华区新一代通信与智能计算研究院	259	-	-	(134)	-	-	-	-	-	-	125	-
河南众驰富联精工科技有限公司	20,977	-	-	(2,063)	-	-	-	-	-	-	18,914	-
深圳市信润富联数字科技有限公司	58,792	-	-	(5,213)	-	-	-	-	-	-	53,579	-
鼎捷软件股份有限公司	559,598	-	-	3,121	-	-	-	(3,997)	-	-	558,722	-
	1,167,690	-	-	(9,369)	(1,506)	(220)	24,395	(3,997)	-	-	1,176,993	-

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(10) 固定资产

	房屋及建筑物	土地	机器设备	运输工具	其他设备	办公及电子设备	合计
原价							
2020 年 12 月 31 日	2,754,094	35,497	23,639,856	98,306	2,598,141	1,138,394	30,264,288
本期增加							
购置	5,339	-	1,067,724	16,373	120,497	79,939	1,289,872
在建工程转入(附注五(11))	783,815	-	52,736	118	2,871	5,776	845,316
本期减少							
处置及报废	-	-	(463,592)	(1,659)	(63,581)	(6,442)	(535,274)
外币报表折算差异	(19,129)	(653)	(2,653)	(232)	(6,520)	(4,520)	(33,707)
2021 年 6 月 30 日	3,524,119	34,844	24,294,071	112,906	2,651,408	1,213,147	31,830,495
累计折旧							
2020 年 12 月 31 日	(1,035,100)	-	(19,527,512)	(77,025)	(1,656,872)	(844,745)	(23,141,254)
本期增加							
计提	(62,693)	-	(706,326)	(3,411)	(136,169)	(63,373)	(971,972)
本期减少							
处置及报废	-	-	458,317	1,655	58,632	5,975	524,579
外币报表折算差异	5,337	-	(4,864)	118	4,386	2,521	7,498
2021 年 6 月 30 日	(1,092,456)	-	(19,780,385)	(78,663)	(1,730,023)	(899,622)	(23,581,149)
减值准备							
2020 年 12 月 31 日及 2021 年 6 月 30 日	-	-	-	-	-	-	-
账面价值							
2021 年 6 月 30 日	2,431,663	34,844	4,513,686	34,243	921,385	313,525	8,249,346
2020 年 12 月 31 日	1,718,994	35,497	4,112,344	21,281	941,269	293,649	7,123,034

五　合并财务报表项目附注(续)

(10) 固定资产(续)

截至 2021 年 6 月 30 日止 6 个月期间，固定资产计提的折旧金额为 971,972 千元(截至 2020 年 6 月 30 日止 6 个月期间：1,083,786 千元)，其中计入营业成本、销售费用、管理费用及研发费用的折旧费用分别为 750,428 千元，1,743 千元，38,968 千元和 180,833 千元(截至 2020 年 6 月 30 日止 6 个月期间：714,482 千元，1,695 千元，218,665 千元和 148,944 千元)。

于 2021 年 6 月 30 日，本集团约有 70%以上(2020 年 12 月 31 日：74%以上)的固定资产及在建工程位于中国境内地区。

(a) 未办妥产权证书的固定资产：

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，未办妥产权证书的固定资产具体分析如下：

	2021 年 6 月 30 日 账面价值	2020 年 12 月 31 日 账面价值
房屋及建筑物	135,591	291,215

截至 2021 年 6 月 30 日，上述房屋及建筑物的产权证书尚在办理中。

(11) 在建工程

	2021 年 6 月 30 日		
	账面余额	减值准备	账面价值
通信及移动网络设备	895,108	-	895,108
云计算	27,300	-	27,300
工业互联网	17,937	-	17,937
	940,345	-	940,345

	2020 年 12 月 31 日		
	账面余额	减值准备	账面价值
通信及移动网络设备	619,579	-	619,579
云计算	7,292	-	7,292
工业互联网	16,950	-	16,950
	643,821	-	643,821

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(11) 在建工程(续)

(a) 在建工程项目变动

工程名称	2020 年 12 月 31 日	本期增加	本期转入固定资产 (附注五(10))	本期转入长期待摊费用	外币报表折算差异	2021 年 6 月 30 日	借款费用资本化累计金额	其中：本期借款费用资本化金额	本期借款费用资本化率	资金来源
通信及移动网络设备	619,579	481,197	(194,489)	(7,268)	(3,911)	895,108	-	-	-	自有资金
云计算	7,292	670,765	(650,225)	(452)	(80)	27,300	-	-	-	自有资金
工业互联网	16,950	1,589	(602)	-	-	17,937	-	-	-	自有资金
合计	643,821	1,153,551	(845,316)	(7,720)	(3,991)	940,345	-	-	-	

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(12)　使用权资产

	房屋及建筑物	机器设备	运输工具	合计
原价				
2020 年 12 月 31 日	—	—	—	—
会计政策变更	2,247,010	57,077	4,542	2,308,629
2021 年 1 月 1 日	2,247,010	57,077	4,542	2,308,629
本期增加				
新增租赁合同	652,473	-	1,732	654,205
租赁变更	119,341	-	-	119,341
外币报表折算差异	1,376	(151)	(23)	1,202
2021 年 6 月 30 日	3,020,200	56,926	6,251	3,083,377
累计折旧				
2020 年 12 月 31 日	—	—	—	—
会计政策变更	-	-	-	-
2021 年 1 月 1 日	-	-	-	-
本期增加				
计提	(630,036)	(22,943)	(1,692)	(654,671)
外币报表折算差	(710)	37	2	(671)
2021 年 6 月 30 日	(630,746)	(22,906)	(1,690)	(655,342)
减值准备				
2020 年 12 月 31 日	—	—	—	—
会计政策变更	-	-	-	-
2021 年 1 月 1 日	-	-	-	-
2021 年 6 月 30 日	-	-	-	-
账面价值				
2021 年 6 月 30 日	2,389,454	34,020	4,561	2,428,035
2020 年 12 月 31 日	—	—	—	—

五　合并财务报表项目附注(续)

(13) 无形资产

	土地使用权	软件	商标	专利权	合计
原价					
2020 年 12 月 31 日	355,546	189,811	24,183	45,597	615,137
本期增加					
购置	-	15,165	-	813	15,978
本期减少					
处置	-	(769)	-	-	(769)
外币报表折算差异	(2,224)	(1,479)	(3)	(162)	(3,868)
2021 年 6 月 30 日	353,322	202,728	24,180	46,248	626,478
累计摊销					
2020 年 12 月 31 日	(44,811)	(153,136)	(1,473)	(10,400)	(209,820)
本期增加					
计提	(4,356)	(8,582)	(1,549)	(3,766)	(18,253)
本期减少					
处置	-	769	-	-	769
外币报表折算差异	139	1,139	3	52	1,333
2021 年 6 月 30 日	(49,028)	(159,810)	(3,019)	(14,114)	(225,971)
减值准备					
2020 年 12 月 31 日及 2021 年 6 月 30 日	-	-	-	-	-
账面价值					
2021 年 6 月 30 日	304,294	42,918	21,161	32,134	400,507
2020 年 12 月 31 日	310,735	36,675	22,710	35,197	405,317

截至 2021 年 6 月 30 日止 6 个月期间无形资产的摊销金额为 18,253 千元(截至 2020 年 6 月 30 日止 6 个月期间：23,124 千元)。

(14) 长期待摊费用

	2020 年 12 月 31 日	本期增加	本期摊销	外币报表折算差异	2021 年 6 月 30 日
使用权资产改良支出(i)	916,603	264,266	(184,078)	(440)	996,351
其他	19,125	-	(19,125)	-	-
	935,728	264,266	(203,203)	(440)	996,351

(i) 使用权资产改良支出主要系本集团对租入厂房的装修支出和租入设备改造支出。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(15) 递延所得税资产和递延所得税负债

(a) 未经抵销的递延所得税资产

	2021 年 6 月 30 日		2020 年 12 月 31 日	
	可抵扣暂时性差异及可抵扣亏损	递延所得税资产	可抵扣暂时性差异及可抵扣亏损	递延所得税资产
可抵扣亏损	1,756,624	325,124	547,200	137,162
固定资产折旧	1,276,696	190,389	1,522,662	239,315
存货跌价准备	1,162,372	191,284	1,688,375	283,643
应付职工薪酬	812,505	133,206	1,046,695	170,195
坏账准备	782,509	138,426	954,848	163,081
预提费用	775,386	121,266	1,036,107	170,698
股权激励	546,542	87,082	648,812	111,230
抵消内部未实现利润	324,808	57,379	224,475	40,551
递延收益	273,095	60,892	273,307	61,331
未实现汇兑损失	49,923	9,985	49,428	9,886
衍生金融资产公允价变动	36,172	5,426	-	-
租赁费用	13,433	2,015	-	-
	7,810,065	1,322,474	7,991,909	1,387,092
其中：				
预计 1 年内(含 1 年)转回的金额		1,022,663		1,053,922
预计 1 年后转回的金额		299,811		333,170
		1,322,474		1,387,092

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(15) 递延所得税资产和递延所得税负债(续)

(b) 未经抵销的递延所得税负债

	2021 年 6 月 30 日		2020 年 12 月 31 日	
	应纳税暂时性差异	递延所得税负债	应纳税暂时性差异	递延所得税负债
固定资产折旧	720,108	150,160	743,543	155,918
衍生金融资产公允价值变动	133,744	20,073	434,361	69,869
暂估利息收入	122,288	25,258	467,574	104,961
非同一控制企业合并形成的被合并方可辨认资产公允价值与账面价值的差异	22,688	5,672	25,647	6,412
其他	293	85	288	86
	999,121	201,248	1,671,413	337,246

	2021 年 6 月 30 日 递延所得税负债	2020 年 12 月 31 日 递延所得税负债
其中：		
预计 1 年内(含 1 年)转回的金额	63,033	192,900
预计 1 年后转回的金额	138,215	144,346
	201,248	337,246

(c) 本集团未确认递延所得税资产的可抵扣暂时性差异及可抵扣亏损分析如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
可抵扣暂时性差异	323,590	-
可抵扣亏损	1,274,426	364,973
	1,598,016	364,973

(d) 未确认递延所得税资产的可抵扣亏损将于以下年度到期：

	2021 年 6 月 30 日	2020 年 12 月 31 日
2025 年	416,986	-
2026 年	332,063	-
无到期日的可抵扣亏损	525,377	364,973
	1,274,426	364,973

五　合并财务报表项目附注(续)

(15) 递延所得税资产和递延所得税负债(续)

(e) 未确认递延所得税负债的应纳税暂时性差异

对于其他境外子公司累计未分配利润可能产生的纳税影响，由于本集团能够自主决定其股利分配政策且在可预见的未来没有股利分配的计划，亦没有处置该等子公司的意图，故本集团未就该应纳税暂时性差异 9,169,952 千元(2020 年 12 月 31 日：7,842,972 千元)确认递延所得税负债。

(f) 抵销后的递延所得税资产和递延所得税负债净额列示如下：

	2021 年 6 月 30 日		2020 年 12 月 31 日	
	互抵金额	抵销后余额	互抵金额	抵销后余额
递延所得税资产	(152,084)	1,170,390	(198,049)	1,189,043
递延所得税负债	152,084	49,164	198,049	139,197

(16) 资产减值准备

	2020 年 12 月 31 日	本期计提/(转回)	本期转销	外币折算差异	2021 年 6 月 30 日
存货跌价准备	1,688,375	515,621	(898,404)	(6,593)	1,298,999
坏账准备	954,848	(162,223)	(643)	(9,063)	782,919
其中：应收账款	930,087	(167,642)	(643)	(9,063)	752,739
其他应收款	24,761	5,419	-	-	30,180
	2,643,223	353,398	(899,047)	(15,656)	2,081,918

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(17)　短期借款

	币种	2021 年 6 月 30 日	2020 年 12 月 31 日
信用借款	美元	42,914,222	41,259,162
	新台币	1,135,846	1,226,523
	人民币	730,000	900,000
	捷克克朗	511,690	508,508
	欧元	99,560	283,508
应付利息	人民币	36,084	30,282
	美元	8,927	13,423
	新台币	855	1,528
		45,437,184	44,222,934

(a)　截至 2021 年 6 月 30 日止 6 个月期间，人民币短期借款的利率区间为 2.60%至 3.40%，非人民币短期借款的利率区间为 0.31%至 1.51%。

截至 2020 年 6 月 30 日止 6 个月期间，人民币短期借款的利率区间为 2.60%至 3.95%，非人民币短期借款的利率区间为 0.54%至 4.25%。

(18)　应付票据

	2021 年 6 月 30 日	2020 年 12 月 31 日
银行承兑汇票	100,000	100,000

五　合并财务报表项目附注(续)

(19) 应付账款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应付账款	55,110,567	62,144,793

于 2021 年 6 月 30 日，账龄超过一年的应付账款为 36,719 千元(2020 年 12 月 31 日：48,631 千元)，主要为应付材料款，由于材料质量问题有争议，该款项尚未进行最后清算。

(20) 合同负债

	2021 年 6 月 30 日	2020 年 12 月 31 日
预收货款	89,880	92,552
预收劳务费	3,551	5,043
	93,431	97,595

于 2021 年 1 月 1 日，本集团合同负债的余额为 97,595 千元，其中 34,492 千元已于截至 2021 年 6 月 30 日的 6 个月期间转入营业收入。

(21) 应付职工薪酬

	2021 年 6 月 30 日	2020 年 12 月 31 日
应付短期薪酬(a)	4,404,156	5,037,069
应付设定提存计划(b)	100,629	69,504
	4,504,785	5,106,573

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(21) 应付职工薪酬(续)

(a) 短期薪酬

	2020 年 12 月 31 日	本期增加	本期减少	外币折算差异	2021 年 6 月 30 日
工资、奖金、津贴和补贴	4,781,657	9,613,014	(10,265,742)	(7,439)	4,121,490
职工福利费	34,783	98,812	(86,881)	(146)	46,568
社会保险费	26,974	338,632	(331,147)	(2)	34,457
其中：医疗保险费	16,434	303,299	(294,743)	(2)	24,988
工伤保险费	5,085	23,461	(24,983)	-	3,563
生育保险费	5,455	11,872	(11,421)	-	5,906
住房公积金	30,271	196,826	(199,493)	(45)	27,559
工会经费和职工教育经费	109,363	122,780	(115,901)	(9)	116,233
海外社保	54,021	111,927	(107,941)	(158)	57,849
	5,037,069	10,481,991	(11,107,105)	(7,799)	4,404,156

(b) 设定提存计划

	2020 年 12 月 31 日	本期增加	本期减少	外币折算差异	2021 年 6 月 30 日
基本养老保险	40,290	581,415	(553,385)	39	68,359
失业保险费	5,332	24,916	(23,547)	-	6,701
海外退休金	23,882	5,856	(3,165)	(1,004)	25,569
	69,504	612,187	(580,097)	(965)	100,629

(22) 应交税费

	2021 年 6 月 30 日	2020 年 12 月 31 日
应交企业所得税	845,722	1,682,659
应交增值税	353,879	177,698
应交城市维护建设税	12,718	46,575
应交教育费附加	9,084	30,760
应交个人所得税	8,221	12,737
其他	16,467	17,155
	1,246,091	1,967,584

五　合并财务报表项目附注(续)

(23)　其他应付款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应付关联方款项(附注七(5))		
-应付关联方股利	4,175,427	-
-应付劳务、固定资产、商标使用权费等	1,739,419	1,846,146
-重组业务的合并成本(i)	-	59,022
保证金	1,140,211	505,998
应付第三方股利	763,494	-
限制性股票回购义务(附注五(50))	553,360	789,056
预收代购设备款	435,968	686,193
应付维护修缮费	319,571	410,427
代收代垫款项	229,710	116,426
应付工程设备款	202,753	496,665
应付租金	162,815	134,857
应付模具费用	105,449	200,581
应付技术使用费	105,958	188,702
应付限制性股票股利	62,088	44,590
暂收款	39,459	21,835
其他	1,090,145	872,412
	11,125,827	6,372,910

于 2021 年 6 月 30 日，账龄超过一年的其他应付款为 427,722 千元，主要系保证金和应付关联方款项(2020 年 12 月 31 日：273,069 千元，主要系应付重组业务的合并成本和应付关联方款项)。

(i)　应付重组业务的合并成本

根据重组方案，本公司通过支付现金方式收购的重组资产包括若干境内外公司股权及境内外重组业务相关的经营性资产(主要包括生产经营设备、模具及存货等)。

于 2017 年 12 月 31 日(重组完成日)，根据重组方案和签署的股权及资产转让协议，就合并对价确认应付鸿海精密及其子公司(含税)合计人民币 22,954,739 千元，并按照同一控制下企业合并的规定将合并对价(不含税)折合人民币 22,001,858 千元冲减股东权益。于 2021 年 6 月 30 日，本集团已支付所有重组业务的合并成本。

五 合并财务报表项目附注(续)

(24) 其他流动负债

	2021 年 6 月 30 日	2020 年 12 月 31 日
应付短期票券(i)	185,486	275,438
预计将于一年内支付的产品质量保证(附注五(28))	176,487	228,301
其他	17,681	8,757
	379,654	512,496

(i) 本集团之子公司于 2021 年 6 月 2 日折价发行面值金额为新台币 400,000 千元(折合人民币 92,760 千元)的短期票券，发行价格为 9998.89 元/每万元。该短期票券期限为 29 天，发行利率为 0.848%。该短期票券已展期，将于 2021 年 7 月到期偿还。

本集团之子公司于 2021 年 6 月 25 日折价发行面值金额为新台币 200,000 千元(折合人民币 46,380 千元)的短期票券，发行价格为 9996.22 元/每万元。该短期票券期限为 28 天，发行利率为 0.848%。该短期票券已于 2021 年 7 月到期偿还。

本集团之子公司于 2021 年 6 月 25 日折价发行面值金额为新台币 200,000 千元(折合人民币 46,360 千元)的短期票券，发行价格为 9996.22 元/每万元。该短期票券期限为 28 天，发行利率为 0.848%。该短期票券已于 2021 年 7 月到期偿还。

五 合并财务报表项目附注(续)

(25) 长期借款

	2021 年 6 月 30 日	2020 年 12 月 31 日
保证借款(a)	3,875,789	-
抵押借款(b)	384	552
	3,876,173	552
减：一年内到期的长期借款	(329)	(327)
	3,875,844	225

(a) 于 2021 年 6 月 30 日，银行保证借款美元 600,000 千元(折合人民币 3,875,789 千元)系本公司全资子公司 Cloud Network Technology Singapore Pte. Ltd.之借款，由本公司提供担保，利息每 3 个月支付一次，本金应于 2023 年 11 月 24 日偿还。

(b) 于 2021 年 6 月 30 日，银行抵押借款 384 千元(2020 年 12 月 31 日：552 千元)系由账面价值为 383 千元(原价 1,542 千元)的固定资产作抵押，利息每月支付一次，本金应于借款日起 5 年内分期偿还，并于 2022 年 8 月 15 日偿还完成。

(c) 于 2021 年 6 月 30 日，长期借款的利率区间为 1.35%至 3.47%(2020 年 12 月 31 日：3.47%)。

(26) 租赁负债

	2021 年 6 月 30 日	2020 年 12 月 31 日
租赁负债	2,351,605	—
减：一年内到期的非流动负债	(1,022,735)	—
	1,328,870	—

(a) 于 2021 年 6 月 30 日，本集团未纳入租赁负债，但将导致未来潜在现金流出的事项包括：

(i)于 2021 年 6 月 30 日，本集团已签订但尚未开始执行的租赁合同相关的租赁付款额为 38,108 千 元(2020 年 12 月 31 日：无) (附注十一(3)) 。

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(27) 递延收益

	2020 年 12 月 31 日	本期增加	本期减少	2021 年 6 月 30 日
政府补助	273,307	41,486	(41,698)	273,095

政府补助项目	2020 年 12 月 31 日	本期新增补助金额	本期计入其他收益金额 (附注五(43))	本期其他变动	2021 年 6 月 30 日	与资产相关/与收益相关
企业扶持资金	113,061	1,298	(1,296)	-	113,063	与收益相关
科技研发补助	50,236	2,190	(1,399)	(12,500)	38,527	与资产相关
技术改造补助	56,923	-	(6,913)	-	50,010	与资产相关
研发项目补贴	53,087	37,998	(19,590)	-	71,495	与收益相关
	273,307	41,486	(29,198)	(12,500)	273,095	

(28) 预计负债

	2020 年 12 月 31 日	本期增加	本期减少	2021 年 6 月 30 日
产品质量保证	763,606	25,819	(58,315)	731,110
减：预计将于一年内支付的预计负债 (附注五(24))	(228,301)			(176,487)
	535,305			554,623

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(29) 股本

	2020 年 12 月 31 日	本期增减变动(附注一) 发行新股(ii)	送股	公积金转股	其他(iii)	小计	2021 年 6 月 30 日
人民币普通股	19,870,646	2,048	-	-	(2,428)	(380)	19,870,266

	2019 年 12 月 31 日	本期增减变动(附注一) 发行新股(i)	送股	公积金转股	其他	小计	2020 年 6 月 30 日
人民币普通股	19,854,832	17,271	-	-	-	17,271	19,872,103

(i) 本公司根据《激励计划(草案修订稿)》的相关规定和本公司2019年第一次临时股东大会授权，于2019年12月31日召开董事会审议通过《关于向公司2019年股票期权与限制性股票激励计划激励对象授予剩余部分预留权益的议案》，拟向474名限制性股票激励对象授予18,881,226股限制性股票(A股)，授予价格为每股人民币5.901元，拟向20名激励对象授予6,013,755份股票期权。本公司实际收到428名认购人出资款合计为人民币100,973千元，其中增加股本17,111千元，增加资本公积人民币83,861千元。本次股本变动已由普华永道中天会计师事务所(特殊普通合伙)予以验证，并出具了普华永道中天验字(2020)第0305号验资报告。

于截至2020年6月30日止6个月期间，因股票期权激励对象行权，本公司收到股权款人民币1,904千元，增加注册资本及股本人民币160千元，增加资本公积人民币1,744千元。

五　合并财务报表项目附注(续)

(29) 股本(续)

(ii) 截至 2021 年 6 月 30 日止 6 个月期间，因股票期权激励对象行权，增加注册资本及股本人民币 2,048 千元，增加资本公积人民币 21,953 千元。于截至 2021 年 6 月 30 日止 6 个月期间，本公司收到行权股权款人民币 23,446 千元，另有人民币 555 千元于 2021 年 7 月收到。

(iii) 于截至 2021 年 6 月 30 日止 6 个月期间，因限制性股票注销，减少注册资本及股本人民币 2,428 千元，减少资本公积人民币 12,181 千元，上述注销为本公司于 2020 年 9 月 11 日公告回购的限制性股票 2,427,240 股，该回购款项 14,608 千元已于 2020 年支付。截至 2021 年 6 月 30 日止 6 个月期间，因限制性股票激励对象离职或未达到个人考核指标，本公司回购限制性股票而支付股权人民币 18,661 千元，其中包含公司于 2020 年 12 月 31 日公告回购的 1,644,660 股(金额 9,830 千元)和于 2021 年 4 月 30 日公告回购的 1,473,216 股(金额 8,831 千元)，截至 2021 年 6 月 30 日，上述回购尚未完成办理减少股本注销登记手续。

(30) 资本公积

	2020 年 12 月 31 日	本期增加	本期重分类	本期减少	2021 年 6 月 30 日
股本溢价					
- 发行新股(附注五(29))	25,952,677	21,953	315,599	(12,181)	26,278,048
其他资本公积					
- 其他(附注五(9)、附注五(50))	1,805,363	327,820	(315,599)	-	1,817,584
	27,758,040	349,773	-	(12,181)	28,095,632

	2019 年 12 月 31 日	本期增加	本期重分类	本期减少	2020 年 6 月 30 日
股本溢价					
- 发行新股(附注五(29))	25,548,018	85,605	274,104	-	25,907,727
其他资本公积					
- 其他(附注五(9)、附注五(50))	1,144,231	507,905	(274,104)	-	1,378,032
	26,692,249	593,510	-	-	27,285,759

五　合并财务报表项目附注(续)

(31) 盈余公积

	2020 年 12 月 31 日	本期提取	本期减少	2021 年 6 月 30 日
法定盈余公积金	1,437,435	-	-	1,437,435

	2019 年 12 月 31 日	本期提取	本期减少	2020 年 6 月 30 日
法定盈余公积金	740,214	-	-	740,214

(a) 于 2021 年 1 月 1 日，首次执行新租赁准则未调整盈余公积(附注三(28))。

(32) 未分配利润

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
期初未分配利润	55,070,045	42,306,789
加：本期归属于母公司股东的净利润	6,726,636	5,040,890
减：普通股股利(a)	(4,966,790)	(3,974,421)
加：限制性股票之可撤销现金股利	3,642	2,878
期末未分配利润	56,833,533	43,376,136

(a) 根据 2021 年 6 月 8 日的股东大会决议和 2021 年 7 月 20 日的 2020 年度权益分派实施公告，本公司向全体股东每 10 股派发现金红利 2.5 元(含税)，按照股权登记日当日已发行股份 19,867,159,541 股计算，共计人民币 4,966,790 千元(含税)。

根据 2020 年 5 月 28 日的股东大会决议和 2020 年 6 月 20 日的 2019 年度权益分派实施公告，本公司向全体股东每 10 股派发现金红利 2.0 元(含税)，按照股权登记日当日已发行股份 19,872,102,687 股计算，共计人民币 3,974,421 千元(含税)。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(33) 少数股东权益

归属于各子公司少数股东的少数股东权益

	2021 年 6 月 30 日	2020 年 12 月 31 日
鸿富锦精密电子(贵阳)有限公司	55,938	50,060
工业富联佛山智造谷有限公司	50,616	49,267
深圳市富联凌云光科技有限公司	48,802	49,085
晋城富士康智能制造职业培训学校有限公司	43,037	44,146
晋城鸿硕智能科技有限公司	37,665	38,130
工业富联衡阳智造谷有限公司	17,509	19,180
深圳富联智能制造产业创新中心有限公司	17,641	19,232
LEAPSY INTERNATIONAL LTD	10,683	9,316
富华科精密工业(深圳)有限公司	2,295	5,294
广西富梦创新科技有限责任公司	3,316	3,549
其他	3,511	890
	291,013	288,149

(34) 营业收入和营业成本

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
主营业务收入	195,421,981	176,134,564
其他业务收入	607,996	519,701
	196,029,977	176,654,265

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
主营业务成本	(180,333,410)	(163,546,203)
其他业务成本	(410,894)	(357,521)
	(180,744,304)	(163,903,724)

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(34) 营业收入和营业成本(续)

截至 2021 年 6 月 30 日止 6 个月期间，本集团前两大客户的单个营业收入均占集团总收入的 10%以上，上述两大客户合计营业收入约占集团总收入的 42%以上(截至 2020 年 6 月 30 日止 6 个月期间，本集团前三大客户的单个营业收入均占集团总收入的 10%以上，上述三大客户合计营业收入约占集团总收入的 45%以上。)

(a) 主营业务收入和主营业务成本

	截至 2021 年 6 月 30 日止 6 个月期间		截至 2020 年 6 月 30 日止 6 个月期间	
	主营业务收入	主营业务成本	主营业务收入	主营业务成本
通信及移动网络设备	112,718,207	(101,579,132)	96,346,425	(87,417,807)
云计算	82,332,703	(78,508,534)	79,535,169	(75,974,941)
工业互联网	371,071	(245,744)	252,970	(153,455)
	195,421,981	(180,333,410)	176,134,564	(163,546,203)

(b) 其他业务收入和其他业务成本

	截至 2021 年 6 月 30 日止 6 个月期间		截至 2020 年 6 月 30 日止 6 个月期间	
	其他业务收入	其他业务成本	其他业务收入	其他业务成本
销售材料及废料	326,213	(218,670)	147,474	(100,283)
服务收入	172,248	(139,521)	176,806	(151,995)
租金收入	104,849	(48,231)	92,950	(42,545)
其他	4,686	(4,472)	102,471	(62,698)
	607,996	(410,894)	519,701	(357,521)

(c) 本集团营业收入分解如下：

	截至 2021 年 6 月 30 日止 6 个月期间				
	通信及移动网络设备	云计算	工业互联网	其他	合计
主营业务收入	112,718,207	82,332,703	371,071	-	195,421,981
其中：在某一时点确认	112,718,207	82,332,703	371,071	-	195,421,981
其他业务收入	420,508	68,851	-	118,637	607,996
	113,138,715	82,401,554	371,071	118,637	196,029,977

(i) 于 2021 年 6 月 30 日，本公司已签订合同、但尚未履行或尚未履行完毕的履约义务所对应的收入，本公司预计将均于 2021 年度确认收入。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(35) 税金及附加

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
城市维护建设税	133,210	127,481
教育费附加	82,483	76,813
印花税	73,677	51,732
房产税	10,010	10,679
其他	16,971	14,764
	316,351	281,469

(36) 销售费用

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
物流费用	558,224	559,187
职工薪酬	204,512	145,293
包装费	56,179	33,138
租赁及仓储费	35,332	33,898
售后服务费	17,103	9,009
销售服务费	2,624	2,829
其他	7,525	56,593
	881,499	839,947

五　合并财务报表项目附注(续)

(37)　管理费用

	截至 2021 年 6 月 30 日 止 6 个月期间	截至 2020 年 6 月 30 日 止 6 个月期间
职工薪酬	1,317,811	1,605,209
管理服务费	262,739	155,373
使用权资产折旧	84,980	—
折旧及摊销	49,420	239,722
修理费	39,104	40,876
能源费	33,199	32,017
租赁费	15,596	196,189
环境保护费	14,305	12,998
保险费	6,947	16,946
其他	118,915	221,793
	1,943,016	2,521,123

截至 2021 年 6 月 30 日止 6 个月期间，本集团将因响应国家和地方相关防疫政策、员工无法按时返岗而暂停营业、延迟开工等原因造成的停工损失 72,508 千元计入管理费用(截至 2020 年 6 月 30 日止 6 个月期间：960,349 千元)，其中包括职工薪酬 55,602 千元，折旧及摊销 12,633 千元和租赁费 4,273 千元(截至 2020 年 6 月 30 日止 6 个月期间包括职工薪酬 673,709 千元、折旧及摊销 181,968 千元和租赁费 104,672 千元)。

(38)　研发费用

	截至 2021 年 6 月 30 日 止 6 个月期间	截至 2020 年 6 月 30 日 止 6 个月期间
职工薪酬	2,686,147	1,670,914
物料消耗费	1,377,375	863,012
技术服务费	569,714	714,086
折旧和摊销	205,100	158,846
修理费	149,356	98,922
租赁费	31,064	46,124
使用权资产折旧	25,739	—
其他	188,690	164,803
	5,233,185	3,716,707

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(39)　财务收入-净额

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
借款利息支出	250,457	333,183
加：租赁负债利息支出	47,785	—
减：资本化利息	-	-
利息费用	298,242	333,183
减：利息收入	(867,232)	(854,816)
汇兑损失/(收益)	440,965	(226,286)
其中：被套期项目汇兑收益	(59,240)	—
套期工具有效套期部分	59,240	—
时间价值摊销	(19,142)	—
其他外币项目汇兑净损失	460,107	(226,286)
其他	6,806	5,140
	(121,219)	(742,779)

五 合并财务报表项目附注(续)

(40) 费用按性质分类

利润表中的营业成本、销售费用、研发费用和管理费用按照性质分类，列示如下：

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
产成品、发出商品及在产品存货变动	(2,251,851)	(1,434,988)
耗用的原材料、模治具、低值易耗品和加工费等低值易耗品等	173,167,186	157,614,697
职工薪酬	11,401,557	9,030,925
折旧和摊销	1,193,428	1,209,171
管理服务费	1,180,702	1,118,079
物流费用	1,148,549	875,112
能源费	919,349	673,729
修理费	729,703	385,559
使用权资产折旧费	654,671	—
安保服务费	120,246	104,832
环境保护费	98,479	64,060
租赁及仓储费(i)	7,624	872,460
其他	432,361	467,865
	188,802,004	170,981,501

(i) 本公司之子公司于 2021 年 2 月与出租人约定，由出租人依据仲裁委确定的正式租金标准，向本公司之子公司退回以前年度多支付的租金 268,941 千元，冲抵本期租赁费。

如附注三(24)所述，本集团将短期租赁和低价值租赁的租金支出直接计入当期损益，截至 2021 年 6 月 30 日止 6 个月期间的金额为 276,565 千元。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(41) 信用减值转回/(损失)

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
应收账款坏账转回/(计提)	(167,642)	152,179
其他应收款坏账计提/(转回)	5,419	(1,314)
	(162,223)	150,865

(42) 资产减值损失

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
存货跌价损失及合同履约成本减值损失	515,621	644,743

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(43) 其他收益

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间	与资产相关/与收益相关
企业扶持资金	266,495	268,328	与收益相关
研发项目补贴(附注五(27))	19,590	8,502	与收益相关
出口增量补贴	5,500	11,677	与收益相关
科技研发补助(附注五(27))	1,399	-	与资产相关
技术改造补贴(附注五(27))	6,913	2,535	与资产相关
其他	55,955	126,900	与收益相关
	355,852	417,942	

(44) 投资收益

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
处置衍生金融资产(负债)产生的投资收益	853,678	81,596
权益法核算的长期股权投资(损失)/收益(附注五(9))	(9,369)	993
其他非流动金融资产持有期间取得的投资收益(附注五(8(b)))	800	-
	845,109	82,589

本集团不存在投资收益汇回的重大限制。

(45) 公允价值变动损失

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
外汇远期合约	(375,457)	(164,957)

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(46)　资产处置收益

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
非流动资产处置利得	28,113	21,936
其中：固定资产处置利得	28,113	21,936
非流动资产处置损失	(13,794)	(19,448)
其中：固定资产处置损失	(13,794)	(19,448)
	14,319	2,488

(47)　营业外收入及营业外支出

(a)　营业外收入

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
违约金补偿收入	5,540	11,102
保险赔偿收入	4,260	26,320
其他	21,015	13,487
	30,815	50,909

(b)　营业外支出

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
非流动资产报废损失	6,053	852
对外捐赠	2,367	26,486
罚款及滞纳金	165	7,819
其他	2,158	3,751
	10,743	38,908

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(48) 所得税费用

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
按税法及相关规定计算的当期所得税	897,016	723,254
递延所得税	(83,224)	(74,438)
	813,792	648,816

将合并利润表的利润总额调节为所得税费用：

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
利润总额	7,539,338	5,688,529
按本公司适用法定税率计算的所得税	1,884,835	1,422,132
税率差异的影响	(757,382)	(593,133)
研发费用加计扣除	(511,756)	(262,817)
所得税汇算清缴差异	(36,723)	(34,440)
残疾人员费用加计扣除	(4,944)	(4,243)
不得扣除的成本、费用和损失	29,332	69,665
当期未确认递延所得税资产的可抵扣暂时性差异和可抵扣亏损	210,430	51,652
所得税费用	813,792	648,816

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(49) 其他综合收益

	资产负债表中其他综合损益			截至2021年6月30日止6个月期间				
	2020年12月31日	税后归属于母公司	2021年6月30日	本期所得税前发生额	减：计入其他综合收益本期转出	减：所得税费用	税后归属于母公司	税后归属于少数股东
不能重分类进损益的其他综合收益								
其他权益工具投资公允价值变动	(37,760)	-	(37,760)	-	-	-	-	-
将重分类进损益的其他综合收益								
权益法下可转损益的其他综合收益	(1,296)	(220)	(1,516)	(220)	-	-	(220)	-
现金流量套期储备	—	20,457	20,457	(73,330)	102,869	(9,082)	20,457	—
套期的时间价值部分	—	6,223	6,223	24,370	(15,385)	(2,762)	6,223	—
外币报表折算差额	463,970	(424,787)	39,183	(424,787)	-	-	(424,787)	-
	424,914	(398,327)	26,587	(473,967)	87,484	(11,844)	(398,327)	-

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(49)　其他综合收益(续)

	资产负债表中其他综合损益			截至2020年6月30日止6个月期间				
	2019年12月31日	税后归属于母公司	2020年6月30日	本期所得税前发生额	减：前期计入其他综合收益本期转出	减：所得税费用	税后归属于母公司	税后归属于少数股东
不能重分类进损益的其他综合收益								
其他权益工具投资公允价值变动	(37,760)	-	(37,760)	-	-	-	-	-
将重分类进损益的其他综合收益								
权益法下可转损益的其他综合收益	(307)	281	(26)	281	-	-	281	-
外币报表折算差额	666,811	44,219	711,030	44,219	-	-	44,219	-
	628,744	44,500	673,244	44,500	-	-	44,500	-

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(50)　股份支付

以权益结算的股份支付

(a)　限制性股票激励计划概况

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
期初发行在外的限制性股票(股)	283,240,643	400,884,283
本期授予的限制性股票总额(股)	-	17,111,096
本期解除限售的限制性股票总额(股)	(41,821,195)	(29,108,303)
减：本期失效的限制性股票总额(股)	(4,121,181)	(4,191,958)
期末发行在外的限制性股票(股)	237,298,267	384,695,118
期末确认的金融负债	553,360	815,703
期末确认的库存股	580,529	840,969
本期股份支付费用	287,413	470,088
累计股份支付费用	2,278,698	1,551,840

(i)　经2017年12月6日第一届董事会第二次会议决议及2017年第二次临时股东大会决议批准，本集团部分员工于重组完成日(2017年12月31日)，透过若干有限合伙企业，合计间接持有本公司1.4625%的发行在外的人民币普通股259,240,433股。该等人民币普通股存在限制性条件(“附条件权益工具”)，员工在上述有限合伙协议中约定的服务期满后方可解锁。

于授予日，上述附条件权益工具的公允价值为2,143,141千元。该公允价值由具有相应资质的专业机构采用估值技术评估得出。附条件权益工具公允价值和员工取得权益工具所支付对价之间的差异，将在自授予日起约3-5年不等的服务期内摊销。

结合员工离职及绩效考核情况，截至2021年6月30日止6个月期间，本集团解除上述附条权权益工具限售8,346,133股。

截至2021年6月30日止6个月期间，因上述股份支付而确认的费用金额为110,019千元(截至2020年6月30日止6个月期间:160,282千元)，计入资本公积的金额为110,019千元(截至2020年6月30日止6个月期间:160,282千元)。

(ii)　本公司根据《激励计划(草案修订稿)》的相关规定和本公司2019年第一次临时股东大会授权，于2019年4月30日召开董事会审议通过首次授予计划，向3,893名拟激励对象授予149,183,352股限制性人民币普通股，授予价格为每股人民币6.03元，收到出资款合计为人民币899,576千元，本公司同时就限制性股票的回购义务确认负债人民币899,576千元，做收购库存股处理。员工入股价低于授予日本公司限制性股票的公允价值的部分构成股份支付。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(a) 限制性股票激励计划概况(续)

(ii) 本次授予的限制性股票于授予日的公允价值，根据《企业会计准则第11号——股份支付》等规定，公司以授予日公司股票收盘价为基础，对授予的限制性股票的公允价值进行了测算，测算得出每股限制性股票的股份支付公允价值为9.39元。

根据限制性股票激励计划的规定，持股员工受严格的服务期限制，限制性股票的解除限售期及各期解除限售时间安排如下表所示：

解除限售安排	解除限售时间	解除限售比例
第一个解除限售期	自首次授予日起 12 个月后的首个交易日起至首次授予日起 24 个月内的最后一个交易日当日止	20%
第二个解除限售期	自首次授予日起 24 个月后的首个交易日起至首次授予日起 36 个月内的最后一个交易日当日止	20%
第三个解除限售期	自首次授予日起 36 个月后的首个交易日起至首次授予日起 48 个月内的最后一个交易日当日止	20%
第四个解除限售期	自首次授予日起 48 个月后的首个交易日起至首次授予日起 60 个月内的最后一个交易日当日止	20%
第五个解除限售期	自首次授予日起 60 个月后的首个交易日起至首次授予日起 72 个月内的最后一个交易日当日止	20%

据此，本集团确定相应的 20%、20%、20%、20%、20%持股份额的股份支付费用摊销期限分别为 1 年、2 年、3 年、4 年和 5 年。本集团在自授予日开始的最长 5 年服务期内的每个资产负债表日，根据最新取得的职工离职率、业绩指标完成情况等后续信息对预计可解除限售的股份数量作出最佳估计，修正预计可解除限售的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

五　合并财务报表项目附注(续)

(50)　股份支付(续)

以权益结算的股份支付(续)

(a)　限制性股票激励计划概况(续)

(ii)　基于 2019 年、2020 年的业绩情况，本集团已满足第一个、第二个解除限售期的业绩条件。因此，结合限制性股票激励对象的离职情况和个人绩效考核情况，于截至 2021 年 6 月 30 日止 6 个月期间，本集团解除限制性股票限售 28,045,338 股，回购限制性股票 1,068,096 股。于 2021 年 6 月 30 日，2,037,836 股尚未完成回购登记手续。

基于本集团的 2021 年至 2023 年的盈利预测，本集团预计能够满足第三个、第四个及第五个解除限售期的业绩条件。因此，于 2021 年 6 月 30 日，本集团预计剩余最终可解除限售的股份数量为 78,558,552 股。截至 2021 年 6 月 30 日止 6 个月期间，因上述股份支付而确认的费用金额为 146,772 千元，计入资本公积的金额为 146,772 千元。

(iii)　本公司根据《激励计划(草案修订稿)》的相关规定和本公司 2019 年第一次临时股东大会授权，于 2019 年 9 月 11 日召开董事会审议通过《关于向公司 2019 年股票期权与限制性股票激励计划激励对象授予部分预留权益的议案》，拟向 396 名拟激励对象授予 11,255,180 股限制性人民币普通股，授予价格为每股人民币 5.901 元。截至 2019 年 9 月 25 日止，实际认购人数为 364 名，共计认购 10,348,325 股，收到出资款合计为人民币 61,065 千元，本公司同时就限制性股票的回购义务确认负债人民币 61,065 千元，做收购库存股处理。员工入股价低于授予日本公司限制性股票的公允价值的部分构成股份支付。

本次授予的限制性股票于授予日的公允价值，根据《企业会计准则第 11 号——股份支付》等规定，公司以授予日公司股票收盘价为基础，对授予的限制性股票的公允价值进行了测算，测算得出每股限制性股票的股份支付公允价值为 9.31 元。

根据限制性股票激励计划的规定，持股员工受严格的服务期限制，限制性股票的解除限售期及各期解除限售时间安排如下表所示：

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(a) 限制性股票激励计划概况(续)

(iii)

解除限售安排	解除限售时间	解除限售比例
第一个解除限售期	自预留部分授予日起 12 个月后的首个交易日起至预留部分授予日起 24 个月内的最后一个交易日当日止	20%
第二个解除限售期	自预留部分授予日起 24 个月后的首个交易日起至预留部分授予日起 36 个月内的最后一个交易日当日止	20%
第三个解除限售期	自预留部分授予日起 36 个月后的首个交易日起至预留部分授予日起 48 个月内的最后一个交易日当日止	20%
第四个解除限售期	自预留部分授予日起 48 个月后的首个交易日起至预留部分授予日起 60 个月内的最后一个交易日当日止	20%
第五个解除限售期	自预留部分授予日起 60 个月后的首个交易日起至预留部分授予日起 72 个月内的最后一个交易日当日止	20%

据此，本集团确定相应的 20%、20%、20%、20%、20%持股份额的股份支付费用摊销期限分别为 1 年、2 年、3 年、4 年和 5 年。本集团在自授予日开始的最长 5 年服务期内的每个资产负债表日，根据最新取得的职工离职率、业绩指标完成情况等后续信息对预计可解除限售的股份数量作出最佳估计，修正预计可解除限售的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

五　合并财务报表项目附注(续)

(50)　股份支付(续)

以权益结算的股份支付(续)

(a)　限制性股票激励计划概况(续)

(iii)　基于 2019 年、2020 年的业绩情况，本集团已满足第一个、第二个解除限售期的业绩条件。因此，结合限制性股票激励对象的离职情况和个人绩效考核情况，于截至 2021 年 6 月 30 日止 6 个月期间，本集团解除限制性股票限售 2,031,585 股，回购限制性股票 189,120 股。于 2021 年 6 月 30 日，835,840 股尚未完成回购登记手续。

基于本集团 2021 年至 2023 年的盈利预测，本集团预计能够满足第三个、第四个及第五个解除限售期的业绩条件。因此，于 2021 年 6 月 30 日，本集团预计最终可解除限售的股份数量为 6,603,437 股。截至 2021 年 6 月 30 日止 6 个月期间，因上述股份支付而确认的费用金额为 7,995 千元，计入资本公积的金额为 7,995 千元。

(iv)　本公司根据《激励计划(草案修订稿)》的相关规定和本公司 2019 年第一次临时股东大会授权，于 2019 年 12 月 31 日召开董事会审议并通过《关于向公司 2019 年股票期权与限制性股票激励计划激励对象授予剩余部分预留权益的议案》，拟向 474 名限制性股票激励对象授予 18,881,226 股限制性股票，授予价格为每股人民币 5.901 元。截至 2020 年 4 月 14 日止，实际认购人数为 428 名，共计认购 17,111,096 股，收到出资款合计人民币 100,973 千元。本公司同时就限制性股票的回购义务确认负债人民币 100,973 千元，做收购库存股处理。员工入股价低于授予日本公司限制性股票的公允价值的部分构成股份支付。

本次授予的限制性股票于授予日的公允价值，根据《企业会计准则第 11 号——股份支付》等规定，公司以授予日公司股票收盘价为基础，对授予的限制性股票的公允价值进行了测算，测算得出每股限制性股票的股份支付公允价值为 12.37 元。

根据限制性股票激励计划的规定，持股员工受严格的服务期限制，限制性股票的解除限售期及各期解除限售时间安排如下表所示：

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(a) 限制性股票激励计划概况(续)

(iv)

解除限售安排	解除限售时间	解除限售比例
第一个解除限售期	自预留部分授予日起 12 个月后的首个交易日起至预留部分授予日起 24 个月内的最后一个交易日当日止	20%
第二个解除限售期	自预留部分授予日起 24 个月后的首个交易日起至预留部分授予日起 36 个月内的最后一个交易日当日止	20%
第三个解除限售期	自预留部分授予日起 36 个月后的首个交易日起至预留部分授予日起 48 个月内的最后一个交易日当日止	20%
第四个解除限售期	自预留部分授予日起 48 个月后的首个交易日起至预留部分授予日起 60 个月内的最后一个交易日当日止	20%
第五个解除限售期	自预留部分授予日起 60 个月后的首个交易日起至预留部分授予日起 72 个月内的最后一个交易日当日止	20%

据此，本集团确定相应的 20%、20%、20%、20%、20%持股份额的股份支付费用摊销期限分别为 1 年、2 年、3 年、4 年和 5 年。本集团在自授予日开始的最长 5 年服务期内的每个资产负债表日，根据最新取得的职工离职率、业绩指标完成情况等后续信息对预计可解除限售的股份数量作出最佳估计，修正预计可解除限售的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

五　合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(a) 限制性股票激励计划概况(续)

(iv) 基于 2019 年、2020 年的业绩情况，本集团已满足第一个、第二个解除限售期的业绩条件。因此，结合限制性股票激励对象的离职情况和个人绩效考核情况，于截至 2021 年 6 月 30 日止 6 个月期间，本集团解除限制性股票限售 3,398,140 股，回购限制性股票 216,000 股。于 2021 年 6 月 30 日，244,200 股尚未完成回购登记手续。

基于本集团的 2021 年至 2023 年的盈利预测，本集团预计能够满足第三个、第四个及第五个解除限售期的业绩条件。因此，于 2021 年 6 月 30 日，本集团预计最终可解除限售的股份数量为 12,401,500 股。截至 2021 年 6 月 30 日止 6 个月期间，因上述股份支付而确认的费用金额为 22,627 千元，计入资本公积的金额为 22,627 千元。

(b) 股票期权计划概况

(i) 截至 2021 年 6 月 30 日止 6 个月期间内发行在外的股票期权变动情况表

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
期初发行在外的股票期权份数	27,788,881	25,263,446
本期授予的股票期权份数	-	6,013,755
本期行权的股票期权份数	(2,047,701)	(159,692)
本期失效的股票期权份数	(527,636)	(671,675)
期末发行在外的股票期权份数	25,213,544	30,445,834
本期股份支付费用	19,966	36,539
累计股份支付费用	125,477	77,924

当期行权的股票期权以行权日价格计算的加权平均价格为 11.721 元。

(ii) 本公司根据《激励计划(草案修订稿)》的相关规定和本公司 2019 年第一次临时股东大会授权，于 2019 年 4 月 30 日召开董事会审议通过首次授予计划，以 2019 年 4 月 30 日为授予日，向 892 名股票期权激励对象授予 25,947,021 份股票期权，授予日的行权价格为每股 12.05 元。股票期权在行权前并不赋予持有人享有股息或于股东大会上投票的权利。

五　合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(b) 股票期权计划概况(续)

(ii) 该次发行在外的股票期权计划的服务期分为5个阶段：

行权安排	行权时间	行权比例
第一个行权期	自首次授权日起 12 个月后的首个交易日起至首次授权日起 24 个月内的最后一个交易日当日止	20%
第二个行权期	自首次授权日起 24 个月后的首个交易日起至首次授权日起 36 个月内的最后一个交易日当日止	20%
第三个行权期	自首次授权日起 36 个月后的首个交易日起至首次授权日起 48 个月内的最后一个交易日当日止	20%
第四个行权期	自首次授权日起 48 个月后的首个交易日起至首次授权日起 60 个月内的最后一个交易日当日止	20%
第五个行权期	自首次授权日起 60 个月后的首个交易日起至首次授权日起 72 个月内的最后一个交易日当日止	20%

基于2019年、2020年业绩情况，本集团已满足第一个、第二个行权期的业绩条件。因此，结合股票期权激励对象的离职情况和个人绩效考核情况，自2020年6月11日起至2021年4月30日止，本集团有4,863,194股股票期权进入可行权期。自2021年6月7日起至2022年4月30日止，本集团有4,630,813股股票期权进入可行权期。于2021年6月30日，实际已有1,926,221股股票期权完成行权和股份过户登记手续，本集团增加股本1,926千元，增加资本公积20,652千元。于截至2021年6月30日止6个月期间，本集团实际收到相关激励对象支付的股权款22,022千元，另有555千元于2021年7月收到。

授予日股票期权公允价值的确定方法

截至 2021 年 6 月 30 日止 6 个月期间，本集团确认了股份支付费用 14,351 千元，本集团在自授予日开始最长 5 年服务期内的每个资产负债表日，根据最新取得的员工离职率、业绩指标完成情况等后续信息对预计可行权的购股权数量作出最佳估计，修正预计可行权的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

授予的股票期权于授予日的公允价值，采用Black-Scholes期权定价模型，结合股票期权的条款和条件，作出估计。下表列示了所用模型的输入变量：

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(b) 股票期权计划概况(续)

(ii)

预计股息率(i)	0.00%
股价预计波动率	35.00%-39.57%
期权有效期内的无风险利率	2.72%-3.22%
授予日的行权价格(人民币/股)	12.05 元

(i)若在激励计划公告当日至激励对象完成股票期权行权期间，本公司有派息、配股等事项，应对股票期权行权价格进行相应的调减。因此，本公司在计算授予日股票期权公允价值时输入的预计股息率为零。

(iii) 本公司根据《激励计划(草案修订稿)》的相关规定和本公司 2019 年第一次临时股东大会授权，于 2019 年 9 月 13 日召开董事会审议通过《关于向公司 2019 年股票期权与限制性股票激励计划激励对象授予部分预留权益的议案》，以 2019 年 9 月 11 日为授予日，向 74 名股票期权激励对象授予 473,000 份股票期权，授予日的行权价格为每股 11.921 元。股票期权在行权前并不赋予持有人享有股息或于股东大会上投票的权利。

该次发行在外的股票期权计划的服务期分为 5 个阶段：

行权安排	行权时间	行权比例
第一个行权期	自预留部分授予日起 12 个月后的首个交易日起至预留部分授予日起 24 个月内的最后一个交易日当日止	20%
第二个行权期	自预留部分授权日起 24 个月后的首个交易日起至预留部分授予日起 36 个月内的最后一个交易日当日止	20%
第三个行权期	自预留部分授权日起 36 个月后的首个交易日起至预留部分授予日起 48 个月内的最后一个交易日当日止	20%
第四个行权期	自预留部分授权日起 48 个月后的首个交易日起至预留部分授予日起 60 个月内的最后一个交易日当日止	20%
第五个行权期	自预留部分授权日起 60 个月后的首个交易日起至预留部分授予日起 72 个月内的最后一个交易日当日止	20%

五 合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(b) 股票期权计划概况(续)

(iii) 基于2019年、2020年业绩情况，本集团已满足第一个、第二个行权期的业绩条件。因此，结合股票期权激励对象的离职情况和个人绩效考核情况，自2020年11月2日起至 2021年9月11日止，本集团有70,520股股票期权进入可行权期。于2021年6月30日，实际已有24,480股股票期权完成行权和股份过户登记手续。于截至2021年6月30日止6个月期间，本集团收到相关激励对象支付的股权款287千元，增加股本24千元，增加资本公积263千元。

授予日股票期权公允价值的确定方法

截至 2021 年 6 月 30 日止 6 个月期间，本集团确认了股份支付费用 202 千元，本集团在自授予日开始最长 5 年服务期内的每个资产负债表日，根据最新取得的员工离职率、业绩指标完成情况等后续信息对预计可行权的购股权数量作出最佳估计，修正预计可行权的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

授予的股票期权于授予日的公允价值，采用Black-Scholes期权定价模型，结合股票期权的条款和条件，作出估计。下表列示了所用模型的输入变量：

预计股息率(i)	0.00%
股价预计波动率	35.67%-39.73%
期权有效期内的无风险利率	2.62%-3.03%
授予日的行权价格(人民币/股)	11.921 元

(i)若在激励计划公告当日至激励对象完成股票期权行权期间，本公司有派息、配股等事项，应对股票期权行权价格进行相应的调减。因此，本公司在计算授予日股票期权公允价值时输入的预计股息率为零。

(iv) 本公司根据《激励计划(草案修订稿)》的相关规定和本公司 2019 年第一次临时股东大会授权，于 2019 年 12 月 31 日召开董事会审议通过《关于向公司 2019 年股票期权与限制性股票激励计划激励对象授予部分预留权益的议案》，向 20 名股票期权激励对象授予 6,013,755 份股票期权，授予日的行权价格为每股 11.921 元。股票期权在行权前并不赋予持有人享有股息或于股东大会上投票的权利。

五　合并财务报表项目附注(续)

(50)　股份支付(续)

以权益结算的股份支付(续)

(b)　股票期权计划概况(续)

(iv)　该次发行在外的股票期权计划的服务期分为 5 个阶段：

行权安排	行权时间	行权比例
第一个行权期	自预留部分授予日起 12 个月后的首个交易日起至预留部分授予日起 24 个月内的最后一个交易日当日止	20%
第二个行权期	自预留部分授权日起 24 个月后的首个交易日起至预留部分授予日起 36 个月内的最后一个交易日当日止	20%
第三个行权期	自预留部分授权日起 36 个月后的首个交易日起至预留部分授予日起 48 个月内的最后一个交易日当日止	20%
第四个行权期	自预留部分授权日起 48 个月后的首个交易日起至预留部分授予日起 60 个月内的最后一个交易日当日止	20%
第五个行权期	自预留部分授权日起 60 个月后的首个交易日起至预留部分授予日起 72 个月内的最后一个交易日当日止	20%

基于 2020 年业绩情况，本集团已满足第一个行权期的业绩条件。因此，结合股票期权激励对象的离职情况和个人绩效考核情况，自 2021 年 2 月 9 日起至 2021 年 12 月 31 日止，本集团有 1,192,752 股股票期权进入可行权期。于 2021 年 6 月 30 日，实际已有 97,000 股股票期权完成行权和股份过户登记手续。于截至 2021 年 6 月 30 日止 6 个月期间，本集团收到相关激励对象支付的股权款 1,137 千元，增加股本 97 千元，增加资本公积 1,040 千元。

授予日股票期权公允价值的确定方法

截至 2021 年 6 月 30 日止 6 个月期间，本集团确认了股份支付费用 5,413 千元，本集团在自授予日开始最长 5 年服务期内的每个资产负债表日，根据最新取得的员工离职率、业绩指标完成情况等后续信息对预计可行权的购股权数量作出最佳估计，修正预计可行权的权益工具数量，并将当期取得的相应员工服务按照授予日的的公允价值计入相关成本或费用并相应调整资本公积。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(50) 股份支付(续)

以权益结算的股份支付(续)

(b) 股票期权计划概况(续)

(iv) 该次发行在外的股票期权计划的服务期分为 5 个阶段(续)：

授予的股票期权于授予日的公允价值，采用Black-Scholes期权定价模型，结合股票期权的条款和条件，作出估计。下表列示了所用模型的输入变量：

预计股息率(i)	0.00%
股价预计波动率	35.64%-39.31%
期权有效期内的无风险利率	2.42%-2.93%
授予日的行权价格(人民币/股)	11.921 元

(i)若在激励计划公告当日至激励对象完成股票期权行权期间，本公司有派息、配股等事项，应对股票期权行权价格进行相应的调减。因此，本公司在计算授予日股票期权公允价值时输入的预计股息率为零。

(51) 每股收益

(a) 基本每股收益

基本每股收益以归属于母公司普通股股东的合并净利润除以母公司发行在外普通股的加权平均数计算：

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
归属于母公司普通股股东的合并净利润(扣除当年分配给预计未来可解锁限制性股票持有者的现金股利)	6,702,245	5,013,758
本公司发行在外普通股的加权平均数(千股)	19,848,487	19,725,150
基本每股收益(人民币：元)	0.34	0.25
其中：		
— 持续经营基本每股收益：	0.34	0.25

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(51) 每股收益(续)

(b) 稀释每股收益

稀释每股收益以根据稀释性潜在普通股调整后的归属于母公司普通股股东的合并净利润除以调整后的本公司发行在外普通股的加权平均数计算。于 2021 年 6 月 30 日，本公司已累计向员工授予 179,319,758 股限制性人民币普通股和 32,433,776 份股票期权，此部分限制性股票和股票期权对于归属于母公司普通股的合并净利润具有稀释性。报告期稀释每股收益为 0.34 元(截至 2020 年 6 月 30 日止 6 个月期间：0.25 元)。

(52) 现金流量表项目注释

(a) 收到的其他与经营活动有关的现金

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
利息收入	1,152,010	732,097
收到保证金、押金	680,205	-
收到补贴款	355,641	961,425
套期合约收益	82,980	-
保函保证金的收回	58,956	200
赔偿收入	2,158	11,102
其他	129,121	191,104
	2,461,071	1,895,928

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(52) 现金流量表项目注释(续)

(b) 支付的其他与经营活动有关的现金

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
研发及管理服务费	1,146,826	2,049,149
能源费	885,714	632,969
套期期权支付的权利金	174,738	-
租赁费	154,011	1,273,941
环境保护费	98,479	56,665
保函保证金	64,711	-
其他	341,717	260,716
	2,866,196	4,273,440

(c) 收到的其他与投资活动有关的现金

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
到期收回定期存款	484,279	116,260

(d) 支付的其他与投资活动有关的现金

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
支付受限资金	21,141	-
存出定期存款	3,122,647	283,685
	3,143,788	283,685

五 合并财务报表项目附注(续)

(52) 现金流量表项目注释(续)

(e) 支付的其他与筹资活动有关的现金

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
偿还租赁负债支付的金额	777,796	—
支付应付重组成本	59,022	4,554,306
支付受限资金	-	24,320
限制性股票回购款	18,661	-
	855,479	4,578,626

截至 2021 年 6 月 30 日止 6 个月期间，本集团支付的与租赁相关的总现金流出为 931,807 千元(截至 2020 年 6 月 30 日止 6 个月期间：1,273,941 千元)，除上述计入筹资活动的偿付租赁负债支付的金额以外，其余现金流出均计入经营活动。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(53)　现金流量表补充资料

(a)　现金流量表补充资料

将净利润调节为经营活动现金流量

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
净利润	6,725,546	5,039,713
加：资产减值损失	515,621	644,743
信用减值(转回)/损失	(162,223)	150,865
使用权资产折旧	654,671	—
长期资产的折旧与摊销	1,193,428	1,209,171
处置固定资产、无形资产和其他长期资产的收益	(14,319)	(2,488)
固定资产报废损失	6,053	852
股份支付的费用摊销	307,379	506,627
公允价值变动损失	375,457	164,957
财务费用	346,027	326,242
投资收益	(845,109)	(82,589)
递延所得税资产的减少/(增加)	18,686	(69,309)
递延所得税负债的减少	(101,910)	(5,129)
存货的增加	(8,439,781)	(10,078,520)
经营性应收项目的减少	14,694,169	14,173,724
经营性应付项目的减少	(7,643,103)	(17,212,886)
经营活动产生/(使用)的现金流量净额	7,630,592	(5,234,027)

(除特别注明外，金额单位为人民币千元)

五 合并财务报表项目附注(续)

(53) 现金流量表补充资料(续)

(a) 现金流量表补充资料(续)

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
现金的期末余额	82,199,149	66,067,725
减：现金的期初余额	(75,293,257)	(66,571,627)
现金净增加/(减少)额	6,905,892	(503,902)

(b) 现金

	2021 年 6 月 30 日	2020 年 12 月 31 日
现金		
其中：库存现金	501	653
可随时用于支付的银行存款	82,198,648	75,292,604
期末现金余额	82,199,149	75,293,257

不可随时用于支付的银行存款主要系三个月以上的定期存款。

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(54)　外币货币性项目

	2021年6月30日		
	外币余额	折算汇率	人民币余额
货币资金—			
美元	2,532,004	6.4599	16,356,490
越南盾	14,749,986,667	0.0003	4,424,996
日元	7,072,616	0.0581	410,919
新台币	388,029	0.2319	89,984
港币	74,898	0.8320	62,315
新加坡币	10,731	5.0813	54,526
印度卢比	584,128	0.0872	50,936
欧元	3,835	8.0419	30,842
澳币	552	5.0405	2,781
其他			168,508
			21,652,297
应收款项—			
美元	9,942,760	6.4599	64,229,236
欧元	92,395	8.0419	743,035
印度卢比	5,170,803	0.0872	450,894
韩元	67,657,414	0.0058	392,413
日元	6,514,716	0.0581	378,505
澳币	60,405	5.0405	304,473
捷克克朗	860,150	0.3010	258,905
新加坡币	46,692	5.0813	237,257
新台币	25,912	0.2319	6,009
其他			81,040
			67,081,767
短期借款—			
美元	6,644,553	6.4599	42,923,149
新台币	4,901,686	0.2319	1,136,701
捷克克朗	1,699,967	0.3010	511,690
欧元	12,380	8.0419	99,560
			44,671,100

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(54) 外币货币性项目(续)

	2021年6月30日		
	外币余额	折算汇率	人民币余额
应付款项—			
美元	6,321,501	6.4599	40,836,262
欧元	30,279	8.0419	243,502
捷克克朗	641,156	0.3010	192,988
越南盾	628,896,667	0.0003	188,669
日元	3,166,248	0.0581	183,959
新台币	452,083	0.2319	104,838
其他			262,214
			42,012,432
租赁负债—			
美元	44,766	6.4599	289,182
新台币	1,031,350	0.2319	239,170
越南盾	260,723,333	0.0003	78,217
捷克克朗	7,767	0.3010	2,338
其他			416
			609,323

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(54) 外币货币性项目(续)

	2020年12月31日		
	外币余额	折算汇率	人民币余额
货币资金—			
美元	2,494,505	6.5249	16,276,398
越南盾	8,469,740,000	0.0003	2,540,922
日元	4,292,959	0.0632	271,315
新加坡币	26,130	4.9314	128,856
印度卢比	1,262,444	0.0896	113,115
新台币	417,239	0.2296	95,798
港币	89,325	0.8416	75,176
欧元	7,299	8.0250	58,578
澳币	634	5.0163	3,180
其他			57,907
			19,621,245
应收款项—			
美元	11,977,311	6.5249	78,150,759
欧元	55,277	8.0250	443,597
日元	4,743,244	0.0632	299,773
韩元	42,738,833	0.0060	256,433
捷克克朗	784,388	0.3054	239,552
新加坡币	43,624	4.9314	215,127
印度卢比	1,405,502	0.0896	125,933
新台币	519,512	0.2296	119,280
澳币	20,519	5.0163	102,928
其他			190,056
			80,143,438

(除特别注明外，金额单位为人民币千元)

五　合并财务报表项目附注(续)

(54) 外币货币性项目(续)

		2020年12月31日		
		外币余额	折算汇率	人民币余额
短期借款—				
	美元	6,325,397	6.5249	41,272,585
	新台币	5,348,654	0.2296	1,228,051
	捷克克朗	1,665,056	0.3054	508,508
	欧元	35,328	8.0250	283,508
				43,292,652
应付款项—				
	美元	7,694,987	6.5249	50,209,018
	越南盾	1,223,910,000	0.0003	367,173
	捷克克朗	726,067	0.3054	221,741
	新台币	867,003	0.2296	199,064
	欧元	11,541	8.0250	92,614
	日元	542,358	0.0632	34,277
	其他			120,412
				51,244,299

上述外币货币性项目指除人民币之外的所有货币(其范围与附注十一(1)(a)中的外币项目不同)。

(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益

(1) 在子公司中的权益

(a) 2021 年 6 月 30 日企业集团的构成

子公司名称	主要经营地	注册地	业务性质	持股比例 直接	持股比例 间接	取得方式
国基电子(上海)有限公司	中国,上海	中国,上海	网络设备、电信设备、通信网络高精密机构件	100%		同一控制下企业合并
基准精密工业(惠州)有限公司	中国,惠州	中国,惠州	精密工具	100%		同一控制下企业合并
百佳泰信息技术(北京)有限公司	中国,北京	中国,北京	服务器	100%		同一控制下企业合并
富泰华精密电子(济源)有限公司	中国,济源	中国,济源	通信网络高精密机构件	100%		同一控制下企业合并
Focus PC Enterprises Limited	中国,香港	中国,香港	控股平台公司	100%		同一控制下企业合并
统合电子(杭州)有限公司	中国,杭州	中国,杭州	网络设备	100%		同一控制下企业合并
南宁富桂精密工业有限公司	中国,南宁	中国,南宁	网络设备、电信设备、通信网络高精密机构件	100%		同一控制下企业合并
国宙电子(上海)有限公司	中国,上海	中国,上海	网络设备、电信设备、通信网络高精密机构件	100%		同一控制下企业合并
东莞市富翼精密工业有限公司	中国,东莞	中国,东莞	通信网络高精密机构件	100%		同一控制下企业合并
河南裕展精密科技有限公司	中国,郑州	中国,郑州	通信网络高精密机构件	100%		同一控制下企业合并
晋城富泰华精密电子有限公司	中国,晋城	中国,晋城	通信网络高精密机构件、机器人	100%		同一控制下企业合并
富泰华精密电子(郑州)有限公司	中国,郑州	中国,郑州	通信网络高精密机构件	100%		同一控制下企业合并
鸿富锦精密电子(天津)有限公司	中国,天津	中国,天津	服务器、存储设备、云端运算高精密机构件	100%		同一控制下企业合并
深圳富桂精密工业有限公司	中国,深圳	中国,深圳	网络设备、电信设备、网络电信设备高精密机构件、服务器、存储设备	100%		新设
成都准刃科技有限公司	中国,成都	中国,成都	精密工具		100%	同一控制下企业合并
晋城鸿刃科技有限公司	中国,晋城	中国,晋城	精密工具		100%	同一控制下企业合并
郑州鸿刃切削工具有限公司	中国,郑州	中国,郑州	精密工具		100%	同一控制下企业合并
基准精密(香港)有限公司	中国,香港	中国,香港	精密工具		100%	同一控制下企业合并
深圳市裕展精密科技有限公司	中国,深圳	中国,深圳	通信网络高精密机构件、工业机器人		100%	同一控制下企业合并
廊坊裕展科技有限公司	中国,廊坊	中国,廊坊	通信网络高精密机构件		100%	同一控制下企业合并

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(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益(续)

(1) 在子公司中的权益(续)

(a) 2021 年 6 月 30 日企业集团的构成(续)

子公司名称	主要经营地	注册地	业务性质	持股比例		取得方式
				直接	间接	
(承上页)						
Foxconn Precision International Limited (原名“Star Vision Precision International Limited”)	中国,香港	中国,香港	通信网络高精密机构件		100%	同一控制下企业合并
鸿富锦精密电子(贵阳)有限公司	中国,贵阳	中国,贵阳	服务器、存储设备		80%	同一控制下企业合并
佰昌科技服务(天津)有限公司	中国,天津	中国,天津	服务器、存储设备		100%	同一控制下企业合并
富华科精密工业(深圳)有限公司	中国,深圳	中国,深圳	通信网络设备		64.2%	同一控制下企业合并
山西裕鼎精密科技有限公司	中国,太原	中国,太原	通信网络高精密机构件	44.5%	55.5%	同一控制下企业合并
重庆富桂电子有限公司	中国,重庆	中国,重庆	网络设备		100%	同一控制下企业合并
广西富梦创新科技有限责任公司	中国,南宁	中国,南宁	通信网络设备		51%	同一控制下企业合并
鹤壁裕展精密科技有限公司	中国,鹤壁	中国,鹤壁	通信网络高精密机构件		100%	子公司新设
武汉裕展精密科技有限公司	中国,武汉	中国,武汉	通信网络高精密机构件		100%	子公司新设
Cloud Network Technology Singapore Pte. Ltd.	新加坡	新加坡	服务器、存储器、网络设备		100%	同一控制下企业合并
Rich Excel International Limited	萨摩亚	萨摩亚	控股平台公司		100%	同一控制下企业合并
Glory Star Investments Limited	萨摩亚	萨摩亚	控股平台公司		100%	同一控制下企业合并
Ingrasys (Singapore) Pte. Ltd.	新加坡	新加坡	服务器、存储器		100%	同一控制下企业合并
Cloud Network Technology Kft	匈牙利	匈牙利	服务器、存储器、网络设备		100%	同一控制下企业合并
Funing Precision Component Co., Ltd.	越南	越南	网络设备		100%	同一控制下企业合并
Fuhong Precision Component (Bac Giang) Limited	越南	越南	网络设备		100%	同一控制下企业合并
Mega Well Limited	萨摩亚	萨摩亚	贸易		100%	同一控制下企业合并
Foxconn Technology (India) Private Limited	印度	印度	通信网络高精密机构件		99.9994%	同一控制下企业合并
(接下页)						

(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益(续)

(1) 在子公司中的权益(续)

(a) 2021 年 6 月 30 日企业集团的构成(续)

子公司名称	主要经营地	注册地	业务性质	持股比例		取得方式
				直接	间接	
(承上页)						
Ingrasys Technology Korea, Inc.	韩国	韩国	服务器、存储器		100%	同一控制下企业合并
日本裕展贸易株式会社	日本	日本	服务器、存储器、网络设备		100%	同一控制下企业合并
Foxconn Industrial Internet (Japan) Co.,Ltd. (原名“日本基准精密株式会社”)	日本	日本	精密工具		100%	同一控制下企业合并
Profit New Limited	萨摩亚	萨摩亚	贸易		100%	同一控制下企业合并
IPL International Limited	萨摩亚	萨摩亚	贸易		100%	同一控制下企业合并
Cloud Network Technology (Samoa) Limited	萨摩亚	萨摩亚	服务器、存储器、网络设备		100%	同一控制下企业合并
NWE Technology Inc.	美国	美国	提供管理服务		100%	同一控制下企业合并
Scientific Atlanta de Mexico S. de R.L de C.V.	墨西哥	墨西哥	网络设备		99.9667%	同一控制下企业合并
Foxconn Technology CZ s.r.o.	捷克	捷克	服务器、存储设备		100%	同一控制下企业合并
Foxconn CZ s.r.o.	捷克	捷克	服务器、存储器、网络设备		100%	同一控制下企业合并
NSG Technology Inc.	美国	美国	网络设备		100%	同一控制下企业合并
Ingrasys Technology USA Inc.	美国	美国	服务器、存储器		100%	同一控制下企业合并
PCE Paragon Solutions (USA) Inc.	美国	美国	提供管理、IT 服务		100%	同一控制下企业合并
Foxconn Assembly LLC	美国	美国	服务器、存储器、网络设备		100%	同一控制下企业合并
NWEA LLC	美国	美国	网络设备		100%	同一控制下企业合并
Cloud Network Technology USA Inc.	美国	美国	服务器、存储器、网络设备		100%	同一控制下企业合并
鸿佰科技股份有限公司	中国,台湾	中国,台湾	服务器、存储设备、云端运算		100%	同一控制下企业合并

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(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益(续)

(1) 在子公司中的权益(续)

(a) 2021 年 6 月 30 日企业集团的构成(续)

子公司名称	主要经营地	注册地	业务性质	持股比例 直接	持股比例 间接	取得方式
(承上页)						
深圳精匠云创科技有限公司	中国,深圳	中国,深圳	精密工具		100%	子公司新设
富联智能工坊(深圳)有限公司	中国,深圳	中国,深圳	精密工具		100%	子公司新设
Likom De Mexico De C.V-Mexico	墨西哥	墨西哥	服务器、存储器、网络设备		99.99998%	非同一控制下企业合并
深圳富联智能制造产业创新中心有限公司	中国,深圳	中国,深圳	精密工具	80.81%		新设
鸿智汇科技(深圳)有限公司	中国,深圳	中国,深圳	网络设备、服务器		60%	子公司新设
富甲智创(深圳)科技有限公司	中国,深圳	中国,深圳	服务器、存储器、网络设备	100%		新设
富集云(深圳)科技有限公司	中国,深圳	中国,深圳	服务器、存储器、网络设备		100%	子公司新设
海宁市统合电子科技有限公司	中国,海宁	中国,海宁	网络设备、服务器	100%		新设
郑州富联智能工坊有限公司	中国,郑州	中国,郑州	软件开发、互联网信息服务		100%	子公司新设
兰考裕展智造科技有限公司	中国,兰考	中国,兰考	网络设备		100%	子公司新设
FII USA Inc.	美国	美国	软件开发、云计算		100%	子公司新设
ICSA, Inc.	美国	美国	软件开发、云计算		100%	子公司新设
太原富联智能工坊有限公司	中国,太原	中国,太原	软件开发、数据服务		100%	子公司新设
晋城鸿硕智能科技有限公司	中国,晋城	中国,晋城	工程机械设备、矿用设备		51%	子公司新设
深圳智造谷工业互联网创新中心有限公司 (原名“深圳富士康工业互联网咨询有限公司”)	中国,深圳	中国,深圳	管理咨询、教学设备	100%		新设
晋城鸿智纳米光机电研究院有限公司	中国,晋城	中国,晋城	技术研发、技术咨询		80%	子公司新设
晋城富士康智能制造职业培训学校有限公司 (原名“晋城富士康智能制造咨询有限公司”)	中国,晋城	中国,晋城	技术咨询		51%	子公司新设

(接下页)

(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益(续)

(1) 在子公司中的权益(续)

(a) 2021 年 6 月 30 日企业集团的构成(续)

子公司名称	主要经营地	注册地	业务性质	持股比例		取得方式
				直接	间接	
(承上页)						
富智造(福建)数字科技有限公司	中国,福州	中国,福州	技术研发、技术咨询	100%		新设
工业富联(杭州)数据科技有限公司	中国,杭州	中国,杭州	技术研发、技术咨询	100%		新设
富裕精密组件有限公司	越南	越南	网络设备、电信设备、通信网络高精密机构件		100%	子公司新设
工业富联衡阳智造谷有限公司(原名"衡阳富士康工业互联网咨询有限公司")	中国,衡阳	中国,衡阳	信息系统、技术开发	51%		新设
Vault DX s.o.r.	捷克	捷克	租赁服务		100%	同一控制下企业合并
Safe DX s.o.r.	捷克	捷克	软件开发、云计算		100%	非同一控制下企业合并
LEAPSY INTERNATIONAL LTD	开曼	开曼	管理服务		73%	非同一控制下企业合并
深圳宇博先进科技有限公司	中国,深圳	中国,深圳	智能穿戴设备、软件开发		73%	非同一控制下企业合并
工业富联佛山智造谷有限公司	中国,佛山	中国,佛山	高端研发，机械销售	51%		新设
深圳市富联凌云光科技有限公司	中国,深圳	中国,深圳	技术研发，硬件研发		51%	子公司新设
富鸿云计算(天津)有限公司	中国,天津	中国,天津	云计算		100%	子公司新设
佛山智造谷产业示范基地有限公司	中国,佛山	中国,佛山	高端制造，5G 实验室		51%	子公司新设
佛山智造谷创新中心有限公司	中国,佛山	中国,佛山	高端制造，5G 实验室		66%	子公司新设
衡阳市裕展精密科技有限公司	中国,衡阳	中国,衡阳	通讯类高精密机构件、自动化、模具		100%	子公司新设
周口市裕展精密科技有限公司	中国,周口	中国,周口	网络设备、电信设备、通信网络高精密机构件		100%	子公司新设

(除特别注明外，金额单位为人民币千元)

六 在其他主体中的权益(续)

(1) 在子公司中的权益(续)

(b) 存在重大少数股东权益的子公司

截至 2021 年 6 月 30 日止 6 个月期间，本集团无存在重大少数股东权益的子公司。

(2) 联营企业中的权益

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
联营企业：		
投资账面价值合计	1,176,993	538,091
下列各项按持股比例计算的合计数		
净(亏损)/利润(i)	(9,369)	993
其他综合收益(i)	(1,726)	2,374
综合收益总额	(11,095)	3,367

(i) 净利润和其他综合收益均已考虑取得投资时可辨认资产和负债的公允价值以及统一会计政策的调整影响。

七 关联方关系及其交易

(1) 控股股东情况

(a) 控股股东基本情况

	注册地	业务性质
中坚公司	中国,香港	投资控股

中坚公司为鸿海精密间接全资持有。

(b) 控股股东实收资本及其变化

	2020 年 12 月 31 日	本期增加	本期减少	2021 年 6 月 30 日
	港币			港币
中坚公司	32,263,250 千元	-	-	32,263,250 千元

(c) 鸿海精密对本公司的持股比例和表决权比例

	2021 年 6 月 30 日		2020 年 12 月 31 日	
	持股比例	表决权比例	持股比例	表决权比例
鸿海精密	84.054%	84.054%	84.052%	84.052%

(2) 子公司情况

子公司的基本情况及相关信息见附注六。

(3) 其他关联方情况

在报告期内，存在关联交易但不存在控制关系的关联方包含以下类别：中坚公司之子公司、中坚公司之合(联)营企业、持有本公司 5%以上股份的股东、本集团之合(联)营企业、鸿海精密之子公司、鸿海精密之合(联)营企业，和其他关联方。

其他关联方包括：由关联自然人直接或者间接控制的，或者由其担任董事、高级管理人员的法人或其他组织。关联自然人包括间接持有本公司 5%以上股份的自然人及其关系密切的家庭成员、本公司董事、监事和高级管理人员、本公司控股股东的董事、监事和高级管理人员，以及鸿海精密之董事、监事和高级管理人员。

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(4) 关联交易

(a) 购销商品、提供和接受劳务

采购商品、接受劳务：

关联方	关联交易内容	关联交易定价政策	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	采购货物	协议定价	3,952,974	3,019,709
鸿海精密及其子公司	接受劳务及服务	协议定价	2,298,157	2,190,187
鸿海精密之合(联)营企业	采购货物	协议定价	1,611,828	1,591,012
中坚公司之子公司	采购货物	协议定价	633,427	842,598
持有本公司 5%以上股份的股东	采购货物	协议定价	100,672	82,765
中坚公司之合(联)营企业	采购货物	协议定价	98,535	108,184
中坚公司之子公司	接受劳务及服务	协议定价	89,401	136,080
中坚公司之合(联)营企业	采购设备	协议定价	51,449	78
其他关联方	采购货物	协议定价	41,264	68,222
鸿海精密及其子公司	采购设备	协议定价	29,903	105,713
中坚公司之子公司	采购设备	协议定价	24,593	24,186
持有本公司 5%以上股份的股东	接受劳务及服务	协议定价	21,121	52,046
持有本公司 5%以上股份的股东	采购设备	协议定价	11,978	13,849
中坚公司之合(联)营企业	接受劳务及服务	协议定价	7,956	80,735
本公司的合(联)营企业	采购货物	协议定价	7,180	-
鸿海精密之合(联)营企业	接受劳务及服务	协议定价	3,422	4,271
鸿海精密之合(联)营企业	采购设备	协议定价	1,403	4,377
			8,985,263	8,324,012

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(4) 关联交易(续)

(a) 购销商品、提供和接受劳务(续)

销售商品、提供劳务：

关联方	关联交易内容	关联交易定价政策	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	销售货物	协议定价	947,036	1,519,551
鸿海精密之合(联)营企业	销售货物	协议定价	197,787	218,313
鸿海精密及其子公司	提供劳务及服务	协议定价	85,899	163,565
中坚公司之子公司	销售货物	协议定价	85,776	131,503
持有本公司 5%以上股份的股东	销售货物	协议定价	59,085	58,383
中坚公司之合(联)营企业	提供劳务及服务	协议定价	47,069	-
中坚公司之子公司	提供劳务及服务	协议定价	11,239	16,287
鸿海精密之合(联)营企业	提供劳务及服务	协议定价	7,417	5,000
持有本公司 5%以上股份的股东	提供劳务及服务	协议定价	5,514	665
中坚公司之合(联)营企业	销售货物	协议定价	3,870	7,109
其他关联方	销售货物	协议定价	430	-
			1,451,122	2,120,376

(b) 租赁

本集团作为出租方当年确认的租赁收入：

承租方名称	租赁资产种类	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
中坚公司之子公司	房屋	13,267	14,848
鸿海精密及其子公司	房屋	7,694	10,369
鸿海精密之合(联)营企业	设备	6,504	-
鸿海精密及其子公司	设备	2,917	17,498
中坚公司之子公司	设备	4	-
中坚公司之子公司	设备	-	182
鸿海精密之合(联)营企业	房屋	-	104
		30,386	43,001

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(4) 关联交易(续)

(b) 租赁(续)

本集团作为承租方：

出租方名称	租赁资产种类	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密之合(联)营企业	房屋	15,136	389
持有本公司 5%以上股份的股东	房屋	124	45,912
中坚公司之子公司	设备	15	264
持有本公司 5%以上股份的股东	设备	-	10
中坚公司之子公司	房屋	-	74,592
鸿海精密及其子公司	房屋	-	44,196
中坚公司之合(联)营企业	房屋	-	67,444
鸿海精密及其子公司	设备	-	1,795
		15,275	234,602

本集团作为承租方当期增加的使用权资产：

出租方名称	租赁资产种类	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
持有本公司 5%以上股份的股东	房屋	163,902	—
中坚公司之子公司	房屋	111,743	—
中坚公司之合(联)营企业	房屋	76,659	—
鸿海精密及其子公司	房屋	76,353	—
鸿海精密之合(联)营企业	房屋	520	—
		429,177	—

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(4) 关联交易(续)

(b) 租赁(续)

本集团作为承租方当年承担的租赁负债利息支出：

出租方名称	租赁资产种类	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
中坚公司之合(联)营企业	房屋	7,404	—
鸿海精密及其子公司	房屋	4,896	—
持有本公司 5%以上股份的股东	房屋	4,359	—
中坚公司之子公司	房屋	1,829	—
鸿海精密之合(联)营企业	房屋	6	—
		18,494	—

(c) 资产转让

关联方	关联交易内容	关联交易定价政策	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	采购固定资产	协议定价	531,141	33,698
鸿海精密之合(联)营企业	采购固定资产	协议定价	46,114	1,174
中坚公司之子公司	采购固定资产	协议定价	887	36,228
中坚公司之合(联)营企业	采购固定资产	协议定价	12	383
			578,154	71,483

关联方	关联交易内容	关联交易定价政策	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	处置固定资产	协议定价	2,636	6,693
中坚公司之子公司	处置固定资产	协议定价	58	9,087
鸿海精密之合(联)营企业	处置固定资产	协议定价	2	53
持有本公司 5%以上股份的股东	处置固定资产	协议定价	-	10
			2,696	15,843

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(4) 关联交易(续)

(d) 关键管理人员薪酬

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
关键管理人员薪酬	30,503	31,886

(e) 关联方代本集团支付的款项

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	4,789	6,904
中坚公司之子公司	1,569	3,758
	6,358	10,662

(f) 商标使用权费

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
鸿海精密及其子公司	1,250	1,250

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(5) 关联方应收、应付款项余额

应收关联方款项：

		2021 年 6 月 30 日		2020 年 12 月 31 日	
		账面余额	坏账准备	账面余额	坏账准备
应收账款	鸿海精密及其子公司	785,161	(8,637)	747,868	(8,227)
	鸿海精密之合(联)营企业	116,023	(1,276)	383,856	(4,222)
	中坚公司之子公司	86,378	(950)	154,332	(1,698)
	持有本公司 5%以上股份的股东	48,176	(530)	39,982	(440)
	中坚公司之合(联)营企业	1,601	(18)	90,416	(995)
		1,037,339	(11,411)	1,416,454	(15,582)

		2021 年 6 月 30 日		2020 年 12 月 31 日	
		账面余额	坏账准备	账面余额	坏账准备
其他应收款	鸿海精密及其子公司	138,535	(1,385)	28,836	(288)
	鸿海精密之合(联)营企业	31,953	(320)	41,500	(415)
	中坚公司之合(联)营企业	116	(1)	9	-
	中坚公司之子公司	11	-	43	-
	持有本公司 5%以上股份的股东	-	-	64	(1)
		170,615	(1,706)	70,452	(704)

		2021 年 6 月 30 日	2020 年 12 月 31 日
预付账款	鸿海精密及其子公司	14,927	5,016
	中坚公司之子公司	461	157
		15,388	5,173

应付关联方款项：

		2021 年 6 月 30 日	2020 年 12 月 31 日
应付账款	鸿海精密及其子公司	2,766,835	2,236,463
	鸿海精密之合(联)营企业	1,120,001	1,972,341
	中坚公司之子公司	340,003	554,946
	持有本公司 5%以上股份的股东	196,428	203,602
	中坚公司之合(联)营企业	42,618	105,416
	本公司的合(联)营企业	8,113	-
	其他关联方	23,179	55,006
		4,497,177	5,127,774

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(5) 关联方应收、应付款项余额(续)

应付关联方款项(续)：

		2021 年 6 月 30 日	2020 年 12 月 31 日
合同负债	鸿海精密及其子公司	1,020	21,510

		2021 年 6 月 30 日	2020 年 12 月 31 日
其他应付款	中坚公司	1,823,279	-
	中坚公司之子公司	1,694,362	358,416
	鸿海精密及其子公司	1,153,045	1,277,278
	持有本公司 5%以上股份的股东	991,773	92,561
	中坚公司之合(联)营企业	147,222	73,662
	鸿海精密之合(联)营企业	103,255	102,114
	其他关联方	1,910	1,137
		5,914,846	1,905,168

		2021 年 6 月 30 日	2020 年 12 月 31 日
租赁负债	中坚公司之合(联)营企业	333,437	—
	鸿海精密及其子公司	284,531	—
	持有本公司 5%以上股份的股东	223,128	—
	中坚公司之子公司	69,871	—
	鸿海精密之合(联)营企业	328	—
		911,295	—

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(6) 关联方承诺

以下为本集团于资产负债表日，已签约而尚不必在资产负债表上列示的与关联方有关的承诺事项：

(i) 租赁

出租方		2021 年 6 月 30 日	2020 年 12 月 31 日
中坚公司之合(联)营企业	租赁-租入		
	一年以内	-	7,200
	一到二年	-	7,200
	二到三年	-	7,200
	三年以上	-	7,200
		-	28,800

出租方		2021 年 6 月 30 日	2020 年 12 月 31 日
中坚公司之子公司	租赁-租入		
	一年以内	30	26,121
	一到二年	30	30
	二到三年	-	15
		60	26,166

出租方		2021 年 6 月 30 日	2020 年 12 月 31 日
鸿海精密及其子公司	租赁-租入		
	一年以内	15,125	43,099
	一到二年	-	24,826
	二到三年	-	11,480
	三年以上	-	59,767
		15,125	139,172

出租方		2021 年 6 月 30 日	2020 年 12 月 31 日
持有本公司 5%以上股份的股东	租赁-租入		
	一年以内	124	91,834
	一到二年	-	53,841
		124	145,675

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(6) 关联方承诺(续)

(i) 租赁(续)

承租方		2021 年 6 月 30 日	2020 年 12 月 31 日
中坚公司之子公司	租赁-租出		
	一年以内	18,812	26,992
	一到二年	38	5,526
	二到三年	38	-
	三年以上	47	-
		18,935	32,518

承租方		2021 年 6 月 30 日	2020 年 12 月 31 日
鸿海精密及其子公司	租赁-租出		
	一年以内	22,477	6,486
	一到二年	1,737	336
	二到三年	1,734	336
	三年以上	1,650	588
		27,598	7,746

(ii) 商标使用权

		2021 年 6 月 30 日	2020 年 12 月 31 日
鸿海精密及其子公司	一年以内	2,500	2,500
	一到二年	2,500	2,500
	二到三年	2,500	2,500
	三年以上	7,500	10,000
		15,000	17,500

(iii) 资本性承诺

	2021 年 6 月 30 日	2020 年 12 月 31 日
鸿海精密及其子公司	42,098	44,464
中坚公司之子公司	2,098	14,489
鸿海精密之合(联)营企业	-	3,205
	44,196	62,158

(除特别注明外，金额单位为人民币千元)

七 关联方关系及其交易(续)

(6) 关联方承诺(续)

(iv) 担保

于2021年6月30日，根据本公司与工商银行签署的贷款担保协议，本公司为本公司之子公司 Cloud Network Technology Singapore Pte. Ltd.提供担保，担保起始日2020年11月25日，担保到期日2023年11月24日，担保金额为600,000,000美元。

八 或有事项

(1) 重大未决诉讼或仲裁形成的或有负债及其财务影响

本集团无需要披露的重大未决诉讼或仲裁形成的或有负债。

(2) 为其他单位提供的债务担保形成的或有负债及其财务影响

本集团无需要披露的为其他单位提供债务担保形成的或有负债。

九 承诺事项

(1) 资本性支出承诺事项

以下为本集团于资产负债表日，已签约而尚不必在资产负债表上列示的资本性支出承诺：

	2021年6月30日	2020年12月31日
房屋、建筑物及机器设备	305,624	356,827
无形资产	9,740	8,855
	315,364	365,682

(除特别注明外，金额单位为人民币千元)

九　承诺事项(续)

(2)　经营租赁承诺事项

根据已签订的不可撤销的经营性租赁合同，本集团未来最低应支付租金汇总如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
一年以内	37,661	918,660
一到二年	406	616,547
二到三年	41	334,323
三年以上	-	496,284
	38,108	2,365,814

十　资产负债表日后事项

本集团无需要披露的重大资产负债表日后事项。

十一　金融工具及其风险

本集团的经营活动会面临各种金融风险：市场风险(主要为外汇风险和利率风险)、信用风险和流动性风险。本集团整体的风险管理计划针对金融市场的不可预见性，力求减少对本集团财务业绩的潜在不利影响。

(1)　市场风险

(a)　外汇风险

本集团的主要经营位于中国大陆、中国香港和新加坡。在中国境内的经营主要业务以人民币结算，在中国香港地区的经营主要业务以美元或港币结算，在新加坡的经营主要业务以美元结算。本集团已确认的非本位币资产和非本位币负债及未来的交易存在外汇风险。本集团总部财务部门负责监控集团非本位币交易和非本位币资产及负债的规模，以最大程度降低面临的外汇风险；为此，本集团可能会以签署远期外汇合约、外汇期权合约的方式来达到规避外汇风险的目的(附注五 (2))。

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，本集团内记账本位币为人民币的公司持有的非本位币金融资产和非本位币金融负债(集团内往来余额除外)折算成人民币的金额列示如下：

(除特别注明外，金额单位为人民币千元)

十一 金融工具及其风险(续)

(1) 市场风险(续)

(a) 外汇风险(续)

	2021 年 6 月 30 日			
	美元项目	港币项目	其他非本位币项目	合计
非本位币金融资产 —				
货币资金	8,985,783	13,168	10,045	9,008,996
应收账款	1,219,742	-	-	1,219,742
其他应收款	2,278	-	-	2,278
	10,207,803	13,168	10,045	10,231,016
非本位币金融负债 —				
短期借款	22,892,534	-	-	22,892,534
应付账款	10,039,166	7,429	18,268	10,064,863
其他应付款	249,080	9,297	149,436	407,813
	33,180,780	16,726	167,704	33,365,210

	2020 年 12 月 31 日			
	美元项目	港币项目	其他非本位币项目	合计
非本位币金融资产 —				
货币资金	7,928,560	17,917	3,704	7,950,181
应收账款	1,038,849	-	-	1,038,849
其他应收款	107,192	-	1	107,193
	9,074,601	17,917	3,705	9,096,223
非本位币金融负债 —				
短期借款	20,253,447	-	-	20,253,447
应付账款	8,500,710	7,233	36,665	8,544,608
其他应付款	223,228	5,646	1,858	230,732
	28,977,385	12,879	38,523	29,028,787

十一 金融工具及其风险(续)

(1) 市场风险(续)

(a) 外汇风险(续)

于 2021 年 6 月 30 日，对于记账本位币为人民币的公司持有的美元金融资产和美元金融负债，如果人民币对美元升值或贬值 4%，其他因素保持不变，则本集团将增加或减少净利润人民币约 734,761 千元；对于各类港币金融资产和港币金融负债，如果人民币对港币升值或贬值 4%，其他因素保持不变，则本集团将增加或减少净利润约 126 千元。

于 2020 年 12 月 31 日，对于记账本位币为人民币的公司持有的美元金融资产和美元金融负债，如果人民币对美元升值或贬值 4%，其他因素保持不变，则本集团将增加或减少净利润人民币约 647,367 千元；对于各类港币金融资产和港币金融负债，如果人民币对港币升值或贬值 4%，其他因素保持不变，则本集团将减少或增加净利润约 148 千元。

(b) 利率风险

本集团的利率风险主要产生于长期银行借款等长期带息债务。浮动利率的金融负债使本集团面临现金流量利率风险，固定利率的金融负债使本集团面临公允价值利率风险。本集团根据当时的市场环境来决定固定利率及浮动利率合同的相对比例。于 2021 年 6 月 30 日，本集团长期带息债务主要为美元计价的浮动利率合同，金额为美元 600,000 千元(折合人民币 3,875,389 千元)(2020 年 6 月 30 日：无)(附注五(25))。

本集团总部财务部门持续监控集团利率水平。利率上升会增加新增带息债务的成本以及本集团尚未付清的以浮动利率计息的带息债务的利息支出，并对本集团的财务业绩产生重大的不利影响，管理层会依据最新的市场状况及时做出调整，这些调整可能是进行利率互换的安排来降低利率风险。于本报告期内本集团并无利率互换安排。

于 2021 年 6 月 30 日，如果以浮动利率计算的借款利率上升或下降 50 个基点，其他因素保持不变，则本集团的净利润会减少或增加约 5,935 千元(2020 年 6 月 30 日：无)。

(除特别注明外，金额单位为人民币千元)

十一 金融工具及其风险(续)

(2) 信用风险

本集团对信用风险按组合分类进行管理。信用风险主要产生于银行存款、应收票据、应收账款和其他应收款等。

本集团银行存款主要存放于国有控股银行和其他大中型上市银行，本集团认为其不存在重大的信用风险，不会产生因对方单位违约而导致的任何重大损失。

此外，对于应收票据、应收账款和其他应收款，本集团设定相关政策以控制信用风险敞口。本集团基于对客户的财务状况、从第三方获取担保的可能性、信用记录及其他因素诸如目前市场状况等评估客户的信用资质并设置相应信用期。本集团会定期对客户信用记录进行监控，对于信用记录不良的客户，本集团会采用书面催款、缩短信用期或取消信用期等方式，以确保本集团的整体信用风险在可控的范围内。

于 2021 年 6 月 30 日，本集团无重大的因债务人抵押而持有的担保物或其他信用增级(2020 年 12 月 31 日：无)。

(3) 流动风险

本集团内各子公司负责其自身的现金流量预测。总部财务部门在汇总各子公司现金流量预测的基础上，在集团层面持续监控短期和长期的资金需求，以确保维持充裕的现金储备和可供随时变现的有价证券；同时持续监控是否符合借款协议的规定，从主要金融机构获得提供足够备用资金的承诺，以满足短期和长期的资金需求。

于资产负债表日，本集团各项金融负债以未折现的合同现金流量按到期日列示如下：

	2021 年 6 月 30 日				
	一年以内	一到二年	二到五年	五年以上	合计
短期借款	45,447,334	-	-	-	45,447,334
应付票据	100,000	-	-	-	100,000
应付账款	55,110,567	-	-	-	55,110,567
其他应付款	11,125,827	-	-	-	11,125,827
其他流动负债	203,201	-	-	-	203,201
租赁负债	1,148,258	599,704	600,524	192,141	2,540,627
长期借款	8,608	8,309	3,879,378	-	3,896,295
	113,143,795	608,013.	4,479,902	192,141	118,423,851

(除特别注明外，金额单位为人民币千元)

十一 金融工具及其风险(续)

(3) 流动风险(续)

	2020 年 12 月 31 日				
	一年以内	一到二年	二到五年	五年以上	合计
短期借款	44,322,296	-	-	-	44,322,296
应付票据	100,000	-	-	-	100,000
应付账款	62,144,793	-	-	-	62,144,793
其他应付款	6,372,910	-	-	-	6,372,910
其他流动负债	284,277	-	-	-	284,277
长期借款	342	228	-	-	570
	113,224,618	228	-	-	113,224,846

(i) 于资产负债表日，本集团已签订但尚未开始执行的租赁合同现金流量按到期日列示如下(附注五(26))：

	2021 年 6 月 30 日				
	一年以内	一到二年	二到五年	五年以上	合计
未纳入租赁负债的未来合同现金流	37,661	406	41	-	38,108

十二 公允价值估计

公允价值计量结果所属的层次，由对公允价值计量整体而言具有重要意义的输入值所属的最低层次决定：

第一层次：相同资产或负债在活跃市场上未经调整的报价。

第二层次：除第一层次输入值外相关资产或负债直接或间接可观察的输入值。

第三层次：相关资产或负债的不可观察输入值。

(除特别注明外，金额单位为人民币千元)

十二 公允价值估计(续)

(1) 持续的以公允价值计量的资产和负债

于 2021 年 6 月 30 日，持续的以公允价值计量的资产按上述三个层次列示如下：

	第一层次	第二层次	第三层次	合计
金融资产-				
衍生金融资产	-	245,169	-	245,169
其他债权投资	-	-	40,000	40,000
其他权益工具投资	-	-	74,056	74,056
其他非流动金融资产	-	-	279,430	279,430
	-	245,169	393,486	638,655

于 2020 年 12 月 31 日，持续的以公允价值计量的资产按上述三个层次列示如下：

	第一层次	第二层次	第三层次	合计
金融资产-				
衍生金融资产	-	467,888	-	467,888
其他债权投资	-	-	40,000	40,000
其他权益工具投资	-	-	74,943	74,943
其他非流动金融资产	-	-	280,196	280,196
	-	467,888	395,139	863,027

本集团以导致各层次之间转换的事项发生日为确认各层次之间转换的时点。截至 2021 年 6 月 30 日止 6 个月期间，本集团无第一层次与第二层次间的转换。

对于在活跃市场上交易的金融工具，本集团以其活跃市场报价确定其公允价值；对于不在活跃市场上交易的金融工具，本集团采用估值技术确定其公允价值。所使用的估值模型主要为现金流量折现模型和市场可比公司模型等。估值技术的输入值主要包括无风险利率、基准利率、汇率、信用点差、流动性溢价、EBITDA 乘数、缺乏流动性折价等。

上述第三层次资产变动如下：

	其他权益工具投资	其他非流动金融资产	其他债权投资	合计
2020 年 12 月 31 日	74,943	280,196	40,000	395,139
购买	-	-	-	-
外币报表折算差异	(887)	(766)	-	(1,653)
2021 年 6 月 30 日	74,056	279,430	40,000	393,486

(除特别注明外，金额单位为人民币千元)

十二 公允价值估计(续)

(1) 持续的以公允价值计量的资产和负债(续)

	其他权益工具投资	其他非流动金融资产	合计
2019 年 12 月 31 日	16,928	-	16,928
购买	60,050	30,395	90,445
外币报表折算差异	336	46	382
2020 年 6 月 30 日	77,314	30,441	107,755

(2) 非持续性的以公允价值计量的资产

本集团无非持续的以公允价值计量的资产。

(3) 不以公允价值计量但披露其公允价值的资产和负债

本集团以摊余成本计量的金融资产和负债主要包括：货币资金、应收款项、短期借款、应付款项、一年内到期的非流动负债、租赁负债和长期借款，均不以公允价值计量。不以公允价值计量的金融资产和负债的账面价值与公允价值相差很小。

十三 资本管理

本集团资本管理政策的目标是为了保障本集团能够持续经营，从而为股东提供回报，并使其他利益相关者获益，同时维持最佳的资本结构以降低资本成本。

本集团的总资本为合并资产负债表中所列示的股东权益。本集团不受制于外部强制性资本要求，利用资产负债率监控资本。

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，本集团的资产负债率列示如下:

	2021 年 6 月 30 日	2020 年 12 月 31 日
资产负债率	54%	54%

(除特别注明外，金额单位为人民币千元)

十四 公司财务报告附注

(1) 应收账款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应收账款	24,751	72,916
减：坏账准备	(248)	(728)
	24,503	72,188

(a) 应收账款账龄分析如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
一年以内	24,751	72,916

(b) 于 2021 年 6 月 30 日，按欠款方归集的余额前五名的应收账款主要系应收关联方管理服务费，汇总分析如下：

	余额	坏账准备金额	占应收账款余额总额比例
余额前五名的应收账款总额	17,171	(172)	69%

(c) 坏账准备

	2021 年 6 月 30 日	2020 年 12 月 31 日
应收账款坏账准备	(248)	(728)

本公司对于应收账款，无论是否存在重大融资成分，均按照整个存续期的预期信用损失计量损失准备。

十四 公司财务报告附注(续)

(1) 应收账款(续)

(c) 坏账准备(续)

(i) 组合计提坏账准备的应收账款分析如下：

	2021 年 6 月 30 日			2020 年 12 月 31 日		
	账面余额	坏账准备		账面余额	坏账准备	
	金额	整个存续期预期信用损失率	金额	金额	整个存续期预期信用损失率	金额
未逾期	24,751	1%	(248)	72,916	1%	(728)

(ii) 截至 2021 年 6 月 30 日止 6 个月期间转回的坏账准备金额为 480 千元。

(iii) 截至 2021 年 6 月 30 日止 6 个月期间无核销的应收账款。

(2) 其他应收款

	2021 年 6 月 30 日	2020 年 12 月 31 日
应收股利	3,000,000	5,000,000
应收子公司股权激励款	581,926	429,962
其他	1,461	559
	3,583,387	5,430,521
减：坏账准备	(5,818)	(4,300)
	3,577,569	5,426,221

(a) 其他应收款账龄分析如下：

	2021 年 6 月 30 日	2020 年 12 月 31 日
一年以内	3,583,387	5,430,521

十四　公司财务报告附注(续)

(2)　其他应收账款(续)

(b)　损失准备及其账面余额变动表：

于 2021 年 6 月 30 日及 2020 年 12 月 31 日，本公司不存在处于第二阶段和第三阶段的其他应收款。处于第一阶段分析如下：

(i)　于 2021 年 6 月 30 日，组合计提坏账准备的其他应收款均处于第一阶段，分析如下：

	2021 年 6 月 30 日			2020 年 12 月 31 日		
	账面余额	损失准备		账面余额	损失准备	
	金额	金额	计提比例	金额	金额	计提比例
应收股利账龄组合：						
一年以内	3,000,000	-	0%	5,000,000	-	0%
其他款项账龄组合：						
一年以内	583,387	(5,818)	1%	430,521	(4,300)	1%
	3,583,387	(5,818)	0%	5,430,521	(4,300)	0%

(c)　截至 2021 年 6 月 30 日止 6 个月期间，本公司计提的坏账准备金额为 1,518 千元(截至 2020 年 6 月 30 日止 6 个月期间：转回 367 千元)。

(d)　截至 2021 年 6 月 30 日止 6 个月期间，无实际核销的其他应收款(截至 2020 年 6 月 30 日止 6 个月期间：无)。

(e)　于 2021 年 6 月 30 日，按欠款方归集的余额前五名的其他应收款分析如下：

	性质	余额	账龄	占其他应收款余额总额比例	坏账准备
其他应收款 1	应收股利	850,000	一年以内	24%	-
其他应收款 2	应收股利	800,000	一年以内	22%	-
其他应收款 3	应收股利	716,500	一年以内	20%	-
其他应收款 4	应收股利	250,000	一年以内	7%	-
其他应收款 5	应收股利	250,000	一年以内	7%	-
		2,866,500		80%	-

(f)　于 2021 年 6 月 30 日，本公司无按照应收金额确认的政府补助(2020 年 12 月 31 日：无)。

(除特别注明外，金额单位为人民币千元)

十四 公司财务报告附注(续)

(3) 长期股权投资

	2021 年 6 月 30 日	2020 年 12 月 31 日
子公司(a)	42,175,368	39,592,665
联营企业	558,722	559,598
	42,734,090	40,152,263

(a) 子公司

	2020 年 12 月 31 日	本期增减变动 追加投资	减少投资	计提减值准备	其他	2021 年 6 月 30 日	减值准备期末余额	本期宣告分派的现金股利
富泰华精密电子(郑州)有限公司	10,039,949	950,000	-	-	3,865	10,993,814	-	716,500
富泰华精密电子(济源)有限公司	8,599,412	500,000	-	-	101	9,099,513	-	800,000
南宁富桂精密工业有限公司	3,678,347	-	-	-	-	3,678,347	-	250,000
国基电子(上海)有限公司	2,352,023	-	-	-	-	2,352,023	-	-
基准精密工业(惠州)有限公司	1,898,606	-	-	-	19,960	1,918,566	-	-
鸿富锦精密电子(天津)有限公司	2,696,939	-	-	-	-	2,696,939	-	-
河南裕展精密科技有限公司	4,567,290	989,000	-	-	31,232	5,587,522	-	850,000
晋城富泰华精密电子有限公司	1,499,790	-	-	-	147	1,499,937	-	250,000
山西裕鼎精密科技有限公司	1,256,822	-	-	-	-	1,256,822	-	133,500
统合电子(杭州)有限公司	387,343	-	-	-	-	387,343	-	-
国宙电子(上海)有限公司	155,256	-	-	-	-	155,256	-	-
百佳泰信息技术(北京)有限公司	27,072	-	-	-	-	27,072	-	-
Focus PC Enterprises Limited	722,079	-	-	-	87,718	809,797	-	-
深圳富桂精密工业有限公司	1,443,145	-	-	-	248	1,443,393	-	-
东莞市富翼精密工业有限公司	10,087	-	-	-	-	10,087	-	-
富甲智创(深圳)科技有限公司	61,180	-	-	-	-	61,180	-	-
深圳富士康工业互联网咨询有限公司	50,000	-	-	-	-	50,000	-	-
深圳富联智能制造产业创新中心有限公司	60,000	-	-	-	199	60,199	-	-
工业富联(杭州)数据科技有限公司	5,925	-	-	-	233	6,158	-	-
富智造(福建)数字科技有限公司	10,000	-	-	-	-	10,000	-	-
工业富联衡阳智造谷有限公司	20,400	-	-	-	-	20,400	-	-
工业富联佛山智造谷有限公司	51,000	-	-	-	-	51,000	-	-
	39,592,665	2,439,000	-	-	143,703	42,175,368	-	3,000,000

(除特别注明外，金额单位为人民币千元)

十四　公司财务报告附注(续)

(4)　营业收入和营业成本

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
主营业务收入	45,787	32,290

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
主营业务成本	38,975	17,824

(a)　主营业务收入和主营业务成本

	截至 2021 年 6 月 30 日止 6 个月期间		截至 2020 年 6 月 30 日止 6 个月期间	
	主营业务收入	主营业务成本	主营业务收入	主营业务成本
提供劳务	45,787	38,975	32,290	17,824

(b)　本公司营业收入分解如下：

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
	服务	服务
主营业务收入	45,787	32,290
其中：在某一时点确认	-	-
在某一时段内确认	45,787	32,290
	45,787	32,290

于 2021 年 6 月 30 日，本公司已签订合同、但尚未履行或尚未履行完毕的履约义务所对应的收入，本公司预计将均于 2021 年度确认收入。

(5)　投资收益

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
权益法核算的长期股权投资收益	3,121	-
子公司股利收入	3,000,000	1,500,000
	3,003,121	1,500,000

富士康工业互联网股份有限公司

财务报表补充资料
截至 2021 年 6 月 30 日止 6 个月期间
(除特别注明外，金额单位为人民币千元)

一　　非经常性损益明细表

	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
非流动资产处置收益	14,319	2,488
计入当期损益的政府补助	355,852	417,942
除同本集团正常经营业务相关的有效套期保值业务外，持有交易性金融资产、交易性金融负债、衍生金融资产和衍生金融负债产生的公允价值变动损益，以及处置交易性金融资产、交易性金融负债、衍生金融资产、衍生金融负债、其他债权投资、其他非流动金融资产和其他权益工具投资的投资收益	478,221	(83,361)
疫情期间停工损失及防疫支出	(72,508)	(1,018,511)
单独进行减值测试的应收款项及合同资产减值准备转回	4,267	-
除上述各项之外的其他营业外收入	20,072	12,001
	800,223	(669,441)
所得税影响额	(137,306)	126,848
少数股东权益影响额(税后)	(3,583)	(1,594)
	659,334	(544,187)

(i)　　非经常性损益明细表编制基础

根据中国证券监督管理委员会《公开发行证券的公司信息披露解释性公告第 1 号——非经常性损益[2008]》的规定，非经常性损益是指与公司正常经营业务无直接关系，以及虽与正常经营业务相关，但由于其性质特殊和偶发性，影响报表使用人对公司经营业绩和盈利能力作出正确判断的各项交易和事项产生的损益。

富士康工业互联网股份有限公司

财务报表补充资料
截至 2021 年 6 月 30 日止 6 个月期间
(除特别注明外，金额单位为人民币千元)

二 净资产收益率及每股收益

	加权平均净资产收益率(%)	
	截至 2021 年 6 月 30 日止 6 个月期间	截至 2020 年 6 月 30 日止 6 个月期间
归属于公司股东的净利润	6.33%	5.51%
扣除非经常性损益后归属于公司股东的净利润	5.71%	6.11%

	每股收益	
	基本每股收益	稀释每股收益
	截至 2021 年 6 月 30 日止 6 个月期间	截至 2021 年 6 月 30 日止 6 个月期间
归属于公司股东的净利润(元)	0.34	0.34
扣除非经常性损益后归属于公司股东的净利润(元)	0.30	0.30

FOXCONN INDUSTRIAL INTERNET CO., LTD.

FINANCIAL STATEMENTS AND
REVIEW REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Foxconn Industrial Internet Co., Ltd.

Financial Statements and Review Report
For the Six Months Ended 30 June 2021
[English translation for reference only]

[English Translation for Reference Only]

Review Report

PwC ZT Yue Zi (2021) No. 0053

To the shareholders of Foxconn Industrial Internet Co., Ltd.,

We have reviewed the accompanying interim financial statements of Foxconn Industrial Internet Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 30 June 2021, the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the six months then ended, and the notes to the interim financial statements. Management of the Company is responsible for the preparation of these interim financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises. Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with the *China Standards on Review Engagement 2101 "Review of Financial Statements"* issued by the Chinese Institute of Certified Public Accountants. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared in accordance with the Accounting Standards for Business Enterprises or do not present fairly, in all material respects, the consolidated and company financial position of the Company as at 30 June 2021, and its financial performance and cash flows for the six months then ended.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	______________ Zhang Jin
Shanghai, the People's Republic of China 9 August 2021	Signing CPA	______________ Gao Wenjun

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

ASSETS	Note	30 June 2021 Consolidated	31 December 2020 Consolidated	30 June 2021 Company	31 December 2020 Company
Current assets					
Cash at bank and on hand	5(1)	87,339,840	78,056,602	23,580,081	20,795,507
Derivative financial assets	5(2)	245,169	467,888	-	-
Notes receivable		-	100	-	-
Accounts receivable	5(3), 14(1)	70,934,008	86,827,495	24,503	72,188
Advances to suppliers	5(4)	237,815	171,467	1,160	679
Other receivables	5(5), 14(2)	645,904	395,724	3,577,569	5,426,221
Inventories	5(6)	53,284,653	45,353,900	-	-
Other current assets	5(7)	2,349,901	1,980,764	1,106	3,544
Total current assets		215,037,290	213,253,940	27,184,419	26,298,139
Non-current assets					
Other debt investments		40,000	40,000	-	-
Long-term equity investments	5(9), 14(3)	1,176,993	1,167,690	42,734,090	40,152,263
Investments in other equity instruments	5(8(a))	74,056	74,943	-	-
Other non-current financial assets	5(8(b))	279,430	280,196	-	-
Fixed assets	5(10)	8,249,346	7,123,034	1,136	1,289
Construction in progress	5(11)	940,345	643,821	-	-
Right-of-use asset	5(12)	2,428,035	——	3,053	——
Intangible assets	5(13)	400,507	405,317	1	6
Long-term prepaid expenses	5(14)	996,351	935,728	-	-
Deferred tax assets	5(15)	1,170,390	1,189,043	9,235	9,115
Other non-current assets		306,983	400,232	-	-
Total non-current assets		16,062,436	12,260,004	42,747,515	40,162,673
TOTAL ASSETS		231,099,726	225,513,944	69,931,934	66,460,812

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2021 Consolidated	31 December 2020 Consolidated	30 June 2021 Company	31 December 2020 Company
Current liabilities					
Short-term borrowings	5(17)	45,437,184	44,222,934	-	-
Derivative financial liabilities	5(2)	23,590	-	-	-
Notes payable	5(18)	100,000	100,000	-	-
Accounts payable	5(19)	55,110,567	62,144,793	-	-
Contract liabilities	5(20)	93,431	97,595	-	-
Employee benefits payable	5(21)	4,504,785	5,106,573	10,259	9,189
Taxes payable	5(22)	1,246,091	1,967,584	127,599	88,079
Other payables	5(23)	11,125,827	6,372,910	5,601,009	861,127
Current portion of non-current liabilities	5(25), 5(26)	1,023,064	327	-	-
Other current liabilities	5(24)	379,654	512,496	1,447	-
Total current liabilities		119,044,193	120,525,212	5,740,314	958,395
Non-current liabilities					
Long-term borrowings	5(25)	3,875,844	225	-	-
Lease liabilities	5(26)	1,328,870	——	1,637	——
Provisions	5(28)	554,623	535,305	-	-
Deferred income	5(27)	273,095	273,307	-	-
Deferred tax liabilities	5(15)	49,164	139,197	16,964	87,061
Total non-current liabilities		6,081,596	948,034	18,601	87,061
Total liabilities		125,125,789	121,473,246	5,758,915	1,045,456
Shareholders' equity					
Share capital	1, 5(29)	19,870,266	19,870,646	19,870,266	19,870,646
Capital surplus	5(30)	28,095,632	27,758,040	38,825,538	38,508,386
Less: Treasury stock	5(50)	(580,529)	(808,531)	(580,529)	(808,531)
Other comprehensive income	5(49)	26,587	424,914	-	-
Surplus reserve	5(31)	1,437,435	1,437,435	1,437,435	1,437,435
Undistributed profits	5(32)	56,833,533	55,070,045	4,620,309	6,407,420
Total equity attributable to shareholders of the parent company		105,682,924	103,752,549	64,173,019	65,415,356
Minority interests	5(33)	291,013	288,149	——	——
Total shareholders' equity		105,973,937	104,040,698	64,173,019	65,415,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		231,099,726	225,513,944	69,931,934	66,460,812

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

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2021 Company	For the six months ended 30 June 2020 Company
Revenue	5(34), 14(4)	196,029,977	176,654,265	45,787	32,290
Less: Cost of sales	5(34), 5(40), 14(4)	(180,744,304)	(163,903,724)	(38,975)	(17,824)
Taxes and surcharges	5(35)	(316,351)	(281,469)	(20)	(13)
Selling and distribution expenses	5(36), 5(40)	(881,499)	(839,947)	-	-
General and administrative expenses	5(37), 5(40)	(1,943,016)	(2,521,123)	(16,865)	(43,619)
Research and development expenses	5(38), 5(40)	(5,233,185)	(3,716,707)	-	-
Financial income	5(39)	121,219	742,779	244,149	357,333
Including: Interest expenses		(298,242)	(333,183)	-	-
Interest income		867,232	854,816	244,241	357,302
Add: Other income	5(43)	355,852	417,942	766	10,460
Investment income	5(44), 14(5)	845,109	82,589	3,003,121	1,500,000
Including: Investment (losses)/income from associates and joint ventures		(9,369)	993	-	-
Losses on changes in fair value	5(45)	(375,457)	(164,957)	-	-
Reversal of/(Losses on) credit impairment	5(41)	162,223	(150,865)	(1,038)	367
Asset impairment losses	5(42)	(515,621)	(644,743)	-	-
Gains on disposal of assets	5(46)	14,319	2,488	-	-
Operating profit		7,519,266	5,676,528	3,236,925	1,838,994
Add: Non-operating income	5(47(a))	30,815	50,909	-	-
Less: Non-operating expenses	5(47(b))	(10,743)	(38,908)	(316)	(25,632)
Total profit		7,539,338	5,688,529	3,236,609	1,813,362
Less: Income tax expenses	5(48)	(813,792)	(648,816)	(60,572)	(78,348)
Net profit		6,725,546	5,039,713	3,176,037	1,735,014
Including: Net profit of the acquiree entity in a business combination under common control before the combination date		-	-	-	-
Classified by continuity of operations					
Net profit from continuing operations		6,725,546	5,039,713	3,176,037	1,735,014
Net loss on discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to shareholders of the parent company		6,726,636	5,040,890	3,176,037	1,735,014
Minority interests		(1,090)	(1,177)	—	—
Other comprehensive income, net of tax	5(49)	(398,327)	44,500	-	-
Attributable to shareholders of the parent company, net of tax		(398,327)	44,500	-	-
Other comprehensive income items which will not be reclassified to profit or loss		-	-	-	-
Changes in fair value of investments in other equity instruments		-	-	-	-
Other comprehensive income items which will be reclassified to profit or loss		(398,327)	44,500	-	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit or loss		(220)	281	-	-
Cash flow hedging reserve		20,457	-	-	-
Part of the hedging's time value		6,223	-	-	-
Differences arising from translation of foreign currency financial statements		(424,787)	44,219	-	-
Attributable to minority shareholders, net of tax		-	-	—	—
Total comprehensive income		6,327,219	5,084,213	3,176,037	1,735,014
Attributable to shareholders of the parent company		6,328,309	5,085,390	3,176,037	1,735,014
Attributable to minority interests		(1,090)	(1,177)	—	—
Earnings per share				—	
Basic earnings per share (RMB Yuan)	5(51)	0.34	0.25	—	—
Diluted earnings per share (RMB Yuan)	5(51)	0.34	0.25	—	—

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

Legal representative: Li Junqi Principal in charge of accounting: Guo Junhong Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2021 Company	For the six months ended 30 June 2020 Company
Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		216,107,714	195,403,392	96,736	70,762
Refund of taxes and surcharges		2,180,558	1,490,935	-	-
Cash received relating to other operating activities	5(52(a))	2,461,071	1,895,928	550,650	281,187
Sub-total of cash inflows		220,749,343	198,790,255	647,386	351,949
Cash paid for goods and services		(196,318,757)	(187,504,563)	-	-
Cash paid to and on behalf of employees		(11,687,201)	(9,577,640)	(33,690)	(20,880)
Payments of taxes and surcharges		(2,246,597)	(2,668,639)	(91,516)	(105,381)
Cash paid relating to other operating activities	5(52(b))	(2,866,196)	(4,273,440)	(17,685)	(36,807)
Sub-total of cash outflows		(213,118,751)	(204,024,282)	(142,891)	(163,068)
Net cash flows from/(used in) operating activities	5(53(a))	7,630,592	(5,234,027)	504,495	188,881
Cash flows (used in)/from investing activities					
Cash received from returns on investments		858,475	88,537	5,003,997	4,000,000
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,350	50,966	-	-
Cash received relating to other investing activities	5(52(c))	484,279	116,260	-	-
Sub-total of cash inflows		1,365,104	255,763	5,003,997	4,000,000
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,853,365)	(1,935,223)	(32)	(19)
Cash paid to acquire investments		-	(90,491)	(2,439,000)	(985,400)
Net cash paid to acquire subsidiaries and other business units	5(53(b))	-	(16,198)	-	-
Cash paid relating to other investing activities	5(52(d))	(3,143,788)	(283,685)	-	(21,931)
Sub-total of cash outflows		(5,997,153)	(2,325,597)	(2,439,032)	(1,007,350)
Net cash flows (used in)/from investing activities		(4,632,049)	(2,069,834)	2,564,965	2,992,650
Cash flows from/(used in) financing activities					
Cash received from capital contributions		23,563	212,376	23,563	102,876
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	109,500	-	-
Cash received from borrowings		81,518,228	76,034,913	-	-
Cash received relating to other financing activities		-	-	1,281	-
Sub-total of cash inflows		81,541,791	76,247,289	24,844	102,876
Cash repayments of borrowings		(76,273,368)	(61,048,397)	-	-
Cash payments for distribution of dividends, profits or interest expenses		(260,811)	(4,108,912)	(9,907)	(3,743,226)
Cash paid relating to other financing activities	5(52(e))	(855,479)	(4,578,626)	(19,433)	-
Sub-total of cash outflows		(77,389,658)	(69,735,935)	(29,340)	(3,743,226)
Net cash flows from/(used in) financing activities		4,152,133	6,511,354	(4,496)	(3,640,350)
Effect of foreign exchange rate changes on cash		(244,784)	288,605	-	-
Net increase/(decrease) in cash	5(53(a))	6,905,892	(503,902)	3,064,964	(458,819)
Add: Cash at the beginning of the period		75,293,257	66,571,627	20,447,262	22,057,516
Cash at the end of the period	5(53(b))	82,199,149	66,067,725	23,512,226	21,598,697

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

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of the parent company							Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total		
Balance at 31 December 2019		19,854,832	26,692,249	(942,148)	628,744	740,214	42,306,789	89,280,680	68,011	89,348,691
Movements for the six months ended 30 June 2020										
Total comprehensive income										
Net profit		-	-	-	-	-	5,040,890	5,040,890	(1,177)	5,039,713
Other comprehensive income/loss		-	-	-	44,500	-	-	44,500	-	44,500
Total comprehensive income/loss		-	-	-	44,500	-	5,040,890	5,085,390	(1,177)	5,084,213
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders		-	-	-	-	-	-	-	126,229	126,229
Share-based payment included in shareholders' equity	5(30), 5(50)	17,271	85,605	74,550	-	-	-	177,426	-	177,426
Amortisation of share-based payment	5(50)	-	506,627	-	-	-	-	506,627	-	506,627
Others		-	1,278	-	-	-	-	1,278	-	1,278
Profit distribution										
Distribution to shareholders	5(32)	-	-	-	-	-	(3,974,421)	(3,974,421)	-	(3,974,421)
Revocable cash dividends on restricted shares		-	-	26,629	-	-	2,878	29,507	-	29,507
Balance at 30 June 2020		19,872,103	27,285,759	(840,969)	673,244	740,214	43,376,136	91,106,487	193,063	91,299,550
Balance at 31 December 2020		19,870,646	27,758,040	(808,531)	424,914	1,437,435	55,070,045	103,752,549	288,149	104,040,698
Movements for the six months ended 30 June 2021										
Total comprehensive income										
Net profit		-	-	-	-	-	6,726,636	6,726,636	(1,090)	6,725,546
Other comprehensive income/loss		-	-	-	(398,327)	-	-	(398,327)	-	(398,327)
Total comprehensive income/loss		-	-	-	(398,327)	-	6,726,636	6,328,309	(1,090)	6,327,219
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders		-	-	-	-	-	-	-	-	-
Share-based payment included in shareholders' equity	5(30), 5(50)	2,048	21,953	189,166	-	-	-	213,167	-	213,167
Amortisation of share-based payment	5(50)	-	307,379	-	-	-	-	307,379	-	307,379
Others		(2,428)	8,260	14,608	-	-	-	20,440	3,954	24,394
Profit distribution										
Distribution to shareholders	5(32)	-	-	-	-	-	(4,966,790)	(4,966,790)	-	(4,966,790)
Revocable cash dividends on restricted shares		-	-	24,228	-	-	3,642	27,870	-	27,870
Balance at 30 June 2021		19,870,266	28,095,632	(580,529)	26,587	1,437,435	56,833,533	105,682,924	291,013	105,973,937

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

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2019	19,854,832	37,443,873	(942,148)	740,214	4,102,735	61,199,506
Movements for the six months ended 30 June 2020						
Total comprehensive income						
Net profit	-	-	-	-	1,735,014	1,735,014
Total comprehensive income/loss	-	-	-	-	1,735,014	1,735,014
Capital contribution and withdrawal by shareholders						
Share-based payment included in shareholders' equity	17,271	85,605	74,550	-	-	177,426
Amortisation of share-based payment	-	506,627	-	-	-	506,627
Profit distribution						
Distribution to shareholders	-	-	-	-	(3,974,421)	(3,974,421)
Revocable cash dividends on restricted shares	-	-	26,629	-	2,878	29,507
Balance at 30 June 2020	19,872,103	38,036,105	(840,969)	740,214	1,866,206	59,673,659
Balance at 31 December 2020	19,870,646	38,508,386	(808,531)	1,437,435	6,407,420	65,415,356
Movements for the six months ended 30 June 2021						
Total comprehensive income						
Net profit	-	-	-	-	3,176,037	3,176,037
Total comprehensive income/loss	-	-	-	-	3,176,037	3,176,037
Capital contribution and withdrawal by shareholders						
Share-based payment included in shareholders' equity	2,048	21,953	189,166	-	-	213,167
Amortisation of share-based payment	-	307,379	-	-	-	307,379
Others	(2,428)	(12,180)	14,608	-	-	-
Profit distribution						
Distribution to shareholders	-	-	-	-	(4,966,790)	(4,966,790)
Revocable cash dividends on restricted shares	-	-	24,228	-	3,642	27,870
Balance at 30 June 2021	19,870,266	38,825,538	(580,529)	1,437,435	4,620,309	64,173,019

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

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

1 General information

Foxconn Industrial Internet Co., Ltd. (hereinafter the "Company") is a wholly foreign-owned enterprise incorporated in Shenzhen City, Guangdong Province of the People's Republic of China ("the PRC") on 6 March 2015 by Robot Holding Co., Ltd. The Company has an approved operating period of 50 years. The registered capital is USD 15,000,000. Robot Holding Co., Ltd. is indirectly wholly owned by Hon Hai Precision Industry Co., Ltd. (hereinafter "Hon Hai Precision"), a company registered in Taiwan, China

In 2017, the Company was completely changed into a joint stock limited company through a series of equity transfers. On 6 December 2017, the Company held a general meeting of the Board of Directors and shareholders where the *Reconstructing Plan of Foxconn Industrial Internet Co., Ltd.* ("Reconstructing Plan") and the *Proposal on Registered Capital Contribution of Foxconn Industrial Internet Co., Ltd.* ("Capital Contribution Proposal") were approved. According to the Reconstructing Plan, Hon Hai Precision transferred some of its key businesses (communication network equipment, cloud service equipment, precision tools, industrial robots, etc.) ("Restructuring Businesses") to the Company. The Company acquired relevant equities and operating assets of the Restructuring Businesses (primarily including production and operation equipment, moulds, inventories, etc.) ("Reconstructing Assets") by means of capital contribution, share increase and cash payment, and completed the reconstruction on 31 December 2017 ("Reconstruction").

On 31 December 2017, the share capital of the Company was changed to RMB 17,725,770,199 and the total number of shares was increased to 17,725,770,199 with par value of RMB 1 per share. After this, China Galaxy Enterprises Limited ("China Galaxy"), a company incorporated in Hong Kong, China, became the controlling shareholder of the Company. China Galaxy is indirectly wholly owned by Hon Hai Precision.

The Company publicly issued 1,969,530,023 ordinary shares denominated in RMB under the document "Zheng Jian Xu Ke [2018] No. 815" as approved by China Securities Regulatory Commission. The ordinary shares were listed for trading at Shanghai Stock Exchange on 8 June 2018. Afterwards, the share capital of the Company was changed to RMB 19,695,300,222 and the total number of shares was increased to 19,695,300,222 with par value of RMB 1 per share.

1 General information (Cont'd)

Pursuant to *2019 Stock Option and Restricted Stock Incentive Plan of Foxconn Industrial Internet Co., Ltd.* (Revised Draft) (hereinafter "*Incentive Plan (Revised Draft)*"), the Company held general meetings of the Board of Directors for the approval of the grant plan on 30 April 2019, 11 September 2019 and 31 December 2019 respectively with the authorisation of the first extraordinary general meeting of shareholders in 2019, granting a total of 179,319,758 restricted RMB ordinary shares (A shares) to 4,763 incentive targets, and 32,433,776 stock options to 986 incentive targets. As at 14 April 2020, the Company received restricted stock contributions amounting to RMB 1,061,613,656 in total from 4,685 subscribers, with the registered capital and share capital increased by RMB 176,642,773 and the capital surplus increased by RMB 884,970,883. After the capital contribution, the share capital of the Company was changed to RMB 19,871,942,995 and the total number of shares was increased to 19,871,942,995 with RMB 1 per share.

As at 30 June 2021, because of the exercise of stock option incentive objects and the buy back and de-registration of restricted stock repurchase, the share capital of the Company has changed to RMB 19,870,265,886 and the total number of shares was decreased to 19,870,265,886 with par value of RMB 1 per share(Notes 5(29)).

The scope of business of the Company includes: research and development of industrial internet technologies; research and development of communication systems; provision of enterprise management services; and engagement in import and export of electronic products and spare parts and related supporting businesses (excluding state-run products; products subject to quota, licence management and other special regulations are applied based on relevant state regulations).

These financial statements were authorised for issue by the Board of Directors of the Company on 9 August 2021.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, and the specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

3 Summary of significant accounting policies and accounting estimates

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") determine the specific accounting policies and accounting estimates based on the features of its production and operation, which are included in the measurement of expected credit losses ("ECLs") on receivables (Note 3(8)), valuation of inventories (Note 3(9)), depreciation of fixed assets and amortisation of intangible assets (Note 3(11), (14)), recognition of revenue (Note 3(21)), etc.

Key judgements, critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 3(27).

(1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 30 June 2021 and its financial performance, cash flows and other information for the six months ended 30 June 2021.

(2) Accounting year

The accounting year starts on 1 January and ends on 31 December. These financial statements are actually prepared for the six months ended 30 June 2021.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Recording currency

The recording currencies of the Company and its subsidiaries are determined based on the economic environment in which they operate. The recording currency of the Company and the Group's domestic subsidiaries is RMB. The recording currency of the Group's subsidiaries in Singapore and the United States is USD. The recording currency of the Group's subsidiaries in Hong Kong, China is USD or HKD. The presentation currency used by the Group when preparing the financial statements is RMB.

(4) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profit or loss and comprehensive income for the period not attributable to the Company are recognised as minority interests, profit or loss attributable to minority shareholders and total comprehensive income attributable to minority shareholders, and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(6) Cash and cash equivalents

Cash and cash equivalents comprise all cash in hand and deposits that can be readily drawn on demand.

(7) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets, and those related to hedging instruments for the purpose of hedging against foreign currency risks that are accounted for using hedge accounting. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period; for other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

- Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable, accounts receivable and other receivables.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly include other debt investments.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

- Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

Loss provision for financial assets at amortised cost and investments in debt instruments at fair value through other comprehensive income is recognised on the basis of ECLs.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECLs of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

In case the ECLs of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determine groupings is as follows:

Grouping 1	Interest receivable from cash at bank, guarantees (including deposits), tax refunds, entrusted loans receivable within the Group and dividends receivable
Grouping 2	Bank acceptance notes
Grouping 3	Other receivables besides the groupings mentioned above

For accounts receivable that are classified into groupings and notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECLs with reference to historical credit losses experience, current conditions and forecasts of future economic conditions, and based on the overdue days and the lifetime ECL rate. For other notes receivable, and other receivables classified into groupings, the Group calculates the ECLs based on default risk exposure and the 12-month or lifetime ECL rates, and with reference to the historical credit loss experience, current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, debentures payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(d) Hedging instruments

The Group designates some financial instruments as hedging instruments to mitigate certain risks. The Group accounts for hedging that meets relevant requirements using the hedge accounting method.

Derivative financial instruments are initially recognised at fair value on the date on which the Company becomes a contractual party of a derivative contract and are subsequently remeasured at fair value. The derivative financial instrument is carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's hedging is mainly cash flow hedging. The method for recognising changes in fair value of the derivative financial instrument depends on whether the derivative financial instrument is designated as a hedging instrument and meets the requirement for it, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- Cash flow hedging instruments for recognised assets or liabilities or in a highly probable forecast transaction;

At the inception of the hedging, the Group has completed related hedging documents, including the relationship between hedged items and the hedging instruments and risk management objective and hedging strategy of various hedging transactions. At the inception of the hedging and in subsequent periods, the Group continuously records whether the hedging is effectively evaluated, that is, whether the hedging instruments can largely offset the changes in the cash flow of hedged items.

<u>Hedging effectiveness</u>

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Cash flow hedging

For the hedging instrument designated for cash flow hedging and the derivative financial instrument that meets relevant requirements, the effective part of the hedging in the change of their fair value shall be recognised as other comprehensive income as the cash flow hedging reserve. The profit or loss related to the invalid part of the hedging is recognised as profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(d) Hedging instruments (Cont'd)

Cash flow hedging (Cont'd)

If a hedged forecast transaction is subsequently recognised as a non-financial asset or non-financial liability, or when a forecast transaction for a non-financial asset or non-financial liability could result in the recognition of a firm commitment for which fair value hedge accounting is applied, the cash flow hedging reserve originally recognised in other comprehensive income should be transferred out and included in the initially recognised amount of the asset or the liability. For other cash flow hedging, the cash flow hedging reserve originally recognised in other comprehensive income should be transferred out and recognised in profit or loss in the same periods during which the hedged future cash flows affect profit or loss (for example, when a forecast sale occurs).

When a hedging instrument expires or is sold, or the hedging no longer meets the criteria for hedge accounting, gains or losses accumulated in cash flow hedging reserve are retained in equity until they are recognised as profit or loss in the period when the hedged item affects profit or loss. When the forecast transaction is not estimated to occur, accumulated gains or losses previously recognised in other comprehensive income should be reclassified to profit or loss for the current period.

Time values of forward exchange contracts and foreign exchange options

For forward exchange contracts and foreign exchange options, the Group separates the spot price movements from their time values, designates them as hedging instrument only in terms of spot price movements, and recognises those related to the hedged items in the changes in fair value of their time values. Meanwhile, the Group amortises those related to the hedged items in their time values at the inception of the hedging during the period in which the hedging relationship may affect profit or loss. The amortisation is transferred out of other comprehensive income and recognised as profit or loss for the current period.

(9) Inventories

(a) Classification

Inventories include raw materials, semi-finished goods, finished goods, materials in transit and delivered goods, and are measured at the lower of cost and net realisable value.

(b) Valuation method for inventories delivered

Cost is determined using the weighted average method. The cost of finished goods, semi-finished goods and delivered goods comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining the net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Inventories (Cont'd)

(d) The Group adopts the perpetual inventory system.

(10) Long-term equity investments

Long-term equity investments comprise the Group's long-term equity investments in subsidiaries and associates.

Subsidiaries are the investees over which the Group is able to exercise control. Associates are the investees that the Group has significant influence on their financial and operating decisions.

Investments in subsidiaries are presented using the cost method in the Company's financial statements, and adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination and those acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of profit or loss (Cont'd)

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at 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 included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 3(16)).

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise land, buildings, machinery and equipment, motor vehicles, office and electronic equipment and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets except for land with permanent property rights are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. Land with permanent property rights is not subject to depreciation. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets except for land with permanent property rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20 to 30 years	RMB 1	3.3% to 5.0%
Buildings - Auxiliary facilities	6 to 11 years	RMB 1	9.1% to 16.7%
Machinery and equipment	3 to 12 years	RMB 1	8.3% to 33.3%
Motor vehicles	5 to 6 years	RMB 1	16.7% to 20.0%
Office and electronic equipment	4 to 6 years	RMB 1	16.7% to 25.0%
Other equipment	5 to 6 years	RMB 1	16.7% to 20.0%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(13) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalised amount of specific borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets

Intangible assets include land use rights, software, trademarks and patents, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 35 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Software

Software is measured at its actual cost on acquisition and is amortised on the straight-line basis over their estimated useful lives of 3 to 7 years.

(c) Trademarks

Trademarks are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

(d) Patents

Patents are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 5 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(f) Research and development (Cont'd)

Expenditure on the planned investigation, evaluation and selection for research on manufacturing techniques is expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of manufacturing techniques before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique has been fully demonstrated by technical team;
- the development budget of manufacturing technique has been approved by management;
- the research and analysis of preliminary market survey indicate that products manufactured with such technique are marketable;
- adequate technical and financial supports are available for development of manufacturing techniques and subsequent mass production; and
- expenditure on development of manufacturing techniques can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as profit or loss are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of an intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current year and in subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits and post-employment benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, national health insurance in Taiwan, China, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions, unemployment insurance and overseas pensions, all of which belong to defined contribution plans.

(c) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(18) Share-based payments

Share-based payments are transactions in which the Company grants equity instruments or assumes liabilities that are determined based on the equity instruments, in exchange for services rendered by employees. Equity instruments include the equity instruments of the Company and its subsidiaries or those of the Company's parent company. Share-based payments are divided into equity-settled and cash-settled share-based payments. The restricted stock plan and stock option plan of the Group are accounted for as equity-settled share-based payments.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Share-based payments (Cont'd)

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be included in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or performance conditions are satisfied, the service obtained in the current period shall be included in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of performance conditions and subsequent information at each balance sheet date within the vesting period, with capital surplus increased accordingly.

The Group determines the fair value of equity instruments granted based on different conditions, including the share price at the grant date, discounted cash flow model, the Black-Scholes Option Pricing Model, consideration from the implementation of share-based incentives, etc.

During the period that the performance conditions and the service term conditions are satisfied, the cost or expenses of the equity-settled share-based payments shall be recognised, with capital surplus increased accordingly. At each balance sheet date before the vesting date, the accumulating amount recognised in the equity-settled share-based payments at each balance sheet date reflects the expired part within the vesting period and the best estimate for the number of equity instrument of final exercise carried out by the Group.

Where the equity-settled share-based payments cannot be exercised in the end, its cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

If the Group revises the terms of the share-based payment plan resulting in an increase in the fair value of equity instruments granted, the Group shall recognise the difference between the fair value of equity instruments before and after the revision as an increase in services obtained. If the Group modifies the exercisable conditions in a way conducive to its employees, the accounting basis shall be changed accordingly; if not, such conditions shall not be taken into consideration, unless the Group cancels some of all of the equity instruments granted. If the Group cancels the equity instruments granted, such instruments cancelled shall be treated as an accelerated exercise, and the amount that should have been recognised within the remaining vesting period shall be immediately included in profit or loss for the current period and capital surplus shall be recognised at the same time.

If the Group needs to repurchase restricted stocks that expire or become invalid without being unlocked at the repurchased price agreed before, liabilities and treasury stocks are recognised in accordance with the number of restricted stocks and corresponding repurchase price.

(19) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved at the shareholders' meeting.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Provisions

Provisions for product warranties, onerous contracts and etc. are recognised when the Group has a present obligation when 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.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(21) Revenue

The Group recognises revenue at the amount of the consideration that is entitled to be charged by the Group as expected when the customer obtains control over relevant goods or services.

(a) Sales of products

The Group manufactures and sells products to the regional customers. Revenue from domestic sales is recognised when the Group has delivered the products to the designated carrier or shipped them to the location specified in the sales contract and customers have accepted the goods. Revenue from foreign sales is recognised when the Group has gone through the export customs declaration procedures and shipped the products for export, or delivered the products to the designated location in accordance with the international trade terms stipulated in the sales contract or order. If agreeing to above sales conditions, the customer has the right to sell the products and takes the risks of any obsolescence and loss of the products.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. The Group provides product quality assurance to customers and recognises the corresponding provisions (Note 3(20)).

The obligation of the Group to transfer goods to customers according to consideration received or receivable is presented as a contract liability.

(b) Rendering of services

The Group provides processing and research and development services and related revenue is recognised throughout the service period.

If the Group's contract price received or receivable exceeds the fulfilled service obligations, the excess is recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Revenue (Cont'd)

(b) Rendering of services (Cont'd)

Contract costs include contract performance costs and contract acquisition costs. Costs for rendering of processing services are recognised as contract performance costs, and are transferred to cost of sales from main operations according to the progress of completed service when the revenue is recognised. If the carrying amount of contract performance costs exceeds the remaining amount of consideration expected to be received for rendering of service less the costs expected to be incurred, the Group makes provision for impairment for the difference and recognises it as asset impairment losses. As at the balance sheet date, for the net amount from contract performance costs less relevant provision for impairment losses, where the amortisation period at the time of initial recognition is within one year, the amount is presented as inventories; otherwise, it is presented as other non-current assets.

(22) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs in reporting the related costs, expenses or losses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs directly for the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to daily activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(24) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee:

At the commencement date, the Group shall recognise the right-of-use assets and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Leases (Cont'd)

Right-of-use assets of the Group comprise leased buildings, machinery and equipment and motor vehicles etc. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise the lease expense in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Leases (Cont'd)

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient and records the undiscounted waivers in profit or loss when the agreement is reached to dismiss the original payment obligation with corresponding adjustment of lease liabilities.

The Group as the lessor:

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient, accounts for the waivers as variable lease payments and records the waivers in profit or loss during the waiving period.

Except that the above contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient, for a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

(b) Finance leases

At the commencement date, the Group recognises the finance lease receivables and derecognises relevant assets. The lease payments receivable under a finance lease are presented as long-term receivables; the lease payments receivable under a finance lease due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit (loss) from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(26) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

As more than 90% of the Group's revenue and performance are from electronic products business, no segment information is presented.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the accounting policies

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include analysis on business models and contractual cash flow characteristics.

The Group determines the business model for financial assets management on the group basis, and factors to be considered include the methods for evaluating the financial assets performance and reporting such performance to key management personnel, the risks relating to the financial assets performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only includes time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the repayment in advance reflects only the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Judgement on significant increase in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30 days, or whether one or more of the following indicators changed significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement made by the Group for the occurrence of credit impairment is mainly based on whether the overdue days exceed 90 days (i.e., a default has occurred), or whether one or more of the following conditions is/are satisfied: the debtor is suffering significant financial difficulties, the debtor is undergoing other debt restructuring, or the debtor probably goes bankrupt, etc.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies (Cont'd)

(iii) Revenue recognition

For some of the Group's businesses, customers are also suppliers of some raw materials (namely "Buy and Sell Mode") which is a business mode widely used in the manufacturing industry of electronic products. The Group determines that it is the main responsible person of business under the Buy and Sell mode and recognises the revenue based on the total consideration of transactions after taking the followings conditions into account:

- in accordance with relevant terms of the contract, as the principal obligor, the Group is primarily responsible for selling products to customers and ensuring that the products sold are acceptable to the customers;
- the Group takes significant risks and rewards of ownership of products in the course of transactions;
- the Group is able to independently negotiate with customers and determine the selling price of the final products sold to customers; and
- the Group takes significant credit risks related to sales of products.
-

(iv) Sales with product quality assurance

The Group provides product quality assurance for some communication and mobile network equipment and cloud computing products during a certain agreed period. The deadlines and terms of the product quality assurance are provided in accordance with the laws and regulations related to communication and mobile network equipment and cloud computing products. The Group does not provide any additional services or quality assurance for that, so the product quality assurance does not constitute a separate performance obligation.

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions

(i) Measurement of ECL

The Group calculates ECLs through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information.

In view of forward-looking information, the Group considers different macroeconomic scenarios. For the six months ended 30 June 2021, the weighting for the "benchmark scenario", "unfavourable scenario" and "favourable scenario" was 80%, 10% and 10% respectively. The Group monitors and reviews critical macroeconomic assumptions and parameters relevant to the calculation of ECLs on a regular basis, including the risk of economic downturn, external market conditions, technological conditions, changes in customer conditions, Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), etc. For the six months ended 30 June 2021, in light of the uncertainties of COVID-19, the Group updated relevant assumptions and parameters, and critical macroeconomic parameters applied in each scenario were set out below:

	Economic scenarios		
	Benchmark scenario	Unfavourable scenario	Favourable scenario
Gross World Product ("GWP")	5.60%	5.48%	5.72%

(ii) Income tax and deferred income tax

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that is expected to apply to the period when the asset is realised or the liability is settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group.

3 **Summary of significant accounting policies and accounting estimates (Cont'd)**

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions

(ii) Income tax and deferred income tax (Cont'd)

As stated in Note 4(b), some subsidiaries of the Group are high-tech enterprises The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the historical experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(iii) Net realisable value of inventories

Inventories are measured at the lower of cost and net realisable value, including estimation in the net realisable value and provision for decline in the value of inventories that are aged over a certain period, obsolete or damaged is made accordingly. Net realisable value of inventories is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes. These estimates are made primarily based on current market conditions and historical experience and will vary significantly depending on technological innovations, customer preferences and the actions taken by competitors in response to the market fluctuations. Management reassesses these estimates at the balance sheet date.

(iv) Estimated net residual values and estimated useful lives or expected beneficial periods of fixed assets and intangible assets

The Group has made estimates on the estimated net residual values and estimated useful lives of fixed assets and intangible assets. Such estimates are made based on historical experience of actual net residual values and estimated useful lives of investment properties, fixed assets and intangible assets with similar natures and functions, which may change significantly due to technological updates or other reasons. When net residual values are lower or estimated useful lives are shorter than the prior estimates, the Group will increase depreciation and amortisation expenses.

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies

In 2018, the Ministry of Finance released the revised *Accounting Standards for Business Enterprises No. 21 - Lease* (hereinafter "new lease standard"). The financial statements for the six months ended 30 June 2021 are prepared in accordance with the above standards and circular, and impacts on the financial statements of the Group and the Company are as follows:

(a) Leases

(i) The Group and the Company initially adopted the new lease standard on 1 January 2021. According to relevant regulations, the Group and the Company would not reassess the contracts that have already existed prior to the date of initial application. The Group and the Company recognised the cumulative effect of the standard as an adjustment to the opening balance of retained earnings in 2021 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated.

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected as at 1 January 2021	
		The Group	The Company
For the operating lease contracts that have already existed prior to the initial implementation of the new lease standard, the Group and the Company distinguish different transition approaches based on the remaining lease term:	Right-of-use assets	2,308,629	3,975
	Lease liabilities	(1,441,004)	(2,486)
	Current portion of non-current liabilities	(867,625)	(1,489)
For leases with a remaining lease term more than 12 months, the Group and the Company recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2021, and assumed that the new lease standard was adopted from the commencement date of the lease term, and determined the carrying amount of the right-of-use assets based on the incremental borrowing rate as at 1 January 2021.			
For leases with a remaining term of 12 months or less, the Group and the Company applied the practical expedient for leases, under which the right-of-use assets and lease liabilities were not recognised. There is no significant impact on the financial statements.			
The Group and the Company applied the practical expedient for operating leases of low-value assets existing prior to the initial application of the new lease standard, under which the right-of-use assets and lease liabilities were not recognised. There is no significant impact on the financial statements.			

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(a) Leases (Cont'd)

As at 1 January 2021, when measuring lease liabilities, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics, and the weighted average of incremental borrowing rates adopted ranges from 3.97% to 5.11%.

(ii) As at 1 January 2021, the Group and the Company reconciled the outstanding minimum operating lease payments disclosed under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group	The Company
Future minimum operating lease payments disclosed as at 31 December 2020	2,365,814	4,183
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	2,149,413	3,975
Add: Others (Note 1)	308,607	-
Less: Present value of payments for leases with a term of 12 months or less	(148,502)	-
Present value of payments for leases of individual assets (when new) of low value	(889)	-
Lease liabilities recognised on 1 January 2021 (including current portion of non-current liabilities) (Note 3(28)(a)(i))	2,308,629	3,975

Note 1: The Group and the Company did not consider factors such as the extension option when disclosing minimum operating lease commitment as at 31 December 2020. When determining the lease liabilities at the initial application date, the Group and the Company included lease commitment for the periods covered by the extension option when it is reasonably certain to exercise that option.

(All amounts in RMB thousand unless otherwise stated)

4 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax		
- Mainland China (a)	15%(b), 25%	Taxable income
- Hong Kong, Macao and Taiwan regions of China	16.5%, 20%	Taxable income
- Overseas regions	0%-36.88%	Taxable income
Value-added tax ("VAT")	3%-13%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax	5%-7%	The payment amount of VAT
Educational surcharge	3%	The payment amount of VAT
Local educational surcharge	2%	The payment amount of VAT

(a) Pursuant to the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) issued by the State Taxation Administration and relevant regulations, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

Pursuant to the *Announcement on Extending the Implementation Period of Certain Preferential Tax Policies* (Announcement [2021] No. 6) jointly issued by the Ministry of Finance and the State Taxation Administration on 15 March 2021 and relevant regulations, the above preferential tax policies will be extended to 31 December 2023.

(b) Preferential tax rate policy and approval documents

(1) Futaihua Precision Electronics (Zhengzhou) Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. Futaihua Precision Electronics (Zhengzhou) Co., Ltd. was certified as a high-tech enterprise in 2018. According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Futaihua Precision Electronics (Zhengzhou) Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Futaihua Precision Electronics (Zhengzhou) Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Futaihua Precision Electronics (Zhengzhou) Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

4 Taxation (Cont'd)

(b) Preferential tax rate policy and approval documents (Cont'd)

(2) Hongfujing Precision Electronics (Tianjin) Co., Ltd. is a limited liability company established in Tianjin. Hongfujing Precision Electronics (Tianjin) Co., Ltd. was certified as a high-tech enterprise in 2008. According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Hongfujing Precision Electronics (Tianjin) Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Hongfujing Precision Electronics (Tianjin) Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Hongfujing Precision Electronics (Tianjin) Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

(3) Nanning Fugui Precision Industrial Co., Ltd. is a limited liability company established in Nanning City, Guangxi Province. It has been enjoying preferential policies for the development of the west part of China since 2012. As approved by tax authorities, the actual enterprise income tax rate applicable to Nanning Fugui Precision Industrial Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(4) Guoji Electronics (Shanghai) Co., Ltd. is a limited liability company established in Shanghai. Guoji Electronics (Shanghai) Co., Ltd. was certified as a high-tech enterprise in 2018. According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Guoji Electronics (Shanghai) Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Guoji Electronics (Shanghai) Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Guoji Electronics (Shanghai) Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

(5) Jizhun Precision Industry (Huizhou) Co., Ltd. is a limited liability company established in Huizhou City, Guangdong Province. Jizhun Precision Industry (Huizhou) Co., Ltd. was certified as a high-tech enterprise in 2016, and was re-certified after approval in December 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jizhun Precision Industry (Huizhou) Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

4 Taxation (Cont'd)

(b) Preferential tax rate policy and approval documents (Cont'd)

(6) Jincheng Hongren Technology Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province. Jincheng Hongren Technology Co., Ltd. was certified as a high-tech enterprise in 2016, and was re-certified after approval in November 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jincheng Hongren Technology Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(7) Chengdu Zhunren Technology Co., Ltd. is a limited liability company established in Chengdu City, Sichuan Province. It has been enjoying preferential policies for the development of the west part of China since 2015. As approved by tax authorities, the actual enterprise income tax rate applicable to Chengdu Zhunren Technology Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(8) Futaihua Precision Electronics (Jiyuan) Co., Ltd. is a limited liability company established in Jiyuan City, Henan Province. It was certified as a high-tech enterprise in 2017, and was re-certified after approval in September 2020. As approved by tax authorities, the actual enterprise income tax rate applicable to Futaihua Precision Electronics (Jiyuan) Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(9) Hongfujing Precision Electronics (Guiyang) Co., Ltd. is a limited liability company established in Guiyang City , Guizhou Province. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Hongfujing Precision Electronics (Guiyang) Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(10) Chongqing Fugui Electronics Co., Ltd. is a limited liability company established in Chongqing. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Chongqing Fugui Electronics Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(11) Shenzhenshi Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2018, According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Shenzhenshi Yuzhan Precision Technology Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Shenzhenshi Yuzhan Precision Technology Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Shenzhenshi Yuzhan Precision Technology Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

4 Taxation (Cont'd)

(b) Preferential tax rate policy and approval documents (Cont'd)

(12) Jincheng Futaihua Precision Electronics Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province. It was certified as a high-tech enterprise in 2018, According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Jincheng Futaihua Precision Electronics Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Jincheng Futaihua Precision Electronics Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Jincheng Futaihua Precision Electronics Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

(13) Henan Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. It was certified as a high-tech enterprise in 2018, According to the regulations, high-tech enterprises need to pass the review of relevant departments after the qualification period expires to further apply the preferential tax rate policy. As at the date of approval of the interim financial statements, Henan Yuzhan Precision Technology Co., Ltd. was still in the process of preparing review materials and applications, and had not obtained the formal approval to continue to enjoy the preferential tax rate of 15% for high-tech enterprises from 2021 to 2023. Management estimates that the formal approval will be obtained in 2021. Since Henan Yuzhan Precision Technology Co., Ltd. has prepaid income tax at the preferential tax rate of 15% from 2018 to 2020, and no circumstances are found that Henan Yuzhan Precision Technology Co., Ltd. does not meet the qualification criteria for high-tech enterprises, management considers that it will be unlikely to stop enjoying the preferential tax rate of 15%, so it applies 15% of income tax rate to calculate income tax expenses for the six months ended 30 June 2021 and deferred income tax as at 30 June 2021.

(14) ShanXi Yuding Precision Technology Co., Ltd. is a limited liability company established in Taiyuan City, Shanxi Province. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to ShanXi Yuding Precision Technology Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(15) Shenzhen Jingjiang Yunchuang Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Shenzhen Jingjiang Yunchuang Technology Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(16) Hebi Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Hebi City, Henan Province. It was certified as a high-tech enterprise in 2020. As approved by tax authorities, the actual enterprise income tax rate applicable to Hebi Yuzhan Precision Technology Co., Ltd. for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2021	31 December 2020
Cash on hand	501	653
Cash at bank	87,150,834	77,342,545
Other cash balances	87,480	327,602
Deposit interest receivable	101,025	385,802
	87,339,840	78,056,602
Including: Overseas deposits	12,656,385	11,692,094

As at 30 June 2021, other cash balances of RMB 69,480 thousand (31 December 2020: RMB 63,725 thousand) were margin deposited by the Group to the bank who issued a letter of guarantee to the customs, while RMB 18,000 thousand represented margin deposited by the Group for forward exchange settlement and sales business (31 December 2020: RMB 263,877 thousand).

Margin on letters of guarantee and forward settlement margins are restricted deposits.

(2) Derivative financial assets and derivative financial liabilities

	30 June 2021	31 December 2020
Derivative financial assets -		
Forward exchange contracts - Non-hedging instruments (a)	91,521	467,888
Forward exchange contracts - Hedging instruments (b)	6,545	-
Foreign exchange options - Hedging instruments (c)	147,103	-
	245,169	467,888

	30 June 2021	31 December 2020
Derivative financial liabilities -		
Forward exchange contracts - Hedging instruments (b)	(23,590)	-
Foreign exchange options - Hedging instruments (c)	-	-
	(23,590)	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(2) Derivative financial assets and derivative financial liabilities (Cont'd)

(a) Forward exchange contracts - Non-hedging instruments

As at 30 June 2021, derivative financial assets mainly comprised forward exchange contracts held by the Group with a nominal amount of USD 1,000,000 thousand and EUR 15,000 thousand (31 December 2020: USD 4,733,500 thousand). Forward exchange contracts include non-principal forward exchange transaction contracts settled on a net basis in which the difference between the forward exchange rate determined by the contracts and the actual spot exchange rate at maturity, and forward purchase contracts for a certain amount of foreign exchange to be delivered at a certain time in the future. The Group determines the fair value based on present value of quoted prices in the open market.

(b) Forward exchange contracts - Hedging instruments

As at 30 June 2021, the main information of the Group's unmatured forward exchange contracts was as follows:

Amount in total	Expiry date range	RMB to USD exchange rate range
Sold 900,000 thousand USD	26/08/2021 to 28/10/2021	6.4384 to 6.5062

For the six months ended June 30, 2021, in order to manage foreign exchange rate risks, the Group designated USD receivables of subsidiaries in the group with RMB as their bookkeeping currency as hedged items, and the above-mentioned purchases of changes in the value of the spot element of the foreign exchange contract is designated as a hedging tool for cash flow hedging. The fair value change of the forward element of the forward amortization during the period is included in the current profit and loss. There is an economic relationship between the hedging instrument and the hedged item. These forward exchange contracts match the currency and amount of financial assets denominated in USD.

For the six months ended 30 June 2021, the effective portion of the loss on changes in fair value of forward exchange contracts used as cash flow hedging instruments of RMB 59,240 thousand was recognised in financial expenses (Note 5(39)) to offset the effect of hedged items on profit or loss for the current period (for the six months ended 30 June 2020: Nil). The changes of fair value of the forward element of 42,194 thousand were recognised in other comprehensive income. For the six months ended 30 June 2021, the time value was transferred to the financial expenses of RMB 19,142 thousand in the period in which the hedging relationship affected the profit or loss.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(2) Derivative financial assets and derivative financial liabilities (Cont'd)

(c) Foreign exchange options - Hedging instruments

As at 30 June 2021, the main information of the Group's unmatured significant foreign exchange options was as follows:

Amount in total	Expiry date range	RMB to USD exchange rate range
Sold 1,448,000 USD	30/07/2021 to 31/12/2021	6.5000 to 6.6000

The Group designates the expected transactions that are likely to occur between companies within the group as the hedged item, designates the intrinsic value of the foreign exchange options purchased above as a cash flow hedging instrument, and includes the changes in the fair value of the time value of the foreign exchange options into others comprehensive income, and amortized in the corresponding period and included in the current profit and loss. There is an economic relationship between the hedging instrument and the hedged item. These foreign exchange options match the currency and amount of monetary items, foreign currency borrowings and bonds.

For the six months ended 30 June 2021, the effective portion of the profit or loss on changes in fair value of the settled portion of foreign exchange options used as cash flow hedging instruments of RMB 43,630 thousand was recognised in revenue to offset the effect of hedged items on profit or loss for the current period (for the six months ended 30 June 2020: Nil). The settled portion of the time value was transferred to cost of sales of RMB 3,757 thousand in the period in which the hedging relationship affected the profit or loss.

For the six months ended 30 June 2021, the changes in the fair value of the intrinsic value and time value of the unsettled portion of the foreign exchange options used as cash flow hedging instruments of RMB 29,539 thousand and RMB 14,067 thousand were included in other comprehensive income-cash flow hedge reserve and other comprehensive income-time value of hedging.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable

	30 June 2021	31 December 2020
Accounts receivable	71,686,747	87,757,582
Less: Provision for bad debts	(752,739)	(930,087)
	70,934,008	86,827,495

(a) The ageing of accounts receivable is analysed as follows:

	30 June 2021	31 December 2020
Within 1 year	71,667,931	87,747,429
1 to 2 years	17,209	7,589
2 to 3 years	1,448	1,933
Over 3 years	159	631
	71,686,747	87,757,582

(b) As at 30 June 2021, the five largest accounts receivable aggregated by debtor were mainly trade receivable, and were summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance of accounts receivable
Total amounts of the five largest accounts receivable	48,606,124	491,845	68%

(c) Accounts receivable derecognised due to transfer of financial assets are analysed as follows:

As at 30 June 2021, the Group conducted factoring of accounts receivable without recourse, with RMB 1,166,569 thousand of ending balance derecognised and RMB 11,808 thousand of provision for bad debts made (31 December 2020: RMB 2,126,301 thousand of ending balance derecognised and RMB 22,326 thousand of provision for bad debts made).

(d) Provision for bad debts

For accounts receivable, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

(i) As at 30 June 2021, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Accounts receivable 1	6,459	100.00%	(6,459)	Individually identified after assessment
Accounts receivable 2	6,438	100.00%	(6,438)	Individually identified after assessment
Accounts receivable 3	2,507	100.00%	(2,507)	Individually identified after assessment
Accounts receivable 4	2,324	100.00%	(2,324)	Individually identified after assessment
Accounts receivable 5	1,014	100.00%	(1,014)	Individually identified after assessment
Accounts receivable 6	510	100.00%	(510)	Individually identified after assessment
Accounts receivable 7	415	100.00%	(415)	Individually identified after assessment
Accounts receivable 8	405	100.00%	(405)	Individually identified after assessment
Accounts receivable 9	395	100.00%	(395)	Individually identified after assessment
Accounts receivable 10	375	100.00%	(375)	Individually identified after assessment
Accounts receivable 11	364	100.00%	(364)	Individually identified after assessment
Accounts receivable 12	352	100.00%	(352)	Individually identified after assessment
Accounts receivable 13	305	100.00%	(305)	Individually identified after assessment
Accounts receivable 14	217	100.00%	(217)	Individually identified after assessment
Accounts receivable 15	212	100.00%	(212)	Individually identified after assessment
Accounts receivable 16	161	100.00%	(161)	Individually identified after assessment
Accounts receivable 17	108	100.00%	(108)	Individually identified after assessment
Others	185	100.00%	(185)	Individually identified after assessment
	22,746		(22,746)	

(ii) Accounts receivable for which the related provision for bad debts is made on the grouping basis are analysed as follows:

	30 June 2021			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount	Amount	Lifetime ECL (%)	Amount
Not overdue	71,096,138	1.02%	(723,452)	86,677,136	1.05%	(908,358)
Overdue within 1 year	566,522	1.13%	(6,376)	1,066,610	1.22%	(13,013)
Overdue for 1 to 2 years	1,155	8.14%	(94)	5,270	14.99%	(790)
Overdue for 2 to 3 years	186	38.17%	(71)	984	34.96%	(344)
	71,664,001		(729,993)	87,750,000		(922,505)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

(iii) For the six months ended 30 June 2021, the provision for bad debts reversed amounted to RMB 183,449 thousand, and provision for bad debts provided was RMB 15,807 thousand (for the six months ended 30 June 2020: the Group's provision for bad debts provided of RMB 294,899 thousand, and provision for bad debts reversed of RMB 142,720 thousand).

(iv) For the six months ended 30 June 2021, the ending balance of accounts receivable was written off by RMB 643 thousand, and the provision for bad debts was written off by RMB 643 thousand (for the six months ended 30 June 2020: Nil).

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	30 June 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	237,815	100%	171,467	100%

As at 30 June 2021, the Group had no advances to suppliers with ageing over 1 year (31 December 2020: Nil).

(b) As at 30 June 2021, the five largest advances to suppliers were mainly advances for materials and taxes, and were analysed as follows:

	Relationship with the Group	Amount	% of total prepayments	Date of payment	Reason for unsettlement
Total amounts of the five largest advances to suppliers	Third parties	152,508	64%	Within 1 year	Delivery still on schedule

As at 31 December 2020, the five largest advances to suppliers were mainly advances for materials and taxes, and were analysed as follows:

	Relationship with the Group	Amount	% of total prepayments	Date of payment	Reason for unsettlement
Total amounts of the five largest advances to suppliers	Third parties	62,264	36%	Within 1 year	Delivery still on schedule

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables

	30 June 2021	31 December 2020
Refund of rental receivable	288,820	-
Receivables from related parties (Note 7(5))	170,615	70,452
Receivables from pay on behalf	51,013	95,805
Tax refund receivable	46,275	126,375
Deposits	3,085	1,346
Others	116,276	126,507
	676,084	420,485
Less: Provision for bad debts	(30,180)	(24,761)
	645,904	395,724

(a) The ageing of other receivables is analysed as follows:

	30 June 2021	31 December 2020
Within 1 year	629,449	367,773
1 to 2 years	1,667	8,971
2 to 3 years	30,083	31,481
Over 3 years	14,885	12,260
	676,084	420,485

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements

	Stage 1					Stage 3		
	12-month ECL (grouping)		12-month ECL (individual)		Sub-total	Lifetime ECL (credit impaired)		Total
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2020	408,225	(12,501)	-	-	(12,501)	12,260	(12,260)	(24,761)
Increase in the current period	255,599	(3,582)	-	-	(3,582)	-	(1,837)	(5,419)
Transferred to stage 3	(2,625)	788	-	-	788	2,625	(788)	-
30 June 2021	661,199	(15,295)	-	-	(15,295)	14,885	(14,885)	(30,180)

i) There was no provision for bad debts reversed in the current period due to changes in data used to determine the ECLs.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements (Cont'd)

As at 31 December 2020 and 30 June 2021, the Group did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 30 June 2021, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Stage 3:				
Other receivables 1	9,908	100%	9,908	Unrecoverable by estimation
Others	4,977	100%	4,977	Unrecoverable by estimation
	14,885		14,885	

As at 31 December 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Stage 3:				
Other receivables 1	9,908	100%	(9,908)	Unrecoverable by estimation
Others	2,352	100%	(2,352)	Unrecoverable by estimation
	12,260		(12,260)	

(ii) As at 30 June 2021 and 31 December 2020, other receivables of which provision for bad debts was calculated on grouping basis were all in Stage 1, which was analysed below:

	30 June 2021			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Percentages	Amount	Amount	Percentages	Amount
The ageing group of guarantees receivable (including deposits) and tax refund receivable:						
Within 1 year	49,360	0.00%	-	127,721	0.00%	-
The ageing group of other receivables						
Within 1 year	580,089	1.05%	(6,103)	240,052	0.90%	(2,160)
1 to 2 years	1,667	10.00%	(167)	8,971	10.00%	(897)
2 to 3 years	30,083	30.00%	(9,025)	31,481	30.00%	(9,444)
	661,199		(15,295)	408,225		(12,501)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(c) For the six months ended 30 June 2021, the provision for bad debts made by the Group amounted to RMB 5,419 thousand, and there was no reversed provision for bad debts for the current period (for the six months ended 30 June 2020: the Group's provision for bad debts provided of RMB 1,438 thousand, and provision for bad debts reversed of RMB 2,752 thousand).

(d) For the six months ended 30 June 2021, no other receivables were written off (for the six months ended 30 June 2020: Nil).

(e) As at 30 June 2020, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Refund of rental receivable	288,820	Within 1 year	42.72%	(2,888)
Other receivables 2	Tax refund receivable	38,000	Within 1 year	5.62%	(380)
Other receivables 3	Advances receivable	30,284	Within 1 year	4.48%	(303)
Other receivables 4	Equity receivable	29,487	2 to 3 years	4.36%	(8,846)
Other receivables 5	Others	9,908	Above 5 years	1.47%	(9,908)
		396,499		58.65%	(22,325)

(f) As at 30 June 2021, the Group did not recognise government grants at amounts receivable.

(6) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2021		
	Ending balance	Provision for decline in the value of inventories and contract performance costs impairment	Carrying amount
Raw materials	29,664,082	(776,822)	28,887,260
Finished goods	12,978,136	(369,144)	12,608,992
Semi-finished products	8,476,827	(153,033)	8,323,794
Materials in transit	2,458,642	-	2,458,642
Delivered goods	1,002,785	-	1,002,785
Contract performance costs	3,180	-	3,180
	54,583,652	(1,298,999)	53,284,653

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(6) Inventories (Cont'd)

(a) Inventories are summarised by categories as follows (Cont'd):

	31 December 2020		
	Ending balance	Provision for decline in the value of inventories and contract performance costs impairment	Carrying amount
Raw materials	23,465,984	(819,806)	22,646,178
Finished goods	9,833,721	(717,441)	9,116,280
Semi-finished products	8,031,375	(151,128)	7,880,247
Materials in transit	3,333,990	-	3,333,990
Delivered goods	2,340,801	-	2,340,801
Contract performance costs	36,404	-	36,404
	47,042,275	(1,688,375)	45,353,900

(b) Analysis of provision for decline in the value of inventories and contract performance costs impairment is as follows:

	31 December 2020	Increase in the current period	Write-off in the current period	Differences on translation of foreign currency financial statements	30 June 2021
Raw materials	(819,806)	(338,905)	376,849	5,040	(776,822)
Semi-finished products	(151,128)	(61,645)	58,856	884	(153,033)
Finished goods	(717,441)	(115,071)	462,699	669	(369,144)
	(1,688,375)	(515,621)	898,404	6,593	(1,298,999)

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determination of net realisable value	Reason for reversal of or written-off provision for decline in the value of inventories
Raw materials	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales, utilisation or obsolescence
Semi-finished goods	It is determined based on the estimated selling price of the finished goods, less the costs of further processing and estimated costs necessary to make the sale and related taxes	Sales, utilisation or obsolescence
Finished goods	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales or obsolescence

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(7) Other current assets

	30 June 2021	31 December 2020
Input VAT to be deducted	2,160,576	1,781,004
Moulds to be amortised	117,782	129,005
Prepaid enterprise income tax	71,543	70,755
	2,349,901	1,980,764

(8) Investments in other equity instruments and other non-current financial assets

(a) Investments in other equity instruments

	30 June 2021	31 December 2020
Investment in equity instruments		
- Equity of unlisted companies	74,056	74,943

	Investments in other equity instruments
31 December 2020	74,943
- Additions	-
- Differences on translation of foreign currency financial statements	(887)
30 June 2021	74,056

(b) Other non-current financial assets

	30 June 2021	31 December 2020
Investment in equity instruments		
- Equity of unlisted companies	279,430	280,196

	Other non-current financial assets
31 December 2020	280,196
- Additions	-
- Differences on translation of foreign currency financial statements	(766)
30 June 2021	279,430

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(9) Long-term equity investments

	30 June 2021	31 December 2020
Associates (a)	1,176,993	1,167,690
Less: Provision for impairment of long-term equity investments	-	-
	1,176,993	1,167,690

As at 30 June 2021 and 31 December 2020, there was no significant restriction on sales of the long-term equity investments held by the Group.

(a) Associates

	31 December 2020	Movements for the current period: Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method (Note 5(44))	Difference on translation of foreign currency	Adjustment to the other comprehensive income	Other changes in equity	Cash dividends or profits declared	Accrual of provision for impairment	Others	30 June 2021	Ending balance of provision for impairment
AMAX Engineering Corporation	121,773	-	-	8,839	(1,506)	(220)	-	-	-	-	128,886	-
Suirui Group Co., Ltd.	270,352	-	-	(1,941)	-	-	24,395	-	-	-	292,806	-
Beijing CyberInsight Technology Co., Ltd.	114,475	-	-	(2,307)	-	-	-	-	-	-	112,168	-
Shanghai Oriental Pearl Radio & Television Research Development Co., Ltd.	21,464	-	-	(9,671)	-	-	-	-	-	-	11,793	-
Shenzhen Longhua Research Institute of New Generation Communication and Smart Computing Technology	259	-	-	(134)	-	-	-	-	-	-	125	-
Henan Zhongchi Fulian Precision Technology Ltd.	20,977	-	-	(2,063)	-	-	-	-	-	-	18,914	-
Shenzhen CRF Technology Co., Ltd.	58,792	-	-	(5,213)	-	-	-	-	-	-	53,579	-
Digiwin Software Co., Ltd.	559,598	-	-	3,121	-	-	-	(3,997)	-	-	558,722	-
	1,167,690	-	-	(9,369)	(1,506)	(220)	24,395	(3,997)	-	-	1,176,993	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(10) Fixed assets

	Buildings	Land	Machinery and equipment	Motor vehicles	Other equipment	Office and electronic equipment	Total
Cost							
31 December 2020	2,754,094	35,497	23,639,856	98,306	2,598,141	1,138,394	30,264,288
Increase in the current period							
Purchase	5,339	-	1,067,724	16,373	120,497	79,939	1,289,872
Transfer from construction in progress (Note 5(11))	783,815	-	52,736	118	2,871	5,776	845,316
Decrease in the current period							
Disposal and obsolescence	-	-	(463,592)	(1,659)	(63,581)	(6,442)	(535,274)
Differences on translation of foreign currency financial statements	(19,129)	(653)	(2,653)	(232)	(6,520)	(4,520)	(33,707)
30 June 2021	3,524,119	34,844	24,294,071	112,906	2,651,408	1,213,147	31,830,495
Accumulated depreciation							
31 December 2020	(1,035,100)	-	(19,527,512)	(77,025)	(1,656,872)	(844,745)	(23,141,254)
Increase in the current period							
Provision	(62,693)	-	(706,326)	(3,411)	(136,169)	(63,373)	(971,972)
Decrease in the current period							-
Disposal and obsolescence			458,317	1,655	58,632	5,975	524,579
Differences on translation of foreign currency financial statements	5,337	-	(4,864)	118	4,386	2,521	7,498
30 June 2021	(1,092,456)	-	(19,780,385)	(78,663)	(1,730,023)	(899,622)	(23,581,149)
Provision for impairment loss							
31 December 2020 and 30 June 2021	-	-	-	-	-	-	-
Carrying amount							
30 June 2021	2,431,663	34,844	4,513,686	34,243	921,385	313,525	8,249,346
31 December 2020	1,718,994	35,497	4,112,344	21,281	941,269	293,649	7,123,034

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(10) Fixed assets (Cont'd)

For the six months ended 30 June 2021, the depreciation of fixed assets amounted to RMB 971,972 thousand (for the six months ended 30 June 2020: RMB 1,083,786 thousand), of which the amounts charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were RMB 750,428 thousand (for the six months ended 30 June 2020: RMB 714,482 thousand), RMB 1,743 thousand (for the six months ended 30 June 2020: RMB 1,695 thousand), RMB 38,968 thousand (for the six months ended 30 June 2020: RMB 218,665 thousand) and RMB 180,833 thousand (for the six months ended 30 June 2020: RMB 148,944 thousand) respectively.

As at 30 June 2021, approximately 70% of the Group's fixed assets and construction in progress were located in Mainland China (31 December 2020: over 74%).

(a) Fixed assets with pending certificates of ownership:

As at 30 June 2021 and 31 December 2020, fixed assets with pending certificates of ownership were analysed as follows:

	30 June 2021 Carrying amount	31 December 2020 Carrying amount
Buildings	135,591	291,215

As at 30 June 2021, the ownership certificates of the above buildings were still in progress.

(11) Construction in progress

	30 June 2021		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	895,108	-	895,108
Cloud computing	27,300	-	27,300
Industrial Internet	17,937	-	17,937
	940,345	-	940,345

	31 December 2020		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	619,579	-	619,579
Cloud computing	7,292	-	7,292
Industrial Internet	16,950	-	16,950
	643,821	-	643,821

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(11) Construction in progress (Cont'd)

(a) Movement of projects of construction in progress

Project name	31 December 2020	Increase in the current period	Transfer to fixed assets in the current year (Note 5(10))	Transfer to long-term prepaid expenses in the current period	Differences on translation of foreign currency financial statements	30 June 2021	Accumulative amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current period	Capitalisation rate	Source of funds
Communication and mobile network equipment	619,579	481,197	(194,489)	(7,268)	(3,911)	895,108	-	-	-	Self-owned funds
Cloud computing	7,292	670,765	(650,225)	(452)	(80)	27,300	-	-	-	Self-owned funds
Industrial Internet	16,950	1,589	(602)	-	-	17,937	-	-	-	Self-owned funds
Total	643,821	1,153,551	(845,316)	(7,720)	(3,991)	940,345	-	-	-	

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(12) Right-of-use assets

	Buildings	Machinery and equipment	Motor vehicles	Total
Cost				
31 December 2020	-	-	-	-
Changes in accounting policies	2,247,010	57,077	4,542	2,308,629
1 January 2021	2,247,010	57,077	4,542	2,308,629
Increase in the current period				
New lease contracts	652,473	-	1,732	654,205
Changes in lease	119,341	-	-	119,341
Differences on translation of foreign currency financial statements	1,376	(151)	(23)	1,202
30 June 2021	3,020,200	56,926	6,251	3,083,377
Accumulated depreciation				
31 December 2020	—	—	—	—
Changes in accounting policies	-	-	-	-
1 January 2021	-	-	-	-
Increase in the current period				
Provision	(630,036)	(22,943)	(1,692)	(654,671)
Differences on translation of foreign currency financial statements	(710)	37	2	(671)
30 June 2021	(630,746)	(22,906)	(1,690)	(655,342)
Provision for impairment				
31 December 2020	—	—	—	—
Changes in accounting policies	-	-	-	-
1 January 2021	-	-	-	-
30 June 2021	-	-	-	-
Carrying amount				
30 June 2021	2,389,454	34,020	4,561	2,428,035
31 December 2020	—	—	—	—

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(13) Intangible assets

	Land use rights	Software	Trademarks	Patents	Total
Cost					
31 December 2020	355,546	189,811	24,183	45,597	615,137
Increase in the current period					
Purchase	-	15,165	-	813	15,978
Decrease in the current period					
Disposal	-	(769)	-	-	(769)
Differences on translation of foreign currency financial statements	(2,224)	(1,479)	(3)	(162)	(3,868)
30 June 2021	353,322	202,728	24,180	46,248	626,478
Accumulated amortisation					
31 December 2020	(44,811)	(153,136)	(1,473)	(10,400)	(209,820)
Increase in the current period					
Provision	(4,356)	(8,582)	(1,549)	(3,766)	(18,253)
Decrease in the current period					
Disposal	-	769	-	-	769
Differences on translation of foreign currency financial statements	139	1,139	3	52	1,333
30 June 2021	(49,028)	(159,810)	(3,019)	(14,114)	(225,971)
Provision for impairment					
31 December 2020 and 30 June 2021	-	-	-	-	-
Carrying amount					
30 June 2021	304,294	42,918	21,161	32,134	400,507
31 December 2020	310,735	36,675	22,710	35,197	405,317

For the six months ended 30 June 2021, the amortisation of intangible assets was RMB 18,253 thousand (for the six months ended 30 June 2020: RMB 23,124 thousand).

(14) Long-term prepaid expenses

	31 December 2020	Increase in the current period	Amortisation in the current period	Difference on translation of foreign currency financial statements	30 June 2021
Expenditure for improvements to right-of-use assets (i)	916,603	264,266	(184,078)	(440)	996,351
Others	19,125	-	(19,125)	-	-
	935,728	264,266	(203,203)	(440)	996,351

(i) Expenditure for improvements to right-of-use assets held under leases mainly represents the Group's expenses for decoration of plants held under leases and renovation of leased equipment.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	1,756,624	325,124	547,200	137,162
Depreciation of fixed assets	1,276,696	190,389	1,522,662	239,315
Provision for decline in the value of inventories	1,162,372	191,284	1,688,375	283,643
Employee benefits payable	812,505	133,206	1,046,695	170,195
Provision for bad debts	782,509	138,426	954,848	163,081
Accrued expenses	775,386	121,266	1,036,107	170,698
Equity incentive	546,542	87,082	648,812	111,230
Elimination of intra-group unrealised profit	324,808	57,379	224,475	40,551
Deferred income	273,095	60,892	273,307	61,331
Unrealised exchange losses	49,923	9,985	49,428	9,886
Changes in fair value of derivative instruments	36,172	5,426	-	-
Lease expenses	13,433	2,015	-	-
	7,810,065	1,322,474	7,991,909	1,387,092
Including:				
Expected to be recovered within one year (inclusive)		1,022,663		1,053,922
Expected to be recovered after one year		299,811		333,170
		1,322,474		1,387,092

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax liabilities before offsetting

	30 June 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	720,108	150,160	743,543	155,918
Changes in fair value of derivative instruments	133,744	20,073	434,361	69,869
Estimated interest income	122,288	25,258	467,574	104,961
Differences between the fair value of the identifiable assets and carrying value of the acquiree arising from business combinations involving enterprises not under common control	22,688	5,672	25,647	6,412
Others	293	85	288	86
	999,121	201,248	1,671,413	337,246
Including:				
Expected to be recovered within one year (inclusive)		63,033		192,900
Expected to be recovered after one year		138,215		144,346
		201,248		337,246

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2021	31 December 2020
Deductible temporary differences	323,590	-
Deductible losses	1,274,426	364,973
	1,598,016	364,973

(d) Deductible losses that are not recognised as deferred tax assets will be expired in following years:

	30 June 2021	31 December 2020
2025	416,986	-
2026	332,063	-
Deductible losses without expiration date	525,377	364,973
	1,274,426	364,973

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(e) Taxable temporary differences for which no deferred tax liabilities were recognised

For tax effect arising from accumulated undistributed profits of overseas subsidiaries, as the Group can determine its dividend distribution policy independently and has no dividend distribution plan in the foreseeable future or no intention to dispose of the subsidiaries, the Group did not recognise any deferred tax liability for the taxable temporary differences of RMB 9,169,952 thousand (31 December 2020: RMB 7,842,972 thousand).

(f) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2021		31 December 2020	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(152,084)	1,170,390	(198,049)	1,189,043
Deferred tax liabilities	152,084	49,164	198,049	139,197

(16) Provision for asset impairment

	31 December 2020	Provision /(Reversal) in the current period	Write-off in the current period	Difference on translation of foreign currency	30 June 2021
Provision for decline in the value of inventories	1,688,375	515,621	(898,404)	(6,593)	1,298,999
Provision for bad debts	954,848	(162,223)	(643)	(9,063)	782,919
Including: Accounts receivable	930,087	(167,642)	(643)	(9,063)	752,739
Other receivables	24,761	5,419	-	-	30,180
	2,643,223	353,398	(899,047)	(15,656)	2,081,918

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(17) Short-term borrowings

	Currency	30 June 2021	31 December 2020
Unsecured -	USD	42,914,222	41,259,162
	TWD	1,135,846	1,226,523
	RMB	730,000	900,000
	CZK	511,690	508,508
	EUR	99,560	283,508
Interest payable	RMB	36,084	30,282
	USD	8,927	13,423
	TWD	855	1,528
		45,437,184	44,222,934

(a) For the six months ended 30 June 2021, the interest rate range of RMB-denominated short-term borrowings was 2.60% to 3.40%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.31% to 1.51%.

For the six months ended 30 June 2020, the interest rate range of RMB-denominated short-term borrowings was 2.60% to 3.95%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.54% to 4.25%.

(18) Notes payable

	30 June 2021	31 December 2020
Bank acceptance notes	100,000	100,000

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(19) Accounts payable

	30 June 2021	31 December 2020
Accounts payable	55,110,567	62,144,793

As at 30 June 2021, accounts payable with ageing over one year amounted to RMB 36,719 thousand (31 December 2020: RMB 48,631 thousand), which were mainly material expenses payable, and were not finally settled yet since the material's quality is disputable.

(20) Contract liabilities

	30 June 2021	31 December 2020
Advances for goods	89,880	92,552
Advances from services	3,551	5,043
	93,431	97,595

As at 1 January 2021, the balance of the Group's contract liabilities was RMB 97,595 thousand, of which RMB 34,492 thousand was transferred to the operating revenue in the six months ended 30 June 2021.

(21) Employee benefits payable

	30 June 2021	31 December 2020
Short-term employee benefits payable (a)	4,404,156	5,037,069
Defined contribution plans payable (b)	100,629	69,504
	4,504,785	5,106,573

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(21) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2020	Increase in the current period	Decrease in the current period	Difference on translation of foreign currency	30 June 2021
Wages and salaries, bonus, allowances and subsidies	4,781,657	9,613,014	(10,265,742)	(7,439)	4,121,490
Staff welfare	34,783	98,812	(86,881)	(146)	46,568
Social security contributions	26,974	338,632	(331,147)	(2)	34,457
Including: Medical insurance	16,434	303,299	(294,743)	(2)	24,988
Work injury insurance	5,085	23,461	(24,983)	-	3,563
Maternity insurance	5,455	11,872	(11,421)	-	5,906
Housing funds	30,271	196,826	(199,493)	(45)	27,559
Labour union funds and employee education funds	109,363	122,780	(115,901)	(9)	116,233
Overseas social security contributions	54,021	111,927	(107,941)	(158)	57,849
	5,037,069	10,481,991	(11,107,105)	(7,799)	4,404,156

(b) Defined contribution plans

	31 December 2020	Increase in the current period	Decrease in the current period	Difference on translation of foreign currency	30 June 2021
Basic pensions	40,290	581,415	(553,385)	39	68,359
Unemployment insurance	5,332	24,916	(23,547)	-	6,701
Overseas pension	23,882	5,856	(3,165)	(1,004)	25,569
	69,504	612,187	(580,097)	(965)	100,629

(22) Taxes payable

	30 June 2021	31 December 2020
Enterprise income tax payable	845,722	1,682,659
VAT payable	353,879	177,698
City maintenance and construction tax payable	12,718	46,575
Educational surcharge payable	9,084	30,760
Individual income tax payable	8,221	12,737
Others	16,467	17,155
	1,246,091	1,967,584

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(23) Other payables

	30 June 2021	31 December 2020
Payables to related parties (Note7(5))		
- Dividends payable to related parties	4,175,427	-
- Labour expenses, fixed assets and trademark fees payable	1,739,419	1,846,146
- Combination cost of Restructuring Businesses (i)	-	59,022
Deposits payable	1,140,211	505,998
Dividends payable to third parties	763,494	-
Repurchasing obligation of restricted stocks (Note 5(50))	553,360	789,056
Advances for equipment purchased on behalf	435,968	686,193
Maintenance and repair fees payable	319,571	410,427
Advances received/paid on half	229,710	116,426
Construction and equipment expenses payable	202,753	496,665
Rentals payable	162,815	134,857
Mould fee payable	105,449	200,581
Royalty fee payable	105,958	188,702
Dividends payable to restricted stocks	62,088	44,590
Temporary collection	39,459	21,835
Others	1,090,145	872,412
	11,125,827	6,372,910

As at 30 June 2021, other payables with ageing over one year of RMB 427,722 thousand were mainly deposits payable and payables to related parties (31 December 2020: RMB 273,069 thousand, mainly combination cost payable of Restructuring Businesses and payables to related parties).

(i) Combination cost payable of Restructuring Businesses

According to the Reconstructing Plan, the Company's Reconstructing Assets acquired by means of cash payment include certain internal and external equities and operating assets related to internal and external Restructuring Businesses (primarily including production and operation equipment, moulds, inventories, etc.).

As at 31 December 2017 (restructuring completion date), according to the Reconstructing Plan and the signed equity and asset transfer agreement, the combination consideration recognised and paid to Hon Hai Precision and its subsidiaries (including taxes) totalled RMB 22,954,739 thousand, and the combination consideration equivalent to RMB 22,001,858 thousand (excluding taxes) was deducted against shareholders' equity in accordance with the requirements of business combination under common control. As at 30 June 2021, the Group had paid all the combination cost of Restructuring Businesses.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(24) Other current liabilities

	30 June 2021	31 December 2020
Short-term notes and bills payable (i)	185,486	275,438
Product warranties expected to be settled within one year (Note 5(28))	176,487	228,301
Others	17,681	8,757
	379,654	512,496

(i) On 2 June 2021, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 92,760 thousand) at discount. The issuing price was RMB 9998.89/RMB 10 thousand. The term of the short-term notes and bills was 29 days and the interest rate was 0.848%. The short-term notes and bills were extended and would be repaid upon maturity in July 2021.

On 25 June 2021, the Group's subsidiaries issued short-term notes and bills at par value of TWD 200,000 thousand (equivalent to RMB 46,380 thousand) at discount. The issuing price was RMB 9996.22/RMB 10 thousand. The term of the short-term notes and bills was 28 days and the interest rate was 0.848%. The short-term notes and bills were repaid upon maturity in July 2021.

On 25 June 2021, the Group's subsidiaries issued short-term notes and bills at par value of TWD 200,000 thousand (equivalent to RMB 46,360 thousand) at discount. The issuing price was RMB 9996.22/RMB 10 thousand. The term of the short-term notes and bills was 28 days and the interest rate was 0.848%. The short-term notes and bills were repaid upon maturity in July 2021.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(25) Long-term borrowings

	30 June 2021	31 December 2020
Guaranteed borrowings (a)	3,875,789	-
Secured borrowings (b)	384	552
	3,876,173	552
Less: Current portion of long-term borrowings	(329)	(327)
	3,875,844	225

(a) As at 30 June 2021, the guaranteed bank borrowings of USD 600,000 thousand (RMB 3,875,789 thousand) was granted to Cloud Network Technology Singapore Pte. Ltd., a wholly-owned subsidiary of the Company and guaranteed by the Company. Its interest is payable every 3 months and its principal is due for repayment on 24 November 2023.

(b) As at 30 June 2021, the secured bank borrowings of RMB 384 thousand (31 December 2020: RMB 552 thousand) were secured by the Group's fixed assets with a carrying amount of RMB 383 thousand (cost: 1,542 thousand). The interest is paid monthly. The principal should be repaid by 15 August 2022 in instalments within 5 years from the date of borrowing.

(c) As at 30 June 2021, the interest of long-term borrowings varied from 1.35% to 3.47% (31 December 2020: 3.47%).

(26) Lease liabilities

	30 June 2021	31 December 2020
Lease liabilities	2,351,605	—
Less: Current portion of non-current liabilities	(1,022,735)	—
	1,328,870	—

(a) As at 30 June 2021, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprise the following:

(i) As at 30 June 2021, payments for leases not yet commenced to which the Group was committed amounted to RMB 38,108 thousand (31 December 2020: Nil) (Note 11(3)).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(27) Deferred income

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Government grants	273,307	41,486	(41,698)	273,095

Government grants	31 December 2020	Increase in grants in the current period	Amount recognised in other income in the current period (Note 5(43))	Other changes in the current period	30 June 2021	Assets related/ Income related
Supporting funds for enterprises	113,061	1,298	(1,296)	-	113,063	Income related
Subsidy for research and development	50,236	2,190	(1,399)	(12,500)	38,527	Assets related
Grants related to technical innovation	56,923	-	(6,913)	-	50,010	Assets related
Subsidies for development projects	53,087	37,998	(19,590)	-	71,495	Income related
	273,307	41,486	(29,198)	(12,500)	273,095	

(28) Provisions

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Product warranties	763,606	25,819	(58,315)	731,110
Less: Provisions expected to be settled within one year (Note 5(24))	(228,301)			(176,487)
	535,305			554,623

5 Notes to the consolidated financial statements (Cont'd)

(29) Share capital

	31 December 2020	Movements in the current period (Note 1)					30 June 2021
		Shares newly issued (ii)	Bonus share	Transfer from reserves	Others (iii)	Sub-total	
Ordinary shares denominated in RMB	19,870,646	2,048	-	-	(2,428)	(380)	19,870,266

	31 December 2019	Movements in the current period (Note 1)					30 June 2020
		Shares newly issued (i)	Bonus share	Transfer from reserves	Others	Sub-total	
Ordinary shares denominated in RMB	19,854,832	17,271	-	-	-	17,271	19,872,103

(i) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 31 December 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 18,881,226 restricted stocks (A stock) to 474 restricted stock incentive targets at a granting price of RMB 5.901 per share, and to grant 6,013,755 stock options to 20 incentive targets. The Company actually received share contributions amounting to RMB 100,973 thousand in total from 428 subscribers, with the share capital increased by RMB 17,111 thousand and the capital surplus increased by RMB 83,861 thousand. The change in share capital has been verified by PricewaterhouseCoopers Zhong Tian LLP, which has issued the Capital Verification Report PwC ZT Yan Zi (2020) No. 0305.

As of the six-month ended of June 30, 2020, due to the exercise of stock option by incentives, the Company has received an equity payment of RMB 1,904 thousand, has increased registered capital and share capital of RMB 160 thousand, and has increased capital reserves RMB 1,744 thousand.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(29) Share capital (Cont'd)

(ii) For the six months ended 30 June 2021, the registered capital and share capital were increased by RMB 2,048 thousand and the capital surplus was increased by RMB 21,953 thousand due to incentive targets' exercise on stock options. In addition, the Company received the payments for stock options amounting to RMB 23,446 thousand and received another RMB 555 thousand in July 2021.

(iii) For the six months ended 30 June 2021, the registered capital and share capital were decreased by RMB 2,428 thousand, and the capital surplus was decreased by RMB 12,181 thousand due to the de-registration of restricted stocks. The above de-registered in the six months ended 30 June 2021 of restricted stocks were the 2,427,240 repurchased restricted stocks in the announcement on 11 September 2020 with the repurchase fund of RMB 14,608 thousand paid in 2020. For the six months ended 30 June 2021, as the incentive targets of the restricted stocks resigned or failed to meet the individual KPI, the Company repurchased restricted stocks and paid RMB 18,661 thousand by equity, including 1,644,660 repurchased shares in the announcement on 31 December 2020 (amounting to RMB 9,830 thousand) and 1,473,216 repurchased shares in the announcement on 30 April 2021 (amounting to RMB 8,831 thousand). As at 30 June 2021, the de-registration procedures for decreased share capital were not completed for the above repurchase.

(30) Capital surplus

	31 December 2020	Increase in the current period	Reclassification in the current period	Decrease in the current period	30 June 2021
Share premium - Shares newly issued - (Note 5(29))	25,952,677	21,953	315,599	(12,181)	26,278,048
Other capital surplus - Others - (Note 5(9) and Note 5(50))	1,805,363	327,820	(315,599)	-	1,817,584
	27,758,040	349,773	-	(12,181)	28,095,632

	31 December 2019	Increase in the current period	Reclassification in the current period	Decrease in the current period	30 June 2020
Share premium - Shares newly issued - (Note 5(29))	25,548,018	85,605	274,104	-	25,907,727
Other capital surplus - Others - (Note 5(9) and Note 5(50))	1,144,231	507,905	(274,104)	-	1,378,032
	26,692,249	593,510	-	-	27,285,759

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(31) Surplus reserve

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Statutory surplus reserve	1,437,435	-	-	1,437,435

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	740,214	-	-	740,214

(a) As at 1 January 2021, due to the initial adoption of the new lease standard, surplus reserve was not adjusted (Note 3(28)).

(32) Undistributed profits

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Undistributed profits at the beginning of the period	55,070,045	42,306,789
Add: Net profit attributable to shareholders of the parent company in the current period	6,726,636	5,040,890
Less: Ordinary share dividends (a)	(4,966,790)	(3,974,421)
Add: Revocable cash dividends on restricted stocks	3,642	2,878
Undistributed profits at the end of the period	56,833,533	43,376,136

(a) Pursuant to the resolution of the shareholders' general meeting held on 8 June 2021 and the announcement on the implementation of 2020 annual interest distribution issued on 20 July 2021, the Company proposed a cash dividend to the shareholders at RMB 2.5 (tax inclusive) per 10 shares, amounting to RMB 4,966,790 thousand (tax inclusive) calculated by 19,867,159,541 issued shares on the date of share registration.

Pursuant to the resolution of the shareholders' general meeting held on 28 May 2020 and the announcement on the implementation of 2019 annual interest distribution issued on 20 June 2020, the Company proposed a cash dividend to the shareholders at RMB 2.0 (tax inclusive) per 10 shares, amounting to RMB 3,974,421 thousand (tax inclusive) calculated by 19,872,102,687 issued shares on the date of share registration.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(33) Minority interests

Minority interests attributable to minority shareholders of subsidiaries

	30 June 2021	31 December 2020
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	55,938	50,060
Foxconn Industrial Internet Foshan Smart Manufacture Valley Co., Ltd.	50,616	49,267
Shenzhen Foxconn Internet Lingyunguang Technology Co., Ltd.	48,802	49,085
Jincheng Foxconn intelligent manufacturing institute Co., Ltd.	43,037	44,146
Jincheng Hongshuo Intelligent Technology Co., Ltd.	37,665	38,130
Foxconn Industrial Internet Hengyang Smart Manufacture Valley Co., Ltd.	17,509	19,180
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	17,641	19,232
LEAPSY INTERNATIONAL LTD	10,683	9,316
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	2,295	5,294
Guangxi Fumeng Innovation Technology Co., Ltd.	3,316	3,549
Others	3,511	890
	291,013	288,149

(34) Revenue and cost of sales

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue from main operations	195,421,981	176,134,564
Revenue from other operations	607,996	519,701
	196,029,977	176,654,265

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Cost of sales from main operations	(180,333,410)	(163,546,203)
Cost of sales from other operations	(410,894)	(357,521)
	(180,744,304)	(163,903,724)

As of the six-month ended of June 30, 2020, the respective operating income of the first two largest clients of the Group have both accounted for more than 10% of the Group total revenue, the sum of operating income of these two clients accounted for more than 42% of the Group total revenue (During the six-month ended of June 30, 2020, the respective operating income of the first three largest clients of the Group have accounted for more than 10% of the Group total revenue, the sum of operating income of these three clients accounted for more than 45% of the Group total revenue).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(34) Revenue and cost of sales (Cont'd)

(a) Revenue and cost of sales from main operations

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Communication and mobile network equipment	112,718,207	(101,579,132)	96,346,425	(87,417,807)
Cloud computing	82,332,703	(78,508,534)	79,535,169	(75,974,941)
Industrial Internet	371,071	(245,744)	252,970	(153,455)
	195,421,981	(180,333,410)	176,134,564	(163,546,203)

(b) Revenue and cost of sales from other operations

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of materials and scraps	326,213	(218,670)	147,474	(100,283)
Revenue from rendering of services	172,248	(139,521)	176,806	(151,995)
Rental income	104,849	(48,231)	92,950	(42,545)
Others	4,686	(4,472)	102,471	(62,698)
	607,996	(410,894)	519,701	(357,521)

(c) The Group's revenue is broken down as follows:

	For the six months ended 30 June 2021				
	Communication and mobile network equipment	Cloud computing	Industrial Internet	Others	Total
Revenue from main operations	112,718,207	82,332,703	371,071	-	195,421,981
Including:					
Recognised at a point in time	112,718,207	82,332,703	371,071	-	195,421,981
Revenue from other operations	420,508	68,851	-	118,637	607,996
	113,138,715	82,401,554	371,071	118,637	196,029,977

(i) As at 30 June 2021, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was expected to be recognised in 2021.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(35) Taxes and surcharges

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
City maintenance and construction tax	133,210	127,481
Educational surcharge	82,483	76,813
Stamp tax	73,677	51,732
Real estate tax	10,010	10,679
Others	16,971	14,764
	316,351	281,469

(36) Selling and distribution expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Logistics expense	558,224	559,187
Employee benefits	204,512	145,293
Packaging expenses	56,179	33,138
Leasing and warehousing expenses	35,332	33,898
After-sale service fee	17,103	9,009
Sales service fee	2,624	2,829
Others	7,525	56,593
	881,499	839,947

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(37) General and administrative expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Employee benefits	1,317,811	1,605,209
Management service fee	262,739	155,373
Depreciation of right-of-use assets	84,980	-
Depreciation and amortisation	49,420	239,722
Maintenance fees	39,104	40,876
Energy fee	33,199	32,017
Lease expenses	15,596	196,189
Environmental expenditures	14,305	12,998
Insurance premium	6,947	16,946
Others	118,915	221,793
	1,943,016	2,521,123

For the six months ended 30 June 2021, the Group charged the losses on work stoppage of RMB 72,508 thousand to general and administrative expenses (for the six months ended 30 June 2020: RMB 960,349 thousand), including employee benefits of RMB 55,602 thousand, depreciation and amortisation of RMB 12,633 thousand and lease expenses of RMB 4,273 thousand (for the six months ended 30 June 2020: including employee benefits of RMB 673,709 thousand, depreciation and amortisation of RMB 181,968 thousand and lease expenses of RMB 104,672 thousand) due to relevant national and local epidemic prevention policies, delayed resumption of work and suspended operation.

(38) Research and development expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Employee benefits	2,686,147	1,670,914
Material consumption fee	1,377,375	863,012
Technical service fee	569,714	714,086
Depreciation and amortisation	205,100	158,846
Maintenance fees	149,356	98,922
Lease expenses	31,064	46,124
Depreciation of right-of-use assets	25,739	-
Others	188,690	164,803
	5,233,185	3,716,707

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(39) Financial income - net

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Interest expenses of borrowings	250,457	333,183
Add: Interest expenses on lease liabilities	47,785	-
Less: Amounts capitalised on qualifying assets	-	-
Interest expenses	298,242	333,183
Less: Interest income	(867,232)	(854,816)
Exchange losses/(profits)	440,965	(226,286)
Including: Exchange gains from hedged items	(59,240)	-
Effective hedge portion of hedging instrument	59,240	-
Time value amortisation	(19,142)	-
Net loss from other foreign currencies exchange	460,107	(226,286)
Others	6,806	5,140
	(121,219)	(742,779)

(40) Expenses by nature

The cost of sales, selling and distribution expenses, research and development expenses and general and administrative expenses in the income statement are listed as follows by nature:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Changes in inventories of finished goods, delivered goods and work in progress	(2,251,851)	(1,434,988)
Consumed raw materials, moulds, low value consumables, processing fees and other low-value consumables	173,167,186	157,614,697
Employee benefits	11,401,557	9,030,925
Depreciation and amortisation	1,193,428	1,209,171
Management service fee	1,180,702	1,118,079
Logistics expense	1,148,549	875,112
Energy fee	919,349	673,729
Maintenance fees	729,703	385,559
Depreciation of right-of-use assets	654,671	—
Security service fee	120,246	104,832
Environmental expenditures	98,479	64,060
Leasing and warehousing expenses (i)	7,624	872,460
Others	432,361	467,865
	188,802,004	170,981,501

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(40) Expenses by nature (Cont'd)

(i) In February 2021, the Company's subsidiary agreed with the Lessor that the Lessor would refund to the Company's subsidiary RMB 268,941 thousand overpaid rent in previous years against the current lease expenses according to the official rent standard determined by the Arbitration Commission.

As stated in Note 3(24), the Group directly recognises the rental expenses of short-term lease and low value lease into profit or loss. This rental expenses in the six months ended 30 June 2021 was RMB 276,565 thousand.

(41) Reversal of/(Losses on) credit impairment

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
(Reversal of)/Provision for bad debts of accounts receivable	(167,642)	152,179
Provision for/(Reversal of) bad debts of other receivables	5,419	(1,314)
	(162,223)	150,865

(42) Asset impairment losses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Losses on decline in the value of inventories and impairment of contract performance costs	515,621	644,743

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(43) Other income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Assets related/Income related
Supporting funds for enterprises	266,495	268,328	Income related
Subsidies for development projects (Note 5(27))	19,590	8,502	Income related
Subsidies for export increment	5,500	11,677	Income related
Subsidies for research and development (Note 5(27))	1,399	-	Assets related
Subsidies for technology renovation (Note 5(27))	6,913	2,535	Assets related
Others	55,955	126,900	Income related
	355,852	417,942	

(44) Investment income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Investment gains from disposal of derivative financial assets (liabilities)	853,678	81,596
(Losses)/income from long-term equity investments under equity method (Note 5(9))	(9,369)	993
Investment income earned during the holding period of other non-current financial assets (Note 5(8(b)))	800	-
	845,109	82,589

There is no significant restriction on the repatriation of investment income of the Group.

(45) Losses on changes in fair value

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Foreign currency forward contract	(375,457)	(164,957)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(46) Gains on disposal of assets

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Gains on disposal of non-current assets	28,113	21,936
Including: Gains on disposal of fixed assets	28,113	21,936
Losses on disposal of non-current assets	(13,794)	(19,448)
Including: Losses on disposal of fixed assets	(13,794)	(19,448)
	14,319	2,488

(47) Non-operating income and expenses

(a) Non-operating income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Income from default punishment compensation	5,540	11,102
Income from insurance compensation	4,260	26,320
Others	21,015	13,487
	30,815	50,909

(b) Non-operating expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Losses on scrapping of non-current assets	6,053	852
Donations	2,367	26,486
Penalties and overdue fine	165	7,819
Others	2,158	3,751
	10,743	38,908

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(48) Income tax expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Current income tax calculated based on tax law and related regulations	897,016	723,254
Deferred income tax	(83,224)	(74,438)
	813,792	648,816

The reconciliation from the total profit presented in the consolidated income statement to the income tax expenses is listed below:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Total profit	7,539,338	5,688,529
Income tax expenses calculated at applicable statutory tax rates	1,884,835	1,422,132
Effect of difference in the tax rates	(757,382)	(593,133)
Additional deduction of R&D expenditure	(511,756)	(262,817)
Income tax filing difference	(36,723)	(34,440)
Additional deduction of expenses of disabled staff	(4,944)	(4,243)
Costs, expenses and losses not deductible for tax purposes	29,332	69,665
Deductible temporary differences and deductible losses for which no deferred tax asset was recognised in the current period	210,430	51,652
Income tax expenses	813,792	648,816

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(49) Other comprehensive income

	Other comprehensive income/loss in the balance sheet			For the six months ended 30 June 2021				
	31 December 2020	Attributable to the parent company - net of tax	30 June 2021	Amount incurred before income tax for the current period	Less: Recognised in OCI but transferred to P&L for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority interests after tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes in fair value of investments in other equity instruments	(37,760)	-	(37,760)	-	-	-	-	-
Other comprehensive income items which will be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(1,296)	(220)	(1,516)	(220)	-	-	(220)	-
Cash flow hedge reserve	—	20,457	20,457	(73,330)	102,869	(9,082)	20,457	—
Part of the hedge's time value	—	6,223	6,223	24,370	(15,385)	(2,762)	6,223	—
Differences on translation of foreign currency financial statements	463,970	(424,787)	39,183	(424,787)	-	-	(424,787)	-
	424,914	(398,327)	26,587	473,967	87,484	(11,844)	(398,327)	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(49) Other comprehensive income (Cont'd)

	Other comprehensive income/loss in the balance sheet			For the six months ended 30 June 2020				
	31 December 2019	Attributable to the parent company - net of tax	30 June 2020	Amount incurred before income tax for the current period	Less: Previously recognised in OCI but transferred to P&L for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority interests after tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes in fair value of investments in other equity instruments	(37,760)	-	(37,760)	-	-	-	-	-
Other comprehensive income items which will be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(307)	281	(26)	281	-	-	281	-
Differences on translation of foreign currency financial statements	666,811	44,219	711,030	44,219	-	-	44,219	-
	628,744	44,500	673,244	44,500	-	-	44,500	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments

Equity-settled share-based payment

(a) Overview of restricted stock incentive plan

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Outstanding restricted stocks at the beginning of the period (share)	283,240,643	400,884,283
Total restricted stocks granted in the current period (share)	-	17,111,096
Total restricted stocks unlocked in the current period (share)	(41,821,195)	(29,108,303)
Less: Total restricted stocks forfeited in the current period (share)	(4,121,181)	(4,191,958)
Outstanding restricted stocks at the end of the period (share)	237,298,267	384,695,118
Financial liabilities recognised at the end of the period	553,360	815,703
Treasury stock recognised at the end of the period	580,529	840,969
Expenses for share-based payment incurred in the current period	287,413	470,088
Accumulated share-based payment expenses	2,278,698	1,551,840

(i) As approved by the resolution of the second meeting of the first Board of Directors on 6 December 2017 and the resolution of the second extraordinary shareholders' meeting in 2017, some employees of the Group indirectly held a total of 1.4625% of 259,240,433 RMB ordinary shares issued by the Company through a number of limited partnerships on the completion date of the restructuring (31 December 2017). These RMB ordinary shares have restrictive conditions ("conditional equity instruments"), and employees can only unlock them after the expiration of the service period stipulated in the above limited partnership agreement.

At the grant date, the fair value of the above conditional equity instruments was RMB 2,143,141 thousand. The fair value was assessed by qualified professional organisations using valuation techniques. The difference between the fair value of the conditional equity instruments and the consideration paid by the employees to acquire the equity instruments is amortised over the service period of approximately 3 to 5 years from the grant date.

For the six months ended 30 June 2021, the Group lifted the above restriction on the sales of 8,346,133 conditional equity instruments in consideration of the termination of employment and performance assessment of employees.

For the six months ended 30 June 2021, expenses recognised for the above share-based payments were RMB 110,019 thousand (for the six months ended 30 June 2020: RMB 160,282 thousand) and the amount recognised in capital surplus was RMB 110,019 thousand (for the six months ended 30 June 2020: RMB 160,282 thousand).

(ii) In accordance with relevant provisions of the *Incentive Plan (Revised Draft)* and the authorisation of the first extraordinary shareholders' meeting in 2019, the Company held a meeting of the Board of Directors for the approval of the initial granting plan on 30 April 2019, granted a total of 149,183,352 restricted RMB ordinary shares to 3,893 incentive targets at a granting price of RMB 6.03 per share, received share contributions amounting to RMB 899,576 thousand in total, and recognised a liability of RMB 899,576 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(ii) According to the *Accounting Standard for Business Enterprises No. 11 - Share-based Payment* and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.39.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th post lock-up period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th post lock-up period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(ii) Based on the performance in 2019 and 2020, the Group has met the performance conditions of the 1st and 2nd post lock-up periods. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks of 28,045,338 shares and repurchased 1,068,096 restricted stocks in the six months ended 30 June 2021. As at 30 June 2021, 2,037,836 shares have not been registered for repurchase.

Based on the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 3rd, 4th and 5th post lock-up periods. Therefore, as at 30 June 2021, the Group estimated that there would be 78,558,552 remaining shares that could be eventually unlocked. For the six months ended 30 June 2021, expenses recognised for the above share-based payments were RMB 146,772 thousand and the amount recognised in capital surplus was RMB 146,772 thousand.

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 11 September 2019 for the approval of the *Proposal of Granting Certain Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 11,255,180 restricted RMB ordinary shares to 396 incentive targets at a granting price of RMB 5.901 per share. As at 25 September 2019, the actual number of subscribers was 364, and a total of 10,348,325 shares were subscribed, with a total of RMB 61,065 thousand share contributions received. The Company also recognised a liability of RMB 61,065 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

According to the *Accounting Standard for Business Enterprises No. 11 - Share-based Payment* and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.31.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iii)

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd post lock-up period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd post lock-up period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th post lock-up period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th post lock-up period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iii) Based on the performance in 2019 and 2020, the Group has met the performance conditions of the 1st and 2nd post lock-up periods. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks of 2,031,585 shares and repurchased 189,120 restricted stocks in the six months ended 30 June 2021. As at 30 June 2021, 835,840 shares have not been registered for repurchase.

Based on the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 3rd, 4th and 5th post lock-up periods. Therefore, as at 30 June 2021, the Group estimated that there would be 6,603,437 shares that could be eventually unlocked. For the six months ended 30 June 2021, expenses recognised for the above share-based payments were RMB 7,995 thousand and the amount recognised in capital surplus was RMB 7,995 thousand.

(iv) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 31 December 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 18,881,226 restricted stocks to 474 restricted stock incentive targets at a granting price of RMB 5.901 per share. As at 14 April 2020, the actual number of subscribers was 428, and a total of 17,111,096 shares were subscribed, with a total of RMB 100,973 thousand share contributions received. At the same time, the Company recognised a liability of RMB 100,973 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

According to the *Accounting Standard for Business Enterprises No. 11 - Share-based Payment* and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 12.37.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iv)

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd post lock-up period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd post lock-up period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th post lock-up period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th post lock-up period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iv) Based on the performance in 2019 and 2020, the Group has met the performance conditions of the 1st and 2nd post lock-up periods. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks of 3,398,140 shares and repurchased 216,000 restricted stocks in the six months ended 30 June 2021. As at 30 June 2021, 244,200 shares have not been registered for repurchase.

Based on the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 3rd, 4th and 5th post lock-up periods. Therefore, as at 30 June 2021, the Group estimated that there would be 12,401,500 shares that could be eventually unlocked. For the six months ended 30 June 2021, expenses recognised for the above share-based payments were RMB 22,627 thousand and the amount recognised in capital surplus was RMB 22,627 thousand.

(b) Overview of stock option plan

(i) Movements of outstanding stock options during the six months ended 30 June 2021

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Stock options issued at the beginning of the period	27,788,881	25,263,446
Stock options granted during the current period	-	6,013,755
Stock options exercised during the current period	(2,047,701)	(159,692)
Stock options lapsed in the current period	(527,636)	(671,675)
Stock options issued at the end of the period	25,213,544	30,445,834
Expenses for share-based payment incurred in the current period	19,966	36,539
Accumulated share-based payment expenses	125,477	77,924

The weighted average price of stock options exercised for the period calculated based on that on the exercise date was RMB 11.721.

(ii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 30 April 2019 for the approval of the initial granting plan, granting a total of 25,947,021 stock options to 892 stock option incentive targets at an exercise price of RMB 12.05 per share on 30 April 2019, the granting date. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(ii) The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd exercise period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd exercise period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th exercise period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th exercise period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

Based on the performance in 2019 and 2020, the Group has met the performance conditions of the 1st and 2nd exercise period. Therefore, in combination with the resignation and individual performance appraisal of the stock option incentive targets, from 11 June 2020 to 30 April 2021, 4,863,194 stock options of the Group entered the vesting period. From 7 June 2021 to 30 April 2022, 4,630,813 stock options of the Group entered the vesting period. As at 30 June 2021, 1,926,221 stock options were exercised and the registration procedures for share transfers were completed. The Group increased its share capital by RMB 1,926 thousand and its capital surplus by RMB 20,652 thousand. For the six months ended 30 June 2021, the Group actually received share-based payment of RMB 22,022 thousand from relevant incentive targets, and another RMB 555 thousand was received in July 2021.

Determination method for fair value of stock options at the grant date

For the six months ended 30 June 2021, the Group recognised share-based payment expenses amounting to RMB 14,351 thousand. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of options that are exercisable, amended the number of equity instruments exercisable, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

The fair value of the granted stock options at the grant date was estimated by using the Black Scholes Option Pricing Model, after taking the terms and conditions of stock options into consideration. The table below shows the inputs of the model used:

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(ii)

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.00%-39.57%
Risk-free interest rate during the option life	2.72%-3.22%
Exercise price on grant date (RMB/share)	RMB 12.05

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 13 September 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Share Options and Restricted Stock Incentive Scheme*, intending to grant a total of 473,000 stock options to 74 incentive targets at a granting price of RMB 11.921 per share. The grant date was 11 September 2019. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd exercise period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd exercise period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th exercise period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th exercise period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iii) Based on the performance in 2019 and 2020, the Group has met the performance conditions of the 1st and 2nd exercise period. Therefore, in combination with the resignation and individual performance appraisal of the stock option incentive targets, from 2 November 2020 to 11 September 2021, 70,520 stock options of the Group entered the vesting period. As at 30 June 2021, 24,480 stock options completed the exercise and share transfer registration procedures. For the six months ended 30 June 2021, the Group received equity payment of RMB 287 thousand from relevant incentive targets, increased paid-in capital by RMB 24 thousand and increased capital surplus by RMB 263 thousand.

Determination method for fair value of stock options at the grant date

For the six months ended 30 June 2021, the Group recognised share-based payment expenses amounting to RMB 202 thousand. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of options that are exercisable, amended the number of equity instruments exercisable, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

The fair value of the granted stock options at the grant date was estimated by using the Black Scholes Option Pricing Model, after taking the terms and conditions of stock options into consideration. The table below shows the inputs of the model used:

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.67%-39.73%
Risk-free interest rate during the option life	2.62%-3.03%
Exercise price on grant date (RMB/share)	RMB 11.921

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(iv) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 31 December 2019 for approval of the *Proposal of* Granting *Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Share Options and Restricted Stock Incentive Scheme*, intending to grant a total of 6,013,755 stock options to 20 incentive targets at a granting price of RMB 11.921 per share. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iv) The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd exercise period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd exercise period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th exercise period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th exercise period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

Based on the performance in 2020, the Group has met the performance conditions of the 1st exercise period. Therefore, in combination with the resignation and individual performance appraisal of the stock option incentive targets, from 9 February 2021 to 31 December 2021, 1,192,752 stock options of the Group entered the vesting period. As at 30 June 2021, 97,000 stock options completed the exercise and share transfer registration procedures. For the six months ended 30 June 2021, the Group received equity payment of RMB 1,137 thousand from relevant incentive targets, increased paid-in capital by RMB 97 thousand and increased capital surplus by RMB 1,040 thousand.

Determination method for fair value of stock options at the grant date

For the six months ended 30 June 2021, the Group recognised share-based payment expenses amounting to RMB 5,413 thousand. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of options that are exercisable, amended the number of equity instruments exercisable, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(50) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iv) The service period of the outstanding stock option plan is divided into five stages (Cont'd):

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.64%-39.31%
Risk-free interest rate during the option life	2.42%-2.93%
Exercise price on grant date (RMB/share)	RMB 11.921

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(51) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Consolidated net profit attributable to ordinary shareholders of the parent company (net of cash dividends distributed to holders in the current year whose restricted stock are expected to be unlocked)	6,702,245	5,013,758
Weighted average number of ordinary shares outstanding issued by the Company (thousand shares)	19,848,487	19,725,150
Basic earnings per share (RMB Yuan)	0.34	0.25
Including:		
- Basic earnings per share from continuing operations:	0.34	0.25

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(51) Earnings per share (Cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As at 30 June 2021, the Company had granted 179,319,758 restricted RMB ordinary shares and 32,433,776 stock options to employees, which are dilutive to the consolidated net profit attributable to the ordinary shares of the parent company. Diluted earnings per share during the reporting period was RMB 0.34 (For the six months ended 30 June 2020: RMB 0.25).

(52) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Interest income	1,152,010	732,097
Guarantees and deposits received	680,205	-
Subsidies received	355,641	961,425
Hedging contract income	82,980	-
Recovery of margin on letters of guarantee	58,956	200
Compensation income	2,158	11,102
Others	129,121	191,104
	2,461,071	1,895,928

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(52) Notes to the cash flow statement (Cont'd)

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Research and development and management service expenses	1,146,826	2,049,149
Energy fee	885,714	632,969
Payment of premium of hedging options	174,738	-
Rental expenses	154,011	1,273,941
Environmental expenditures	98,479	56,665
Margin on letters of guarantee	64,711	-
Others	341,717	260,716
	2,866,196	4,273,440

(c) Cash received relating to other investing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Fixed deposits recovered upon maturity	484,279	116,260

(d) Cash paid relating to other investing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Payment of restricted cash	21,141	-
Payment of fixed deposits	3,122,647	283,685
	3,143,788	283,685

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(52) Notes to the cash flow statement (Cont'd)

(e) Cash paid relating to other financing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Repayments of lease liabilities	777,796	—
Payment of restructuring cost payable	59,022	4,554,306
Payment of restricted cash	-	24,320
Restricted stock repurchases	18,661	-
	855,479	4,578,626

For the six months ended 30 June 2021, total cash outflows for leases paid by the Group amounted to RMB 931,807 thousand (for the six months ended 30 June 2020: RMB 1,273,941 thousand), which were included in cash paid relating to operating activities except the repayments of lease liabilities that were included in cash paid relating to financing activities.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(53) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net profit	6,725,546	5,039,713
Add: Asset impairment losses	515,621	644,743
(Reversal of)/Losses on credit impairment	(162,223)	150,865
Depreciation of right-of-use assets	654,671	—
Depreciation and amortisation of long-term assets	1,193,428	1,209,171
Gains on disposal of fixed assets, intangible assets and other long-term assets	(14,319)	(2,488)
Losses on scrapping of fixed assets	6,053	852
Amortisation of share-based payments	307,379	506,627
Losses on changes in fair value	375,457	164,957
Financial expenses	346,027	326,242
Investment income	(845,109)	(82,589)
Decrease/(Increase) in deferred tax assets	18,686	(69,309)
Decrease in deferred tax liabilities	(101,910)	(5,129)
Increase in inventories	(8,439,781)	(10,078,520)
Decrease in operating receivables	14,694,169	14,173,724
Decrease in operating payables	(7,643,103)	(17,212,886)
Net cash flows generated/(used) from operating activities	7,630,592	(5,234,027)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(53) Supplementary information to the cash flow statement (Cont'd)

(a) Supplementary information to the cash flow statement (Cont'd)

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Cash at the end of the period	82,199,149	66,067,725
Less: Cash at the beginning of the period	(75,293,257)	(66,571,627)
Net increase/(decrease) in cash	6,905,892	(503,902)

(b) Cash

	30 June 2021	31 December 2020
Cash		
Including: Cash on hand	501	653
Cash at bank that can be readily drawn on demand	82,198,648	75,292,604
Cash at the end of the period	82,199,149	75,293,257

Cash at bank that cannot be readily drawn on demand is mainly fixed deposits with the term of over three months.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(54) Monetary items denominated in foreign currency

	30 June 2021		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash at bank and on hand -			
USD	2,532,004	6.4599	16,356,490
VND	14,749,986,667	0.0003	4,424,996
JPY	7,072,616	0.0581	410,919
TWD	388,029	0.2319	89,984
HKD	74,898	0.8320	62,315
SGD	10,731	5.0813	54,526
INR	584,128	0.0872	50,936
EUR	3,835	8.0419	30,842
AUD	552	5.0405	2,781
Others			168,508
			21,652,297
Receivables -			
USD	9,942,760	6.4599	64,229,236
EUR	92,395	8.0419	743,035
INR	5,170,803	0.0872	450,894
KRW	67,657,414	0.0058	392,413
JPY	6,514,716	0.0581	378,505
AUD	60,405	5.0405	304,473
CZK	860,150	0.3010	258,905
SGD	46,692	5.0813	237,257
TWD	25,912	0.2319	6,009
Others			81,040
			67,081,767
Short-term borrowings -			
USD	6,644,553	6.4599	42,923,149
TWD	4,901,686	0.2319	1,136,701
CZK	1,699,967	0.3010	511,690
EUR	12,380	8.0419	99,560
			44,671,100

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(54) Monetary items dominated in foreign currency (Cont'd)

		30 June 2021		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Payables -				
	USD	6,321,501	6.4599	40,836,262
	EUR	30,279	8.0419	243,502
	CZK	641,156	0.3010	192,988
	VND	628,896,667	0.0003	188,669
	JPY	3,166,248	0.0581	183,959
	TWD	452,083	0.2319	104,838
	Others			262,214
				42,012,432
Lease liabilities -				
	USD	44,766	6.4599	289,182
	TWD	1,031,350	0.2319	239,170
	VND	260,723,333	0.0003	78,217
	CZK	7,767	0.3010	2,338
	Others			416
				609,323

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(54) Monetary items dominated in foreign currency (Cont'd)

		31 December 2020		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash at bank and on hand -				
	USD	2,494,505	6.5249	16,276,398
	VND	8,469,740,000	0.0003	2,540,922
	JPY	4,292,959	0.0632	271,315
	SGD	26,130	4.9314	128,856
	INR	1,262,444	0.0896	113,115
	TWD	417,239	0.2296	95,798
	HKD	89,325	0.8416	75,176
	EUR	7,299	8.0250	58,578
	AUD	634	5.0163	3,180
	Others			57,907
				19,621,245
Receivables -				
	USD	11,977,311	6.5249	78,150,759
	EUR	55,277	8.0250	443,597
	JPY	4,743,244	0.0632	299,773
	KRW	42,738,833	0.0060	256,433
	CZK	784,388	0.3054	239,552
	SGD	43,624	4.9314	215,127
	INR	1,405,502	0.0896	125,933
	TWD	519,512	0.2296	119,280
	AUD	20,519	5.0163	102,928
	Others			190,056
				80,143,438

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(54) Monetary items dominated in foreign currency (Cont'd)

		31 December 2020		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Short-term borrowings -				
	USD	6,325,397	6.5249	41,272,585
	TWD	5,348,654	0.2296	1,228,051
	CZK	1,665,056	0.3054	508,508
	EUR	35,328	8.0250	283,508
				43,292,652
Payables -				
	USD	7,694,987	6.5249	50,209,018
	VND	1,223,910,000	0.0003	367,173
	CZK	726,067	0.3054	221,741
	TWD	867,003	0.2296	199,064
	EUR	11,541	8.0250	92,614
	JPY	542,358	0.0632	34,277
	Others			120,412
				51,244,299

The above monetary items denominated in foreign currency refer to all currencies other than RMB (the scope of which is different from the foreign currency items in Note 11(1)(a)).

(All amounts in RMB thousand unless otherwise stated)

6 Interests in other entities

(1) Interests in subsidiaries

(a) Constitution of the Group as at 30 June 2021

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Ambit Microsystems (Shanghai) Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
JiZhun Precision Industrial (Huizhou) Co., Ltd.	Huizhou, China	Huizhou, China	Precision tool	100%		Business combination involving enterprises under common control
Ingrasys Info-Tech Corp.	Beijing, China	Beijing, China	Servers	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	Jiyuan, China	Jiyuan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Focus PC Enterprises Limited	Hong Kong, China	Hong Kong, China	Holding platform company	100%		Business combination involving enterprises under common control
System Integration Electronics (Hangzhou) Co., Ltd.	Hangzhou, China	Hangzhou, China	Network equipment	100%		Business combination involving enterprises under common control
Nanning Fugui Precision Industrial Co., Ltd.	Nanning, China	Nanning, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Amworld Microsystems (Shanghai) Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Dongguan Fuyi Precision Industrial Ltd.	Dongguan, China	Dongguan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Henan Yuzhan Precision Technology Co., Ltd	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Jincheng Futaihua Precision Electronic Co., Ltd.	Jincheng, China	Jincheng, China	High-precision mechanical components for communication network equipment and robot	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Zhengzhou) Co., Ltd	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers, storage equipment, cloud computing high-precision mechanical components	100%		Business combination involving enterprises under common control
Shenzhen Fugui Precision Industrial Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for network equipment, telecommunication equipment and telecom network equipment, servers and storage equipment	100%		Newly established
Chengdu Zhunren Technology Co., Ltd.	Chengdu, China	Chengdu, China	Precision tool		100%	Business combination involving enterprises under common control
Jincheng Hongren Technology Co., Ltd.	Jincheng, China	Jincheng, China	Precision tool		100%	Business combination involving enterprises under common control
Zhengzhou Hongren Cutting Tool Co., Ltd.	Zhengzhou, China	Zhengzhou, China	Precision tool		100%	Business combination involving enterprises under common control
Jizhun Precision (Hong Kong) Co., Ltd.	Hong Kong, China	Hong Kong, China	Precision tool		100%	Business combination involving enterprises under common control
Shenzhenshi Yuzhan Precision Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for communication network equipment and industrial robot		100%	Business combination involving enterprises under common control
Langfang Yuzhan Technology Co., Ltd	Langfang, China	Langfang, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 30 June 2021 (Cont'd)

Subsidiaries (Continued)	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Foxconn Precision International Limited (Former name "Star Vision Precision International Limited")	Hong Kong, China	Hong Kong, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	Guiyang, China	Guiyang, China	Servers and storage equipment		80%	Business combination involving enterprises under common control
Baichang Technology Service (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers and storage equipment		100%	Business combination involving enterprises under common control
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Communication network equipment		64.2%	Business combination involving enterprises under common control
Shanxi Yuding Precision Technology Co., Ltd.	Taiyuan, China	Taiyuan, China	High-precision mechanical components for communication network equipment	44.5%	55.5%	Business combination involving enterprises under common control
Chongqing Fugui Electronics Co., Ltd.	Chongqing, China	Chongqing, China	Network equipment		100%	Business combination involving enterprises under common control
Guangxi Fumeng Innovation Technology Co., Ltd.	Nanning, China	Nanning, China	Communication network equipment		51%	Business combination involving enterprises under common control
Hebi Yuzhan Precision Technology Co., Ltd.	Hebi, China	Hebi, China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Wuhan Yuzhan Precision Technology Co., Ltd.	Wuhan, China	Wuhan, China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Cloud Network Technology Singapore Pte. Ltd.	Singapore	Singapore	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Rich Excel International Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Glory Star Investments Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Ingrasys (Singapore) Pte. Ltd.	Singapore	Singapore	Servers and storage equipment		100%	Business combination involving enterprises under common control
Cloud Network Technology Kft	Hungary	Hungary	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Funing Precision Component Co., Ltd.	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control
Fuhong Precision Component (Bac Giang) Limited	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control
Mega Well Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
Foxconn Technology (India) Private Limited	India	India	High-precision mechanical components for communication network equipment		99.9994%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 30 June 2021 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
(Continued)						
Ingrasys Technology Korea, Inc.	Korea	Korea	Servers and storage equipment		100%	Business combination involving enterprises under common control
Yuzhan Precision Technology Japan Co., Ltd.	Japan	Japan	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Foxconn Industrial Internet (Japan) Co., Ltd. (Former name "Jizhun Precision Japan Co., Ltd.")	Japan	Japan	Precision tool		100%	Business combination involving enterprises under common control
Profit New Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
IPL International Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
Cloud Network Technology (Samoa) Limited	Samoa	Samoa	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NWE Technology Inc.	US	US	Rendering of management service		100%	Business combination involving enterprises under common control
Scientific Atlanta de Mexico S. de R.L de C.V.	Mexico	Mexico	Network equipment		99.9667%	Business combination involving enterprises under common control
Foxconn Technology CZ s.r.o.	Czech Republic	Czech Republic	Servers and storage equipment		100%	Business combination involving enterprises under common control
Foxconn CZ s.r.o.	Czech Republic	Czech Republic	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NSG Technology Inc.	US	US	Network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology USA Inc.	US	US	Servers and storage equipment		100%	Business combination involving enterprises under common control
PCE Paragon Solutions (USA) Inc.	US	US	Rendering of management and IT services		100%	Business combination involving enterprises under common control
Foxconn Assembly LLC	US	US	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NWEA LLC	US	US	Network equipment		100%	Business combination involving enterprises under common control
Cloud Network Technology USA Inc.	US	US	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology Co., Ltd.	Taiwan, China	Taiwan, China	Servers, storage equipment and cloud computing		100%	Business combination involving enterprises under common control

(To be continued)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 30 June 2021 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
(Continued)						
Shenzhen Jingjiang Yunchuang Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Fulian Intelligence Workshop (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Likom De Mexico De C.V-Mexico	Mexico	Mexico	Servers, storage equipment and network equipment		99.99998%	Business combination involving enterprise not under common control
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool	80.81%		Newly established
Hongzhihui Technology (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Network equipment and servers		60%	Newly established by subsidiaries
Fujia Zhichuang (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment	100%		Newly established
Fujiyun (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment		100%	Newly established by subsidiaries
System Integration (Haining) Electronics Co., Ltd.	Haining, China	Haining, China	Network equipment and servers	100%		Newly established
Zhengzhou Fulian Intelligent Workshop Co., Ltd.	Zhengzhou, China	Zhengzhou, China	Software development and Internet information service		100%	Newly established by subsidiaries
Lankao Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Lankao, China	Lankao, China	Network equipment		100%	Newly established by subsidiaries
FII USA Inc.	US	US	Software development and cloud computing		100%	Newly established by subsidiaries
ICSA, Inc.	US	US	Software development and cloud computing		100%	Newly established by subsidiaries
Taiyuan Fulian Intelligent Workshop Co., Ltd.	Taiyuan, China	Taiyuan, China	Software development and data service		100%	Newly established by subsidiaries
Jincheng Hongshuo Intelligent Technology Co., Ltd.	Jincheng, China	Jincheng, China	Construction machinery and mining equipment		51%	Newly established by subsidiaries
Shenzhen Intelligent Manufacturing Valley Industrial Internet Innovation Center (Former Name "Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.")	Shenzhen, China	Shenzhen, China	Management consulting and education equipment	100%		Newly established
Jingcheng Hongzhi Nano Optical-mechanical-electrical Institute	Jincheng, China	Jincheng, China	Technology development and technical consulting		80%	Newly established by subsidiaries
Jincheng Foxconn intelligent Manufacturing Vocational Training School Co., Ltd. (Former name "Jincheng Foxconn Intelligent Manufacturing Institute Co., Ltd.")	Jincheng, China	Jincheng, China	Technical consulting		51%	Newly established by subsidiaries

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 30 June 2021 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
(Continued)						
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	Fuzhou, China	Fuzhou, China	Technology development and technical consulting	100%		Newly established
Foxconn Data Technology Co., Ltd	Hangzhou, China	Hangzhou, China	Technology development and technical consulting	100%		Newly established
Fuyu Precision Component Co., Ltd.	Vietnam	Vietnam	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment		100%	Newly established by subsidiaries
Foxconn Industrial Internet Hengyang Smart Manufacture Valley Co., Ltd. (Former name "HengYang Foxconn Industrial Internet Consulting Co., Ltd.")	Hengyang, China	Hengyang, China	Information system and technical development	51%		Newly established
Vault DX s.o.r.	Czech Republic	Czech Republic	Rental service		100%	Business combination involving enterprises under common control
Safe DX s.o.r.	Czech Republic	Czech Republic	Software development and cloud computing		100%	Business combination involving enterprise not under common control
LEAPSY INTERNATIONAL LTD	Cayman	Cayman	Management service		73%	Business combination involving enterprise not under common control
Shenzhen Yubo Advanced Science and Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Development of intelligent wearables and software		73%	Business combination involving enterprise not under common control
Foxconn Industrial Internet Foshan Smart Manufacture Valley Co., Ltd.	Foshan, China	Foshan, China	High-end development and sales of machinery	51%		Newly established
Shenzhen Fulian Lingyunguang Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Technical development and hardware development		51%	Newly established by subsidiaries
Fuhong Clouding Computing (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Cloud computing		100%	Newly established by subsidiaries
Foshan Zhizaogu Instrudial Exemplary Base Co., Ltd.	Foshan, China	Foshan, China	High-end manufacturing, 5G laboratory		51%	Newly established by subsidiaries
Foshan Zhizaogu Innovation Centre Co., Ltd.	Foshan, China	Foshan, China	High-end manufacturing, 5G laboratory		66%	Newly established by subsidiaries
Hengyang Yuzhan Precision Technology Co., Ltd.	Hengyang, China	Hengyang, China	High-precision mechanical components for communication, automation and moulds		100%	Newly established by subsidiaries
Zhoukou Yuzhan Precision Technology Co., Ltd.	Zhoukou, China	Zhoukou, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment		100%	Newly established by subsidiaries

(All amounts in RMB thousand unless otherwise stated)

6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests

For the six months ended 30 June 2021, the Group had no subsidiaries with significant minority interests.

(2) Interests in associates

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Associates:		
Aggregated carrying amount of investments	1,176,993	538,091
Aggregate of the following items in proportion		
Net (loss) /profit (i)	(9,369)	993
Other comprehensive income (i)	(1,726)	2,374
Total comprehensive income	(11,095)	3,367

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions

(1) Information of the controlling shareholder

(a) General information of the controlling shareholder

	Place of registration	Nature of business
China Galaxy	Hong Kong, China	Investment holding

China Galaxy is indirectly wholly owned by Hon Hai Precision.

(b) Paid-in capital and changes in paid-in capital of the controlling shareholder

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
China Galaxy	HKD 32,263,250	-	-	HKD 32,263,250

(c) The percentages of shareholding and voting rights in the Company held by Hon Hai Precision

	30 June 2021		31 December 2020	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Hon Hai Precision	84.054%	84.054%	84.052%	84.052%

(2) Information of the subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6.

(3) Information of other related parties

During the reporting period, the related parties that involve in related party transactions but do not control/are not controlled by the Company include the subsidiaries of China Galaxy, joint ventures and associates of China Galaxy, shareholders holding over 5% equity of the Company, joint ventures and associates of the Group, subsidiaries of Hon Hai Precision, joint ventures and associates of Hon Hai Precision and other related parties.

Other related parties include legal persons or other organisations that are directly or indirectly controlled by the related natural persons, or of which the directors or senior managers are the related natural persons. The related natural persons include natural persons who indirectly hold more than 5% equity of the Company and their close family members, the directors, supervisors and senior managers of the Company, the directors, supervisors and senior managers of the controlling shareholders of the Company and the directors, supervisors and senior managers of Hon Hai Precision.

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Related party transactions

(a) Purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	Purchase of goods	Negotiated pricing	3,952,974	3,019,709
Hon Hai Precision and its subsidiaries	Receipt of services	Negotiated pricing	2,298,157	2,190,187
Joint ventures and associates of Hon Hai Precision	Purchase of goods	Negotiated pricing	1,611,828	1,591,012
Subsidiaries of China Galaxy	Purchase of goods	Negotiated pricing	633,427	842,598
Shareholders holding over 5% equity of the Company	Purchase of goods	Negotiated pricing	100,672	82,765
Joint ventures and associates of China Galaxy	Purchase of goods	Negotiated pricing	98,535	108,184
Subsidiaries of China Galaxy	Receipt of services	Negotiated pricing	89,401	136,080
Joint ventures and associates of China Galaxy	Purchase of equipment	Negotiated pricing	51,449	78
Other related parties	Purchase of goods	Negotiated pricing	41,264	68,222
Hon Hai Precision and its subsidiaries	Purchase of equipment	Negotiated pricing	29,903	105,713
Subsidiaries of China Galaxy	Purchase of equipment	Negotiated pricing	24,593	24,186
Shareholders holding over 5% equity of the Company	Receipt of services	Negotiated pricing	21,121	52,046
Shareholders holding over 5% equity of the Company	Purchase of equipment	Negotiated pricing	11,978	13,849
Joint ventures and associates of China Galaxy	Receipt of services	Negotiated pricing	7,956	80,735
Joint ventures and associates of the Company	Purchase of goods	Negotiated pricing	7,180	-
Joint ventures and associates of Hon Hai Precision	Receipt of services	Negotiated pricing	3,422	4,271
Joint ventures and associates of Hon Hai Precision	Purchase of equipment	Negotiated pricing	1,403	4,377
			8,985,263	8,324,012

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont’d)

(a) Purchase and sales of goods, and rendering and receipt of services (Cont'd)

Sales of goods and rendering of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	Sales of goods	Negotiated pricing	947,036	1,519,551
Joint ventures and associates of Hon Hai Precision	Sales of goods	Negotiated pricing	197,787	218,313
Hon Hai Precision and its subsidiaries	Rendering of services	Negotiated pricing	85,899	163,565
Subsidiaries of China Galaxy	Sales of goods	Negotiated pricing	85,776	131,503
Shareholders holding over 5% equity of the Company	Sales of goods	Negotiated pricing	59,085	58,383
Joint ventures and associates of China Galaxy	Rendering of services	Negotiated pricing	47,069	-
Subsidiaries of China Galaxy	Rendering of services	Negotiated pricing	11,239	16,287
Joint ventures and associates of Hon Hai Precision	Rendering of services	Negotiated pricing	7,417	5,000
Shareholders holding over 5% equity of the Company	Rendering of services	Negotiated pricing	5,514	665
Joint ventures and associates of China Galaxy	Sales of goods	Negotiated pricing	3,870	7,109
Other related parties	Sales of goods	Negotiated pricing	430	-
			451,122	2,120,376

(b) Leases

The lease income recognised by the Group as the lessor in the current year:

Name of the lessee	Type of the leased asset	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Subsidiaries of China Galaxy	Buildings	13,267	14,848
Hon Hai Precision and its subsidiaries	Buildings	7,694	10,369
Joint ventures and associates of Hon Hai Precision	Equipment	6,504	-
Hon Hai Precision and its subsidiaries	Equipment	2,917	17,498
Subsidiaries of China Galaxy	Equipment	4	-
Subsidiaries of China Galaxy	Equipment	-	182
Joint ventures and associates of Hon Hai Precision	Buildings	-	104
		30,386	43,001

7 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont’d)

(b) Leases (Cont'd)

The Group as the lessee：

Name of the lessor	Type of the leased asset	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Joint ventures and associates of Hon Hai Precision	Buildings	15,136	389
Shareholders holding over 5% equity of the Company	Buildings	124	45,912
Subsidiaries of China Galaxy	Equipment	15	264
Shareholders holding over 5% equity of the Company	Equipment	-	10
Subsidiaries of China Galaxy	Buildings	-	74,592
Hon Hai Precision and its subsidiaries	Buildings	-	44,196
Joint ventures and associates of China Galaxy	Buildings	-	67,444
Hon Hai Precision and its subsidiaries	Equipment	-	1,795
		15,275	234,602

Increase of right-of-use assets in the current period with the Group as the lessee:

Name of the lessor	Type of the leased asset	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Shareholders holding over 5% equity of the company	Buildings	163,902	-
Subsidiaries of China Galaxy	Buildings	111,743	-
Joint ventures and associates of China Galaxy	Buildings	76,659	-
Hong Hai Precision and its subsidiaries	Buildings	76,353	-
Joint ventures and associates of Hon Hai Precision	Buildings	520	-
		429,177	-

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(b) Leases (Cont'd)

Interest expenses on lease liabilities in the current year with the Group as the lessee:

Name of the lessor	Type of the leased asset	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Joint ventures and associates of China Galaxy	Buildings	7,404	—
Hon Hai Precision and its subsidiaries	Buildings	4,896	—
Shareholders holding over 5% equity of the Company	Buildings	4,359	—
Subsidiaries of China Galaxy	Buildings	1,829	—
Joint ventures and associates of Hon Hai Precision	Buildings	6	—
		18,494	—

(c) Transfer of assets

Related parties	Nature of related party transactions	Pricing policies for related party transactions	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	Purchase of fixed assets	Negotiated pricing	531,141	33,698
Joint ventures and associates of Hon Hai Precision	Purchase of fixed assets	Negotiated pricing	46,114	1,174
Subsidiaries of China Galaxy	Purchase of fixed assets	Negotiated pricing	887	36,228
Joint ventures and associates of China Galaxy	Purchase of fixed assets	Negotiated pricing	12	383
			578,154	71,483

Related parties	Nature of related party transactions	Pricing policies for related party transactions	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	Disposal of fixed assets	Negotiated pricing	2,636	6,693
Subsidiaries of China Galaxy	Disposal of fixed assets	Negotiated pricing	58	9,087
Joint ventures and associates of Hon Hai Precision	Disposal of fixed assets	Negotiated pricing	2	53
Shareholders holding over 5% equity of the Company	Disposal of fixed assets	Negotiated pricing	-	10
			2,696	15,843

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(d) Remuneration of key management

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Remuneration of key management	30,503	31,886

(e) Payments by the related parties on behalf of the Group

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	4,789	6,904
Subsidiaries of China Galaxy	1,569	3,758
	6,358	10,662

(f) Trademark fees

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Hon Hai Precision and its subsidiaries	1,250	1,250

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties

Receivables from related parties：

		30 June 2021		31 December 2020	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Hon Hai Precision and its subsidiaries	785,161	(8,637)	747,868	(8,227)
	Joint ventures and associates of Hon Hai Precision	116,023	(1,276)	383,856	(4,222)
	Subsidiaries of China Galaxy	86,378	(950)	154,332	(1,698)
	Shareholders holding over 5% equity of the Company	48,176	(530)	39,982	(440)
	Joint ventures and associates of China Galaxy	1,601	(18)	90,416	(995)
		1,037,339	(11,411)	1,416,454	(15,582)

		30 June 2021		31 December 2020	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other receivables	Hon Hai Precision and its subsidiaries	138,535	(1,385)	28,836	(288)
	Joint ventures and associates of Hon Hai Precision	31,953	(320)	41,500	(415)
	Joint ventures and associates of China Galaxy	116	(1)	9	-
	Subsidiaries of China Galaxy	11	-	43	-
	Shareholders holding over 5% equity of the Company	-	-	64	(1)
		170,615	(1,706)	70,452	(704)

		30 June 2021	31 December 2020
Advances to suppliers	Hon Hai Precision and its subsidiaries	14,927	5,016
	Subsidiaries of China Galaxy	461	157
		15,388	5,173

Payables to related parties：

		30 June 2021	31 December 2020
Accounts payable	Hon Hai Precision and its subsidiaries	2,766,835	2,236,463
	Joint ventures and associates of Hon Hai Precision	1,120,001	1,972,341
	Subsidiaries of China Galaxy	340,003	554,946
	Shareholders holding over 5% equity of the Company	196,428	203,602
	Joint ventures and associates of China Galaxy	42,618	105,416
	Joint ventures and associates of the Company	8,113	-
	Other related parties	23,179	55,006
		4,497,177	5,127,774

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

		30 June 2021	31 December 2020
Contract liabilities	Hon Hai Precision and its subsidiaries	1,020	21,510

		30 June 2021	31 December 2020
Other payables	China Galaxy	1,823,279	-
	Subsidiaries of China Galaxy	1,694,362	358,416
	Hon Hai Precision and its subsidiaries	1,153,045	1,277,278
	Shareholders holding over 5% equity of the Company	991,773	92,561
	Joint ventures and associates of China Galaxy	147,222	73,662
	Joint ventures and associates of Hon Hai Precision	103,255	102,114
	Other related parties	1,910	1,137
		5,914,846	1,905,168

		30 June 2021	31 December 2020
Lease liabilities	Joint ventures and associates of China Galaxy	333,437	—
	Hon Hai Precision and its subsidiaries	284,531	—
	Shareholders holding over 5% equity of the Company	223,128	—
	Subsidiaries of China Galaxy	69,871	—
	Joint ventures and associates of Hon Hai Precision	328	—
		911,295	—

7 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties

The commitments in relation to related parties contracted for by the Group but not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

(i) Leases

Lessor		30 June 2021	31 December 2020
Joint ventures and associates of China Galaxy	Lease - Lessee		
	Within 1 year	-	7,200
	1 to 2 years	-	7,200
	2 to 3 years	-	7,200
	Over 3 years	-	7,200
		-	28,800

Lessor		30 June 2021	31 December 2020
Subsidiaries of China Galaxy	Lease - Lessee		
	Within 1 year	30	26,121
	1 to 2 years	30	30
	2 to 3 years	-	15
		60	26,166

Lessor		30 June 2021	31 December 2020
Hon Hai Precision and its subsidiaries	Lease - Lessee		
	Within 1 year	15,125	43,099
	1 to 2 years	-	24,826
	2 to 3 years	-	11,480
	Over 3 years	-	59,767
		15,125	139,172

Lessor		30 June 2021	31 December 2020
Shareholders holding over 5% equity of the Company	Lease - Lessee		
	Within 1 year	124	91,834
	1 to 2 years	-	53,841
		124	145,675

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties (Cont’d)

(i) Leases (Cont'd)

Lessee		30 June 2021	31 December 2020
Subsidiaries of China Galaxy	Leases - Lessor		
	Within 1 year	18,812	26,992
	1 to 2 years	38	5,526
	2 to 3 years	38	-
	Over 3 years	47	-
		18,935	32,518

Lessee		30 June 2021	31 December 2020
Hon Hai Precision and its subsidiaries	Leases - Lessor		
	Within 1 year	22,477	6,486
	1 to 2 years	1,737	336
	2 to 3 years	1,734	336
	Over 3 years	1,650	588
		27,598	7,746

(ii) Trademark use rights

		30 June 2021	31 December 2020
Hon Hai Precision and its subsidiaries	Within 1 year	2,500	2,500
	1 to 2 years	2,500	2,500
	2 to 3 years	2,500	2,500
	Over 3 years	7,500	10,000
		15,000	17,500

(iii) Capital commitments

	30 June 2021	31 December 2020
Hon Hai Precision and its subsidiaries	42,098	44,464
Subsidiaries of China Galaxy	2,098	14,489
Joint ventures and associates of Hon Hai Precision	-	3,205
	44,196	62,158

(All amounts in RMB thousand unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties (Cont'd)

(iv) Guarantees

On 30 June 2021, in accordance with the loan guarantee agreement signed between the Company and ICBC, the Company provided guarantee for Cloud Network Technology Singapore Pte. Ltd., a subsidiary of the Company. The term of such guarantee starts on 25 November 2020 and expires on 24 November 2023, with an amount of USD 600 million.

8 Contingencies

(1) Contingent liabilities arising from significant pending litigation or arbitration and the financial impact

The Group has no contingent liabilities arising from significant pending litigation or arbitration that are subject to disclosure.

(2) Contingent liabilities arising from debt guarantees provided to other companies and the financial impact

The Group has no contingent liabilities arising from debt guarantees provided to other companies.

9 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2021	31 December 2020
Buildings, machinery and equipment	305,624	356,827
Intangible assets	9,740	8,855
	315,364	365,682

(All amounts in RMB thousand unless otherwise stated)

9 Commitments (Cont'd)

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2021	31 December 2020
Within 1 year	37,661	918,660
1 to 2 years	406	616,547
2 to 3 years	41	334,323
Over 3 years	-	496,284
	38,108	2,365,814

10 Events after the balance sheet date

There is no significant events after balance sheet date that need to be disclosed by the Group

11 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China, Hong Kong and Singapore. A majority of the operational activities carried out in Mainland China are denominated in RMB, a majority of the operational activities carried out in Hong Kong are denominated in USD or HKD, and a majority of the operational activities carried out in Singapore are denominated in USD. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions that are not denominated in recording currency. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions that are not denominated in recording currency to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or foreign exchange options contracts to mitigate the foreign exchange risk (Note 5(2)).

As at 30 June 2021 and 31 December 2020, the financial assets and the financial liabilities denominated in currencies other than the recording currency (except intra-group balances), which are held by the subsidiaries of the Group, whose recording currencies are RMB, are expressed in RMB as follows:

(All amounts in RMB thousand unless otherwise stated)

11 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	30 June 2021			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	8,985,783	13,168	10,045	9,008,996
Accounts receivable	1,219,742	-	-	1,219,742
Other receivables	2,278	-	-	2,278
	10,207,803	13,168	10,045	10,231,016
Financial liabilities not denominated in recording currency -				
Short-term borrowings	22,892,534	-	-	22,892,534
Accounts payable	10,039,166	7,429	18,268	10,064,863
Other payables	249,080	9,297	149,436	407,813
	33,180,780	16,726	167,704	33,365,210

	31 December 2020			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	7,928,560	17,917	3,704	7,950,181
Accounts receivable	1,038,849	-	-	1,038,849
Other receivables	107,192	-	1	107,193
	9,074,601	17,917	3,705	9,096,223
Financial liabilities not denominated in recording currency -				
Short-term borrowings	20,253,447	-	-	20,253,447
Accounts payable	8,500,710	7,233	36,665	8,544,608
Other payables	223,228	5,646	1,858	230,732
	28,977,385	12,879	38,523	29,028,787

11 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 30 June 2021, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB 734,761 thousand higher/lower for the financial assets and liabilities dominated in USD held by the subsidiaries whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit would have been approximately RMB 126 thousand higher/lower for the financial assets and liabilities dominated in HKD.

As at 31 December 2020, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB 647,367 thousand higher/lower for the financial assets and liabilities dominated in USD held by the subsidiaries whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit would have been approximately RMB 148 thousand lower/higher for the financial assets and liabilities dominated in HKD.

(b) Interest rate risk

The interest rate risk of the Group is mainly arises from long-term interest-bearing debts such as long-term bank borrownings. Financial liabilities with floating interest rate lead the Group to an exposure of cashflow interest rate risk, and financial liabilities with fixed interest rate lead the Group to an exposure of fair value interest rate risk. The Group determines the relative proportions of fixed and floating interes t rate contracts based on the prevailing market environment. As of June 30, 2021, the long-term interest-bearing debts of the Group were mainly USD-denominated floating-rate contracts, with an amount of USD 600,000,000 (equivalent RMB 3,875,389 thoudsand) (June 30, 2020: Nil) (Note 5 (25)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new-interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the reporting period, the Group did not enter into any interest rate swap agreements.

On June 30, 2021, if the borrowing interest rate that calculated by floating interest rate has increased or decreased 50 basis point, while other factors remain the same, the net profit of the Group would increase or decrease by approximately RMB 5,935,000 (June 30, 2020: Nil)

(All amounts in RMB thousand unless otherwise stated)

11 Financial instrument and risk (Cont’d)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivable, accounts receivable, other receivables, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2021, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2020: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s finance department at its headquarters. The Group’s finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	45,447,334	-	-	-	45,447,334
Notes payable	100,000	-	-	-	100,000
Accounts payable	55,110,567	-	-	-	55,110,567
Other payables	11,125,827	-	-	-	11,125,827
Other current liabilities	203,201	-	-	-	203,201
Lease liabilities	1,148,258	599,704	600,524	192,141	2,540,627
Long-term borrowings	8,608	8,309	3,879,378	-	3,896,295
	113,143,795	608,013.	4,479,902	192,141	118,423,851

(All amounts in RMB thousand unless otherwise stated)

11 Financial instrument and risk (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	44,322,296	-	-	-	44,322,296
Notes payable	100,000	-	-	-	100,000
Accounts payable	62,144,793	-	-	-	62,144,793
Other payables	6,372,910	-	-	-	6,372,910
Other current liabilities	284,277	-	-	-	284,277
Long-term borrowings	342	228	-	-	570
	113,224,618	228	-	-	113,224,846

(i) Cash flows derived from leases not yet commenced to which the Group was committed were analysed by maturity at the balance sheet date (Note 5(26)):

	30 June 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future cash flows not included in lease liabilities	37,661	406	41	-	38,108

12 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(All amounts in RMB thousand unless otherwise stated)

12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2021, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial assets	-	245,169	-	245,169
Other debt investments	-	-	40,000	40,000
Investments in other equity instruments	-	-	74,056	74,056
Other non-current financial assets	-	-	279,430	279,430
	-	245,169	393,486	638,655

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial assets	-	467,888	-	467,888
Other debt investments	-	-	40,000	40,000
Investments in other equity instruments	-	-	74,943	74,943
Other non-current financial assets	-	-	280,196	280,196
	-	467,888	395,139	863,027

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. For the six months ended 30 June 2021, there was no transfer between Level 1 and Level 2 in the Group.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount, etc.

The changes in Level 3 financial assets are analysed below:

	Investments in other equity instruments	Other non-current financial assets	Other debt investments	Total
31 December 2020	74,943	280,196	40,000	395,139
Purchases	-	-	-	-
Differences on translation of foreign currency financial statements	(887)	(766)	-	(1,653)
30 June 2021	74,056	279,430	40,000	393,486

(All amounts in RMB thousand unless otherwise stated)

12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

	Investments in other equity instruments	Other non-current financial assets	Total
31 December 2019	16,928	-	16,928
Purchases	60,050	30,395	90,445
Differences on translation of foreign currency financial statements	336	46	382
30 June 2020	77,314	30,441	107,755

(2) Assets measured at fair value on a non-recurring basis

The Group holds no assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, short-term borrowings, payables, current portion of non-current liabilities, lease liabilities and long-term borrowings, which are not measured at fair value. The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

13 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 30 June 2021 and 31 December 2020, the Group's gearing ratio was as follows:

	30 June 2021	31 December 2020
Gearing ratio	54%	54%

(All amounts in RMB thousand unless otherwise stated)

14 Notes to the Company's financial statements

(1) Accounts receivable

	30 June 2021	31 December 2020
Accounts receivable	24,751	72,916
Less: Provision for bad debts	(248)	(728)
	24,503	72,188

(a) The ageing of accounts receivable is analysed as follows:

	30 June 2021	31 December 2020
Within 1 year	24,751	72,916

(b) As at 30 June 2021, the five largest accounts receivable aggregated by debtor were mainly management service fees receivable from related parties, and were summarised and analysed as follows:

	Balances	Amount of provision for bad debts	% of total balance of accounts receivable
Total amount of the five largest accounts receivable	17,171	(172)	69%

(c) Provision for bad debts

	30 June 2021	31 December 2020
Provision for bad debts of accounts receivable	(248)	(728)

For accounts receivable, the Company recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(All amounts in RMB thousand unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which the related provision for bad debts is made on the grouping basis are analysed as follows:

	30 June 2021			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate (%)	Amount	Amount	Lifetime ECL rate (%)	Amount
Not overdue	24,751	1%	(248)	72,916	1%	(728)

(ii) For the six months ended 30 June 2021, the provision for bad debt reversed was RMB 480 thousand.

(iii) For the six months ended 30 June 2021 ,no accounts receivable was written off.

(2) Other receivables

	30 June 2021	31 December 2020
Dividends receivable	3,000,000	5,000,000
Equity incentive receivable from subsidiaries	581,926	429,962
Others	1,461	559
	3,583,387	5,430,521
Less: Provision for bad debts	(5,818)	(4,300)
	3,577,569	5,426,221

(a) The ageing of other receivables is analysed as follows:

	30 June 2021	31 December 2020
Within 1 year	3,583,387	5,430,521

(All amounts in RMB thousand unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements:

As at 30 June 2021 and 31 December 2020, the Company did not have any other receivables at Stage 2 and Stage 3. Other receivables at Stage 1 are analysed as follows:

(i) As at 30 June 2021, all other receivables for which the related provision for bad debts was provided on the grouping basis were at Stage 1 and analysed as follows:

	30 June 2021			31 December 2020		
	Ending balance	Provision for losses		Ending balance	Provision for losses	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
The ageing group of dividends receivable						
Within 1 year	3,000,000	-	0%	5,000,000	-	0%
The ageing group of other receivables						
Within 1 year	583,387	(5,818)	1%	430,521	(4,300)	1%
	3,583,387	(5,818)	0%	5,430,521	(4,300)	0%

(c) For the six months ended 30 June 2021, the provision for bad debts of the Company was RMB 1,518 thousand (for the six months ended 30 June 2020: RMB 367 thousand reversed).

(d) For the six months ended 30 June 2021, no other receivables were written off (for the six months ended 30 June 2020: Nil).

(e) As at 30 June 2021, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Other receivables 1	Dividends receivable	850,000	Within 1 year	24%	-
Other receivables 2	Dividends receivable	800,000	Within 1 year	22%	-
Other receivables 3	Dividends receivable	716,500	Within 1 year	20%	-
Other receivables 4	Dividends receivable	250,000	Within 1 year	7%	-
Other receivables 5	Dividends receivable	250,000	Within 1 year	7%	-
		2,866,500		80%	-

(f) As at 31 June 2021, the Company did not recognise government grants at amount receivable (31 December 2020: Nil).

(All amounts in RMB thousand unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments

	30 June 2021	31 December 2020
Subsidiaries (a)	42,175,368	39,592,665
Associates	558,722	559,598
	42,734,090	40,152,263

(a) Subsidiaries

	31 December 2020	Movements for the current period: Increase in investment	Decrease in investment	Provision for impairment	Others	30 June 2021	Ending balance of provision for impairment	Cash dividends declared in the current period
Futaihua Precision Electronics (Zhengzhou) Co., Ltd.	10,039,949	950,000	-	-	3,865	10,993,814	-	716,500
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	8,599,412	500,000	--	-	101	9,099,513	-	800,000
Nanning Fugui Precision Industrial Co., Ltd.	3,678,347	-	-	-	-	3,678,347	-	250,000
Ambit Microsystems (Shanghai) Ltd.	2,352,023	-	-	-	-	2,352,023	-	-
JiZhun Precision Industrial (Huizhou) Co., Ltd.	1,898,606	-	-	-	19,960	1,918,566	-	-
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	2,696,939	-	-	-	-	2,696,939	-	-
HeNan YuZhan Precision Technology Co., Ltd.	4,567,290	989,000	-	-	31,232	5,587,522	-	850,000
Jincheng Futaihua Precision Electronic Co., Ltd.	1,499,790	-	-	-	147	1,499,937	-	250,000
Shanxi Yuding Precision Technology Co., Ltd.	1,256,822	-	-	-	-	1,256,822	-	133,500
System Integration Electronics (Hangzhou) Co., Ltd.	387,343	-	-	-	-	387,343	-	-
Amworld Microsystems (Shanghai) Ltd.	155,256	-	-	-	-	155,256	-	-
Ingrasys Info-Tech Corp.	27,072	-	-	-	-	27,072	-	-
Focus PC Enterprises Limited	722,079	-	-	-	87,718	809,797	-	-
Shenzhen Fugui Precision Industrial Co., Ltd.	1,443,145	-	-	-	248	1,443,393	-	-
Dong Guan Fu Yi Precision Industrial Ltd.	10,087	-	-	-	-	10,087	-	-
Fu Jia Zhichuang (Shenzhen) Technology Co., Ltd.	61,180	-	-	-	-	61,180	-	-
Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.	50,000	-	-	-	-	50,000	-	-
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	60,000	-	-	-	199	60,199	-	-
Foxconn (Hangzhou) Data Science Co., Ltd	5,925	-	-	-	233	6,158	-	-
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	10,000	-	-	-	-	10,000	-	-
Foxconn Industrial Internet Hengyang Smart Manufacture Valley Co., Ltd.	20,400	-	-	-	-	20,400	-	-
Foxconn Industrial Internet Foshan Smart Manufacture Valley Co., Ltd.	51,000	-	-	-	-	51,000		
	39,592,665	2,439,000	-	-	143,703	42,175,368	-	3,000,000

(All amounts in RMB thousand unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue from main operations	45,787	32,290

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Cost of sales from main operations	38,975	17,824

(a) Revenue and cost of sales from main operations

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Rendering of services	45,787	38,975	32,290	17,824

(b) The Company's revenue is broken down as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	Services	Services
Revenue from main operations	45,787	32,290
Including: Recognised at a point in time	-	-
Recognised within a certain period	45,787	32,290
	45,787	32,290

As at 30 June 2021, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was expected to be recognised in 2021.

(5) Investment income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Income from long-term equity investments under equity method	3,121	-
Dividend income of subsidiaries	3,000,000	1,500,000
	3,003,121	1,500,000

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

1 Statement of non-recurring profit or loss

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Gains on disposal of non-current assets	14,319	2,488
Government grants recognised in profit or loss for the current period	355,852	417,942
Gains or losses arising from changes in fair value of financial assets and financial liabilities held for trading, derivative financial assets and derivative financial liabilities, and investment income from disposal of financial assets and financial liabilities held for trading, derivative financial assets, derivative financial liabilities, other debt investments, other non-current financial assets and other equity instrument investments, except for the effective hedging activities related to the Group's ordinary activities	478,221	(83,361)
Losses arising from production suspension and pandemic control expenses during the outbreak of COVID-19	(72,508)	(1,018,511)
Reversal of provision for impairment of receivables and contract assets tested for impairment on an individual basis	4,267	-
Non-operating income other than aforesaid items	20,072	12,001
	800,223	(669,441)
Effect of income tax	(137,306)	126,848
Effect of minority interests (net of tax)	(3,583)	(1,594)
	659,334	(544,187)

(i) Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No. 1 - Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the company's normal course of business, also from transactions and events that even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

(All amounts in RMB thousand unless otherwise stated)

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)	
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net profit attributable to shareholders of the Company	6.33%	5.51%
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss	5.71%	6.11%

	Earnings per share	
	Basic earnings per share	Diluted earnings per share
	For the six months ended 30 June 2021	For the six months ended 30 June 2021
Net profit attributable to shareholders of the Company (RMB yuan)	0.34	0.34
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss (RMB yuan)	0.30	0.30

FOXCONN INDUSTRIAL INTERNET CO., LTD.

FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Foxconn Industrial Internet Co., Ltd.

Financial Statements and Auditor's Report
For the Year Ended 31 December 2020
[English translation for reference only]

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2021) No. 10011
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To the Board of Directors of Foxconn Industrial Internet Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Foxconn Industrial Internet Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2020, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters identified in our audit are summarised as follows:

(1) Revenue recognition: sales of products
(2) Provision for decline in value of inventories

Key Audit Matters	How our audit addressed the Key Audit Matters
(1) Revenue recognition: sales of products	
Note 3(21), note 3(27)(a)(iii) and note 5(32) to the financial statements In 2020, revenue from main operations of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) was RMB 430,765,749 thousand, most of which was from sales of products, including RMB 254,018,496 thousand from sales of communication and mobile network equipment and RMB 175,305,896 thousand from sales of cloud computing products. The Group manufactures and sells products to the regional customers. Revenue from domestic sales is recognised when the Group has delivered the products to the designated carrier or shipped them to the location specified in the sales contract and customers have accepted the goods. Revenue from foreign sales is recognised when the Group has gone through the export customs declaration procedures and shipped the products for export, or delivered the products to the designated location in accordance with the international trade terms stipulated in the sales contract or order. If agreeing to above sales conditions, the customer has the right to sell the products and takes the risks of any obsolescence and loss of the products.	We understood, evaluated and tested the internal control related to revenue from sales of products, including key controls in the complete business processes from product pricing, customer credit management, order management, sales and delivery, sales verification, revenue recognition to sales collection, and general control of information system related to revenue recognition to sales of products. We selected main sales and purchase contracts of the Group’s key customers and suppliers, reviewed main cooperation terms between the Group and customers and suppliers, including order opening, product delivery, invoicing and payment, and evaluated accounting policies related to revenue recognition of the Group; we also reviewed and evaluated the Group’s judgements to the main responsible person for sales business, the party undertaking general risks of inventories and credit risks, as well as the Group’s ability to independently determine the price under the “Buy and Sell” mode. We conducted sampling tests to revenue from sales of products in different regions, for different customers and under different sales modes and reviewed supportive documents relating to revenue recognition, such as sales orders, delivery orders, shipping documents, acceptance records, etc.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
(1) Revenue recognition: sales of products (Cont'd)	
As the Group's revenue from sales of products came from a variety of products provided to a large number of customers in different regions of the world, sales revenue is recognised at different time point under different trading modes, which reflects its complexity. In the case where the customer is also a supplier of certain raw materials (namely the "Buy and Sell" mode), sales revenue recognition in total involves critical accounting judgements in the following aspects: the main responsible person for sales business, the party undertaking general risks of inventories and credit risks, and the Group's ability to independently determine the price. Therefore, we recognised revenue from sales of products as a key audit matter.	With transaction amount, nature and customer characteristics taken into consideration, we performed confirmation process to confirm the balances of accounts receivable from specific customers on a sampling basis. We tested revenue from sales of products before and after the balance sheet date, checked the revenue recognition records with the delivery orders, shipping documents and acceptance records, and evaluated whether relevant sales revenue is recognised in appropriate accounting period. Based on the audit work we performed, we found that the Group recognised revenue from sales of products in accordance with its accounting policies.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
(2) Provision for decline in the value of inventories Note 3(9), note 3(27)(b)(iii) and note 5(6) to the financial statements As at 31 December 2020, the Group's ending balance of inventories and balance of provision for decline in the value of inventories were RMB 47,042,275 thousand and RMB 1,688,375 thousand respectively. Inventories are measured at the lower of cost and net realisable value, including estimation in their net realisable value and provision for decline in the value of inventories that are aged over a certain period, obsolete or damaged is made accordingly. As the Group's inventories are significant in amount and numerous in category, with possibility of obsolescence or damage, and the determination of the net realisable value of the inventories usually involves the subjective estimation of management, there is a certain degree of uncertainty. Therefore, provision for decline in the value of inventories is considered as a key audit matter.	We understood the Group's internal control and assessment process related to provision for decline in the value of inventories. We assessed the inherent risk of material misstatement by taking into account the degree of uncertainty of accounting estimates and the rankings of other inherent risk factors related to provision for decline in the value of inventories. We compared the actual scrap and losses of inventories in the current year with provision for decline in the value of inventories accrued in previous years to determine whether there was management bias in the policy for provision for decline in the value of inventories and to evaluate the effectiveness of the management evaluation process. We assessed and tested the key controls related to provision for decline in the value of inventories, including general control of the report system and the logic and automatic calculation of the financial statements adopted by management to estimate the provision for decline in the value of inventories. During the observation of stocktake, we paid attention to unmarketable, excessive, obsolete or damaged inventory items, and checked relevant inventory list with the statement of provision for decline in the value of inventories provided by management when such inventory items exist. We checked the net realisable value used in the report system for provision for decline in the value of inventories with the latest sales situation and the latest selling price through sampling tests to determine the reasonableness of the net realisable value estimate. We reviewed the accuracy of the provision for decline in the value of inventories calculated based on net realisable value. Based on the audit work performed, we found that the provision for decline in the value of inventories made by the Group could be supported by the evidence obtained in our audit.

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2020 annual report of the Company other than 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.

Responsibilities of Management and Audit Committee for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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 CSAs 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 CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 these 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the Audit Committee, 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.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	________________ Zhang Jin (Engagement Partner)
Shanghai, the People's Republic of China 28 March 2021	Signing CPA	________________ Gao Wenjun

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2020

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Current assets					
Cash at bank and on hand	5(1)	78,056,602	66,901,133	20,795,507	22,189,148
Derivative financial assets	5(2)	467,888	157,110	-	-
Notes receivable		100	-	-	-
Accounts receivable	5(3), 15(1)	86,827,495	84,643,735	72,188	50,119
Advances to suppliers	5(4)	171,467	228,837	679	266
Other receivables	5(5), 15(2)	395,724	455,959	5,426,221	2,500,154
Inventories	5(6)	45,353,900	41,645,951	-	-
Other current assets	5(7)	1,980,764	1,657,398	3,544	9,101
Total current assets		213,253,940	195,690,123	26,298,139	24,748,788
Non-current assets					
Other debt investments		40,000	-	-	-
Long-term equity investments	5(9), 15(3)	1,167,690	533,446	40,152,263	37,549,961
Investments in other equity instruments	5(8(a))	74,943	16,928	-	-
Other non-current financial assets	5(8(b))	280,196	-	-	-
Fixed assets	5(10)	7,123,034	6,644,364	1,289	1,047
Construction in progress	5(11)	643,821	445,902	-	279
Intangible assets	5(12)	405,317	185,727	6	14
Long-term prepaid expenses	5(13)	935,728	664,612	-	2,332
Deferred tax assets	5(14)	1,189,043	1,089,906	9,115	10,379
Other non-current assets		400,232	341,937	-	1,924
Total non-current assets		12,260,004	9,922,822	40,162,673	37,565,936
TOTAL ASSETS		225,513,944	205,612,945	66,460,812	62,314,724

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Current liabilities					
Short-term borrowings	5(16)	44,222,934	28,271,285	-	-
Notes payable	5(17)	100,000	-	-	-
Accounts payable	5(18)	62,144,793	67,321,345	-	-
Advances from customers	5(19)	-	103,398	-	-
Contract liabilities	5(20)	97,595	——	-	——
Employee benefits payable	5(21)	5,106,573	4,973,173	9,189	6,703
Taxes payable	5(22)	1,967,584	2,322,273	88,079	96,195
Other payables	5(23)	6,372,910	12,595,820	861,127	979,412
Current portion of non-current liabilities		327	-	-	-
Other current liabilities	5(24)	512,496	385,314	-	-
Total current liabilities		120,525,212	115,972,608	958,395	1,082,310
Non-current liabilities					
Long-term borrowings		225	-	-	-
Provisions	5(26)	535,305	189,498	-	-
Deferred income	5(25)	273,307	18,804	-	-
Deferred tax liabilities	5(14)	139,197	83,344	87,061	32,908
Total non-current liabilities		948,034	291,646	87,061	32,908
Total liabilities		121,473,246	116,264,254	1,045,456	1,115,218
Shareholders' equity					
Share capital	5(27)	19,870,646	19,854,832	19,870,646	19,854,832
Capital surplus	5(28)	27,758,040	26,692,249	38,508,386	37,443,873
Less: Treasury stock	5(48)	(808,531)	(942,148)	(808,531)	(942,148)
Other comprehensive income	5(47)	424,914	628,744	-	-
Surplus reserve	5(29)	1,437,435	740,214	1,437,435	740,214
Undistributed profits	5(30)	55,070,045	42,306,789	6,407,420	4,102,735
Total equity attributable to shareholders of the parent company		103,752,549	89,280,680	65,415,356	61,199,506
Minority interests	5(31)	288,149	68,011	——	——
Total shareholders' equity		104,040,698	89,348,691	65,415,356	61,199,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		225,513,944	205,612,945	66,460,812	62,314,724

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

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zha

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Revenue	5(32), 15(4)	431,785,888	408,697,581	128,879	109,764
Less: Cost of sales	5(32), 5(38), 15(4)	(395,719,226)	(374,450,968)	(101,713)	(57,665)
Taxes and surcharges	5(33)	(723,237)	(641,577)	(178)	(365)
Selling and distribution expenses	5(34), 5(38)	(2,124,527)	(1,732,902)	-	-
General and administrative expenses	5(35), 5(38)	(4,502,723)	(3,521,068)	(23,218)	(47,696)
Research and development expenses	5(36), 5(38)	(10,037,729)	(9,427,180)	-	-
Financial income	5(37)	236,295	735,316	660,046	525,802
Including: Interest expenses		(589,493)	(753,125)	-	-
Interest income		1,652,588	1,524,448	660,219	525,786
Add: Other income	5(41)	1,577,340	1,606,321	10,941	19,234
Investment income	5(42), 15(5)	329,483	161,460	6,500,000	4,131,670
Including: Share of profit of associates and joint ventures		2,233	2,167	-	-
Gains on changes in fair value	5(43)	312,832	156,692	-	-
(Losses on)/Reversal of credit impairment	5(39)	(119,851)	69,973	(4,521)	(348)
Asset impairment losses	5(40)	(1,332,979)	(502,012)	-	-
Gains/(Losses) on disposal of assets	5(44)	34,091	(45,067)	-	-
Operating profit		19,715,657	21,106,569	7,170,236	4,680,396
Add: Non-operating income	5(45(a))	91,955	85,168	-	-
Less: Non-operating expenses	5(45(b))	(61,724)	(59,301)	(26,632)	-
Total profit		19,745,888	21,132,436	7,143,604	4,680,396
Less: Income tax expenses	5(46)	(2,319,196)	(2,526,388)	(171,392)	(170,090)
Net profit		17,426,692	18,606,048	6,972,212	4,510,306
Including: Net profit of the acquiree entity in a business		-	-	-	-
Classified by continuity of operations					
Net profit from continuing operations		17,426,692	18,606,048	6,972,212	4,510,306
Net loss from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to shareholders of the parent company		17,430,783	18,606,184	6,972,212	4,510,306
Minority interests		(4,091)	(136)	——	——
Other comprehensive income/loss, net of tax	5(47)	(203,830)	151,374	-	-
Attributable to shareholders of the parent company, net of tax		(203,830)	151,374	-	-
Other comprehensive income items which will not be reclassified subsequently to profit or loss		-	(37,760)	-	-
Changes in fair value of investments in other equity instruments		-	(37,760)	-	-
Other comprehensive income items which will be reclassified to profit or loss		(203,830)	189,134	-	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss		(989)	(307)	-	-
Differences arising from translation of foreign currency financial statements		(202,841)	189,441	-	-
Attributable to minority shareholders, net of tax		-	-	——	——
Total comprehensive income		17,222,862	18,757,422	6,972,212	4,510,306
Attributable to shareholders of the parent company		17,226,953	18,757,558	6,972,212	4,510,306
Total comprehensive income/loss attributable to minority shareholders		(4,091)	(136)	——	——
Earnings per share					
Basic earnings per share (RMB Yuan)	5(49)	0.88	0.94	——	——
Diluted earnings per share (RMB Yuan)	5(49)	0.88	0.94	——	——

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi　　Principal in charge of accounting: Guo Junhong　　Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		439,888,967	422,177,744	114,348	90,580
Refund of taxes and surcharges		4,745,529	4,667,007	-	-
Cash received relating to other operating activities	5(50(a))	3,430,860	2,902,096	454,548	491,792
Sub-total of cash inflows		448,065,356	429,746,847	568,896	582,372
Cash paid for goods and services		(407,117,486)	(391,348,183)	-	-
Cash paid to and on behalf of employees		(21,865,653)	(19,889,607)	(48,131)	(29,262)
Payments of taxes and surcharges		(3,914,716)	(4,742,107)	(125,529)	(117,915)
Cash paid relating to other operating activities	5(50(b))	(7,473,763)	(7,327,663)	(51,337)	(38,746)
Sub-total of cash outflows		(440,371,618)	(423,307,560)	(224,997)	(185,923)
Net cash flows from operating activities	5(51(a))	7,693,738	6,439,287	343,899	396,449
Cash flows (used in)/from investing activities					
Cash received from disposals of investments		-	-	-	4,000,000
Cash received from returns on investments		327,251	165,213	4,000,000	4,135,855
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		110,405	328,392	-	-
Cash received relating to other investing activities	5(50(c))	116,260	11,512	-	-
Sub-total of cash inflows		553,916	505,117	4,000,000	8,135,855
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,606,281)	(3,058,426)	(277)	(406)
Cash paid to acquire investments		(983,207)	(153,045)	(2,500,998)	(2,216,180)
Net cash paid to acquire subsidiaries and other business units	5(51(b))	(70,465)	-	-	-
Cash paid relating to other investing activities	5(50(d))	(2,353,818)	(111,282)	-	-
Sub-total of cash outflows		(7,013,771)	(3,322,753)	(2,501,275)	(2,216,586)
Net cash flows (used in)/from investing activities		(6,459,855)	(2,817,636)	1,498,725	5,919,269
Cash flows from/(used in) financing activities					
Cash received from capital contributions		336,153	978,782	128,653	960,641
Including: Cash received from capital contributions by minority shareholders of subsidiaries		207,500	18,141	-	-
Cash received from borrowings		124,970,428	58,516,568	-	-
Cash received relating to other financing activities	5(50(e))	-	2,133,082	404,549	-
Sub-total of cash inflows		125,306,581	61,628,432	533,202	960,641
Cash repayments of borrowings		(107,984,036)	(52,800,364)	-	-
Cash payments for distribution of dividends, profits or interest expenses		(4,597,764)	(3,368,348)	(3,949,540)	(2,540,693)
Cash paid relating to other financing activities	5(50(f))	(4,568,914)	(2,739,832)	(36,540)	-
Sub-total of cash outflows		(117,150,714)	(58,908,544)	(3,986,080)	(2,540,693)
Net cash flows from/(used in) financing activities		8,155,867	2,719,888	(3,452,878)	(1,580,052)
Effect of foreign exchange rate changes on cash		(668,120)	96,822	-	-
Net increase/(decrease) in cash	5(51(a))	8,721,630	6,438,361	(1,610,254)	4,735,666
Add: Cash at the beginning of the year		66,571,627	60,133,266	22,057,516	17,321,850
Cash at the end of the year	5(51(c))	75,293,257	66,571,627	20,447,262	22,057,516

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	Equity attributable to shareholders of the parent company							Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total		
Balance at 31 December 2018		19,695,300	25,121,959	-	477,370	289,183	26,710,822	72,294,634	50,006	72,344,640
Movements for the year ended 31 December 2019										
Total comprehensive income										
Net profit		-	-	-	-	-	18,606,184	18,606,184	(136)	18,606,048
Other comprehensive income/loss		-	-	-	151,374	-	-	151,374	-	151,374
Total comprehensive income/loss		-	-	-	151,374	-	18,606,184	18,757,558	(136)	18,757,422
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders		-	-	-	-	-	-	-	18,141	18,141
Issued shares								-		-
Share-based payment included in shareholders' equity	5(27), 5(48)	159,532	801,109	(960,641)	-	-	-	-	-	-
Amortisation of share-based payment		-	754,348	-	-	-	-	754,348	-	754,348
Others		-	14,833	-	-	-	-	14,833	-	14,833
Profit distribution										
Appropriation to surplus reserve	5(29)	-	-	-	-	451,031	(451,031)	-	-	-
Distribution to shareholders	5(30)	-	-	-	-	-	(2,559,938)	(2,559,938)	-	(2,559,938)
Revocable cash dividends on restricted shares		-	-	18,493	-	-	752	19,245	-	19,245
Balance at 31 December 2019		19,854,832	26,692,249	(942,148)	628,744	740,214	42,306,789	89,280,680	68,011	89,348,691
Balance at 31 December 2019		19,854,832	26,692,249	(942,148)	628,744	740,214	42,306,789	89,280,680	68,011	89,348,691
Movements for the year ended 31 December 2020										
Total comprehensive income										
Net profit		-	-	-	-	-	17,430,783	17,430,783	(4,091)	17,426,692
Other comprehensive income/loss		-	-	-	(203,830)	-	-	(203,830)	-	(203,830)
Total comprehensive income/loss		-	-	-	(203,830)	-	17,430,783	17,226,953	(4,091)	17,222,862
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders		-	-	-	-	-	-	-	224,229	224,229
Share-based payment included in shareholders' equity	5(27), 5(48)	19,480	109,290	86,539	-	-	-	215,309	-	215,309
Amortisation of share-based payment		-	973,657	-	-	-	-	973,657	-	973,657
Others		(3,666)	(17,156)	22,100	-	-	-	1,278	-	1,278
Profit distribution										
Appropriation to surplus reserve	5(29)	-	-	-	-	697,221	(697,221)	-	-	-
Distribution to shareholders	5(30)	-	-	-	-	-	(3,974,421)	(3,974,421)	-	(3,974,421)
Revocable cash dividends on restricted shares		-	-	24,978	-	-	4,115	29,093	-	29,093
Balance at 31 December 2020		19,870,646	27,758,040	(808,531)	424,914	1,437,435	55,070,045	103,752,549	288,149	104,040,698

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi | Principal in charge of accounting: Guo Junhong | Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2014						
Changes in accounting policies						
Corrections of prior period errors						
Balance at 31 December 2018	19,695,300	35,888,416	-	289,183	2,602,646	58,475,545
Movements for the year ended 31 December 2019						
Total comprehensive income						
Net profit	-	-	-	-	4,510,306	4,510,306
Total comprehensive income/loss	-	-	-	-	4,510,306	4,510,306
Capital contribution and withdrawal by shareholders						
Share-based payment included in shareholders' equity	159,532	801,109	(960,641)	-	-	-
Amortisation of share-based payment	-	754,348	-	-	-	754,348
Profit distribution						
Appropriation to surplus reserve	-	-	-	451,031	(451,031)	-
Distribution to shareholders	-	-	-	-	(2,559,938)	(2,559,938)
Revocable cash dividends on restricted shares	-	-	18,493	-	752	19,245
Balance at 31 December 2019	19,854,832	37,443,873	(942,148)	740,214	4,102,735	61,199,506
Balance at 31 December 2019	19,854,832	37,443,873	(942,148)	740,214	4,102,735	61,199,506
Movements for the year ended 31 December 2020						
Total comprehensive income						
Net profit	-	-	-	-	6,972,212	6,972,212
Total comprehensive income/loss	-	-	-	-	6,972,212	6,972,212
Capital contribution and withdrawal by shareholders						
Share-based payment included in shareholders' equity	19,480	109,290	86,539	-	-	215,309
Amortisation of share-based payment	-	973,657	-	-	-	973,657
Others	(3,666)	(18,434)	22,100	-	-	-
Profit distribution						
Appropriation to surplus reserve	-	-	-	697,221	(697,221)	-
Distribution to shareholders	-	-	-	-	(3,974,421)	(3,974,421)
Revocable cash dividends on restricted shares	-	-	24,978	-	4,115	29,093
Balance at 31 December 2020	19,870,646	38,508,386	(808,531)	1,437,435	6,407,420	65,415,356

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhaoqi

1 General information

Foxconn Industrial Internet Co., Ltd. (hereinafter the "Company") is a wholly foreign-owned enterprise incorporated in Shenzhen City, Guangdong Province of the People's Republic of China ("the PRC") on 6 March 2015 by Robot Holding Co., Ltd. The Company has an approved operating period of 50 years. The registered capital is USD 15,000,000. Robot Holding Co., Ltd. is indirectly wholly owned by Hon Hai Precision Industry Co., Ltd. (hereinafter "Hon Hai Precision"), a company registered in Taiwan, China.

In 2017, the Company was completely changed into a joint stock limited company through a series of equity transfers. On 6 December 2017, the Company held a general meeting of the Board of Directors and shareholders where the *Reconstructing Plan of Foxconn Industrial Internet Co., Ltd.* ("Reconstructing Plan") and the *Proposal on Registered Capital Contribution of Foxconn Industrial Internet Co., Ltd.* ("Capital Contribution Proposal") were approved. According to the Reconstructing Plan, Hon Hai Precision transferred some of its key businesses (communication network equipment, cloud service equipment, precision tools, industrial robots, etc.) ("Restructuring Businesses") to the Company. The Company acquired relevant equities and operating assets of the Restructuring Businesses (primarily including production and operation equipment, moulds, inventories, etc.) ("Reconstructing Assets") by means of capital contribution, share increase and cash payment, and completed the reconstruction on 31 December 2017.

On 31 December 2017, the share capital of the Company was changed to RMB 17,725,770,199 and the total number of shares was increased to 17,725,770,199 with par value of RMB 1 per share. After this, China Galaxy Enterprises Limited ("China Galaxy"), a company incorporated in Hong Kong, China, became the controlling shareholder of the Company. China Galaxy is indirectly wholly owned by Hon Hai Precision.

The Company publicly issued 1,969,530,023 ordinary shares denominated in RMB under the document "Zheng Jian Xu Ke [2018] No. 815" as approved by China Securities Regulatory Commission. The ordinary shares were listed for trading at Shanghai Stock Exchange on 8 June 2018. Afterwards, the share capital of the Company was changed to RMB 19,695,300,222 and the total number of shares was increased to 19,695,300,222 with par value of RMB 1 per share.

1 General information (Cont'd)

Pursuant to *2019 Stock Option and Restricted Stock Incentive Plan of Foxconn Industrial Internet Co., Ltd. (Revised Draft)* (hereinafter "*Incentive Plan (Revised Draft)*"), the Company held general meetings of the Board of Directors for the approval of the grant plan on 30 April 2019, 11 September 2019 and 31 December 2019 respectively with the authorisation of the first extraordinary general meeting of shareholders in 2019, granting a total of 179,319,758 restricted RMB ordinary shares (A shares) to 4,763 incentive targets, and 32,433,776 stock options to 986 incentive targets. As at 14 April 2020, the Company received restricted stock contributions amounting to RMB 1,061,613,656 in total from 4,685 subscribers, with the registered capital and share capital increased by RMB 176,642,773 and the capital surplus increased by RMB 884,970,883. After the capital contribution, the share capital of the Company was changed to RMB 19,871,942,995 and the total number of shares was increased to 19,871,942,995 with RMB 1 per share.

In 2020, the registered capital and share capital were increased by RMB 2,368,860 in total due to incentive targets' exercise on stock options. In addition, the Company received the payments for stock options amounting to RMB 27,680,136 and the rest of RMB 117,210 was settled in January 2021. In 2020, the Company paid RMB 36,539,535 for the repurchasing of restricted stocks, with the registered capital and share capital decreased by RMB 3,666,430 in total. The share capital of the Company was changed to RMB 19,870,645,425 and the total number of shares was decreased to 19,870,645,425 with par value of RMB 1 per share.

The scope of business of the Company includes: research and development of industrial internet technologies; research and development of communication systems; provision of enterprise management services; and engagement in import & export of electronic products and spare parts and related supporting businesses (excluding state-run products; products subject to quota, licence management and other special regulations are applied based on relevant state regulations),

These financial statements were authorised for issue by the Board of Directors of the Company on 28 March 2021.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, and the specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

3 Summary of significant accounting policies and accounting estimates

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") determine the specific accounting policies and accounting estimates based on the features of its production and operation, which are included in the measurement of expected credit losses ("ECLs") on receivables (Note 3(8)), valuation of inventories (Note 3(9)), depreciation of fixed assets and amortisation of intangible assets (Note 3(11), (14)), recognition of revenue (Note 3(21)), etc.

Key judgements, critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 3(27).

(1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

(2) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Recording currency

The recording currencies of the Company and its subsidiaries are determined based on the economic environment in which they operate. The recording currency of the Company and the Group's domestic subsidiaries is RMB. The recording currency of the Group's subsidiaries in Singapore and the United States is USD. The recording currency of the Group's subsidiaries in Hong Kong, China is USD or HKD. The presentation currency used by the Group when preparing the financial statements is RMB.

(4) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss for the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profit and loss and comprehensive income for the period not attributable to the Company are recognised as minority interests, profit or loss attributable to minority shareholders and total comprehensive income attributable to minority shareholders, and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where a subsidiary's loss for the current period attributed to the minority shareholders exceeds their share of owners' equity of the subsidiary at the beginning of the period, the excess shall be allocated to minority interests. Unrealised profits and losses resulting from sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(6) Cash and cash equivalents

Cash and cash equivalents comprise all cash on hand and deposits that can be readily drawn on demand.

(7) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period; for other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

- Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following two ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable, accounts receivable and other receivables.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. The financial assets mainly include other debt investments.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

- Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

Loss provision for financial assets at amortised cost and investments in debt instruments at fair value through other comprehensive income is recognised on the basis of ECLs.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECLs of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

In case the ECLs of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings and provision methods is as follows:

Grouping 1	Interest receivable from cash at bank, guarantees (including deposits), tax refunds, entrusted loans receivable within the Group and dividends receivable
Grouping 2	Bank acceptance notes
Grouping 3	Other receivables besides the groupings mentioned above

For accounts receivable that are classified into groupings and notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECLs with reference to historical credit losses experience, current conditions and forecasts of future economic conditions, and based on the overdue days and the lifetime ECL rate. For other notes receivable, and other receivables classified into groupings, the Group calculates the ECLs based on default risk exposure and the 12-month or lifetime ECL rates, and with reference to the historical credit loss experience, current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, debentures payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Inventories

(a) Classification

Inventories include raw materials, semi-finished goods, finished goods, materials in transit and delivered goods, and are measured at the lower of cost and net realisable value.

(b) Valuation method for inventories delivered

Cost is determined using the weighted average method. The cost of finished goods, semi-finished goods and delivered goods comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(10) Long-term equity investments

Long-term equity investments comprise the Group's long-term equity investments in subsidiaries and associates.

Subsidiaries are the investees over which the Group is able to exercise control. Associates are the investees that the Group has significant influence on their financial and operating decisions.

Investments in subsidiaries are presented using the cost method in the Company's financial statements, and adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of profit or loss (Cont'd)

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at 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 included in profit or loss for the current period and the cost of the long-term equity investments is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or losses according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Significant influence is the power to participate in making decisions on financial and operating policies of investees, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amount (Note 3(16)).

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise land, buildings, machinery and equipment, motor vehicles, office and electronic equipment and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets except for land with permanent property rights are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. Land with permanent property rights is not subject to depreciation. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets except for land with permanent property rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20 to 30 years	RMB 1	3.3% to 5.0%
Buildings - Auxiliary facilities	6 to 11 years	RMB 1	9.1% to 16.7%
Machinery and equipment	3 to 12 years	RMB 1	8.3% to 33.3%
Motor vehicles	5 to 6 years	RMB 1	16.7% to 20.0%
Office and electronic equipment	4 to 6 years	RMB 1	16.7% to 25.0%
Other equipment	5 to 6 years	RMB 1	16.7% to 20.0%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(13) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalised amount of specific borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets

Intangible assets include land use rights, software, trademarks and patents, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 35 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Software

Software is measured at its actual cost on acquisition and is amortised on the straight-line basis over their estimated useful lives of 3 to 7 years.

(c) Trademarks

Trademarks are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

(d) Patents

Patents are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 5 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(f) Research and development (Cont'd)

Expenditure on the planned investigation, evaluation and selection for research on manufacturing techniques is expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of manufacturing techniques before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique has been fully demonstrated by technical team;
- the development budget of manufacturing technique has been approved by management;
- the research and analysis of preliminary market survey indicate that products manufactured with such technique are marketable;
- adequate technical and financial supports are available for development of manufacturing techniques and subsequent mass production; and
- expenditure on development of manufacturing techniques can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as profit or loss are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of an intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current year and in subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits and post-employment benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, national health insurance in Taiwan, China, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions, unemployment insurance and overseas pensions, all of which belong to defined contribution plans.

(c) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resources and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(18) Share-based payments

Share-based payments are transactions in which the Company grants equity instruments or assumes liabilities that are determined based on the equity instruments, in exchange for services rendered by employees. Equity instruments include the equity instruments of the Company and its subsidiaries or those of the Company's parent company. Share-based payments are divided into equity-settled and cash-settled share-based payments. The restricted stock plan and stock option plan of the Group are accounted for as equity-settled share-based payments.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Share-based payments (Cont'd)

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be included in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or performance conditions are satisfied, the service obtained in the current period shall be included in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of performance conditions and subsequent information at each balance sheet date within the vesting period, with capital surplus increased accordingly.

The Group determines the fair value of equity instruments granted based on different conditions, including the share price at the grant date, discounted cash flow model, the Black-Scholes Option Pricing Model, consideration from the implementation of share-based incentives, etc.

During the period that the performance conditions and the service term conditions are satisfied, the cost or expenses of the equity-settled share-based payments shall be recognised, with capital surplus increased accordingly. At each balance sheet date before the vesting date, the accumulating amount recognised in the equity-settled share-based payments at each balance sheet date reflects the expired part within the vesting period and the best estimate for the number of equity instrument of final exercise carried out by the Group.

Where the equity-settled share-based payments cannot be exercised in the end, its cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deem to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

If the Group revises the terms of the share-based payment plan resulting in an increase in the fair value of equity instruments granted, the Group shall recognise the difference between the fair value of equity instruments before and after the revision as an increase in services obtained. If the Group modifies the exercisable conditions in a way conducive to its employees, the accounting basis shall be changed accordingly; if not, such conditions shall not be taken into consideration, unless the Group cancels some of all of the equity instruments granted. If the Group cancels the equity instruments granted, such instruments cancelled shall be treated as an accelerated exercise, and the amount that should have been recognised within the remaining vesting period shall be immediately included in profit or loss for the current period and capital surplus shall be recognised at the same time.

If the Group needs to repurchase restricted stocks that expire or become invalid without being unlocked at the repurchased price agreed before, liabilities and treasury stocks are recognised in accordance with the number of restricted stocks and corresponding repurchase price.

(19) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved at the shareholders' meeting.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Provisions

Provisions for product warranties, onerous contracts, etc. are recognised when the Group has a present obligation, 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.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be paid within one year since the balance sheet date are classified as current liabilities.

(21) Revenue

The Group recognises revenue at the amount of the consideration that is entitled to be charged by the Group as expected when the customer obtains control over relevant goods or services.

(a) Sales of goods

The Group manufactures and sells products to the regional customers. Revenue from domestic sales is recognised when the Group has delivered the products to the designated carrier or shipped them to the location specified in the sales contract and customers have accepted the goods. Revenue from foreign sales is recognised when the Group has gone through the export customs declaration procedures and shipped the products for export, or delivered the products to the designated location in accordance with the international trade terms stipulated in the sales contract or order. If agreeing to above sales conditions, the customer has the right to sell the products and takes the risks of any obsolescence and loss of the products.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. The Group provides product quality assurance to customers and recognises the corresponding provisions (Note 3(20)).

The obligation of the Group to transfer goods to customers according to consideration received or receivable is presented as a contract liability.

(b) Rendering of services

The Group provides processing and research and development services and related revenue is recognised upon the completion of services.

If the Group's contract price received or receivable exceeds the fulfilled service obligations, the excess is recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Revenue (Cont'd)

(b) Rendering of services (Cont'd)

Contract costs include contract performance costs and contract acquisition costs. Costs for rendering of processing services are recognised as contract performance costs, and are carried forward to cost of sales from main operations according to the progress of completed labour when the revenue is recognised. If the carrying amount of contract costs exceeds the remaining amount of consideration expected to be received for rendering the labour less the costs expected to be incurred, the Group makes provision for impairment for the difference and recognises it as asset impairment losses. As at the balance sheet date, for the net amount from contract performance costs less relevant provision for impairment losses, where the amortisation period at the time of initial recognition is within one year, the amount is presented as inventories; otherwise, it is presented as other non-current assets.

(22) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs in reporting the related costs, expenses or losses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs directly for the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(24) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2021 only, the Group applies the practical expedient and records the waivers in profit or loss in the waiving period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit (loss) from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(26) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

As more than 90% of the Group's revenue and performance are from electronic products business, no segment information is presented.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the accounting policies

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial assets management on the group basis, and factors to be considered include the methods for evaluating the financial assets performance and reporting such performance to key management personnel, the risks relating to the financial assets performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only includes time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the repayment in advance reflects only the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Judgement on significant increase in credit risk

Judgement made by the Group for significant increase in credit risk is mainly based on whether the overdue days exceed 30 days, or whether one or more of the following indicators change significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement made by the Group for the occurrence of credit impairment is mainly based on whether the overdue days exceed 90 days (i.e., a default has occurred), or whether one or more of the following conditions is/are satisfied: the debtor is suffering significant financial difficulties, the debtor is undergoing other debt restructuring, or the debtor probably goes bankrupt, etc.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies (Cont'd)

(iii) Revenue recognition

For some of the Group's businesses, customers are also suppliers of some raw materials (namely "Buy and Sell Mode") which is a business mode widely used in the manufacturing industry of electronic products. The Group determines that it is the main responsible person of business under the Buy and Sell mode and recognises the revenue based on the total consideration of transactions after taking the followings conditions into account:

- in accordance with relevant terms of the contract, as the principal obligor, the Group is primarily responsible for selling products to customers and ensuring that the products sold are acceptable to the customers;
- the Group takes significant risks and rewards of ownership of products in the course of transactions;
- the Group is able to independently negotiate with customers and determine the selling price of the final products sold to customers; and
- the Group takes significant credit risks related to sales of products.

(iv) Sales with product quality assurance

The Group provides product quality assurance for some communication and mobile network equipment and cloud computing products during a certain agreed period. The deadlines and terms of the product quality assurance are provided in accordance with the laws and regulations related to communication and mobile network equipment and cloud computing products. The Group does not provide any additional services or quality assurance for that, so the product quality assurance does not constitute a separate performance obligation.

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Measurement of ECL

The Group calculates ECLs through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information.

In view of forward-looking information, the Group considers different macroeconomic scenarios. In 2020, the weighting for the "benchmark scenario", "unfavourable scenario" and "favourable scenario" was 80%, 10% and 10% respectively. The Group monitors and reviews critical macroeconomic assumptions and parameters relevant to the calculation of ECLs on a regular basis, including the risk of economic downturn, external market conditions, technological conditions, changes in customer conditions, Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), etc. In 2020, in light of the uncertainties of COVID-19, the Group updated relevant assumptions and parameters, and critical macroeconomic parameters applied in each scenario were set out below:

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(i) Measurement of ECL (Cont'd)

	Economic scenarios		
	Benchmark scenario	Unfavourable scenario	Favourable scenario
Gross World Product ("GWP")	4.00%	3.88%	4.12%

(ii) Income tax and deferred income tax

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and deferred tax liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group.

As stated in Note 4(c), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the historical experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(iii) Net realisable value of inventories

Inventories are measured at the lower of cost and net realisable value, including estimation in the net realisable value andprovision for decline in the value of inventories that are aged over a certain period, obsolete or damaged is made accordingly. Net realisable value of inventories is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes. These estimates are primarily based on current market conditions and past experience in producing and will vary significantly depending on technological innovations, customer preferences and the actions taken by competitors in reaction to market trends. Management reassesses these estimates at each balance sheet date.

(iv) Estimated net residual values and useful lives or expected beneficial periods of fixed assets and intangible assets

The Group makes estimates on estimated net residual values and estimated useful lives of fixed assets and intangible assets. Such estimates are made based on historical experience of actual net residual values and estimated useful lives of investment properties, fixed assets and intangible assets with similar natures and functions, which may change significantly due to technological updates or other reasons. When net residual values are lower or estimated useful lives are shorter than the prior estimates, the Group will increase depreciation and amortisation expenses.

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies

The Ministry of Finance released the revised *CAS 14 - Revenue* (Revised in 2017) ("new revenue standard") in 2017 and the *Circular on Accounting Regulations of Rental Waivers Against COVID-19* (Cai Kuai [2020] No. 10) and the *FAQs for Implementation of Accounting Standards for Business Enterprises* (Issued on 11 December 2020) in 2020. The financial statements for the year ended 31 December 2020 are prepared in accordance with the above standard, circular and FAQs for implementation, and impacts on the Group and the Company's financial statements are as follows:

(a) Revenue

In accordance with relevant provisions of the new revenue standard, the Group and the Company recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings in 2020 and other relevant line items in the financial statements. The comparatives for the year ended 31 December 2019 were not restated.

There is no influence on the consolidated and company income statement and impacts on the consolidated balance sheet are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	Amounts affected as at 1 January 2020	
		The Group	The Company
Due to the implementation of the new revenue standard, the Group and the Company reclassify the advances from customers from sales of goods to contract liabilities.	Advances from customers	A decrease of RMB 103,398	-
	Contract liabilities	An increase of RMB 103,398	-

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(a) Revenue (Cont'd)

Compared with the old revenue standard, the impact of the implementation of the new revenue standard on related items in the 2020 financial statements is as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	Amounts affected as at 31 December 2020	
		The Group	The Company
Due to the implementation of the new revenue standard, the Group and the Company reclassify the advances from customers from sales of goods to contract liabilities.	Advances from customers	A decrease of RMB 97,595	-
	Contract liabilities	An increase of RMB 97,595	-

(b) Accounting treatment of rental waivers against COVID-19

For the rental waivers as a result of COVID-19, agreed with lessors respectively and only for the period ended 30 June 2021, the Group and the Company have applied the practical expedient in the above circular for the preparation of the financial statements for the year ended 31 December 2020 (Note 5(38)).

(All amounts in RMB thousand unless otherwise stated)

4 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Rates of taxes	Tax base
Enterprise income tax		
- Mainland China (a)	15%(c), 25%	Taxable income
- Hong Kong, Macao and Taiwan regions of China	16.5%, 20%	Taxable income
- Overseas regions	0%-35.64%	Taxable income
Value-added tax ("VAT") (b)	3%-16%	Taxable value-added amount (tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax	5%-7%	The payment amount of VAT
Educational surcharge	3%	The payment amount of VAT
Local educational surcharge	2%	The payment amount of VAT

(a) Pursuant to the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) issued by the State Taxation Administration and relevant regulations, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

(b) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable VAT rate for revenue of the Group's subsidiaries from sales of goods, from processing, repair and replacement business and from leasing of tangible personal properties is 13% from 1 April 2019, while it was 16% before then; the applicable VAT rate for revenue from leasing of real estate and sales of real estate is 9%, while it was 10% before 1 April 2019.

(c) Preferential tax treatments and approval documents

(1) Futaihua Precision Electronics (Zhengzhou) Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. Futaihua Precision Electronics (Zhengzhou) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in November 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Futaihua Precision Electronics (Zhengzhou) Co., Ltd. in 2020 was 15% (2019: 15%).

(2) Hongfujing Precision Electronics (Tianjin) Co., Ltd. is a limited liability company established in Tianjin. Hongfujing Precision Electronics (Tianjin) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in August 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Hongfujing Precision Electronics (Tianjin) Co., Ltd. in 2020 was 15% (2019: 15%).

4 Taxation (Cont'd)

(c) Preferential tax treatments and approval documents (Cont'd)

(3) Nanning Fugui Precision Industrial Co., Ltd. is a limited liability company established in Nanning City, Guangxi Province. It has been enjoying preferential policies for the development of the west part of China since 2012. As approved by tax authorities, the actual enterprise income tax rate applicable to Nanning Fugui Precision Industrial Co., Ltd. in 2020 was 15% (2019: 15%).

In accordance with Article No. 29 of the *Enterprise Income Tax Law of the People's Republic of China* (Order No. 63 of Chairman of the PRC), organs of self-government of national autonomous regions may decide to reduce or exempt the local portion of the enterprise income tax payable by enterprises in their own national autonomous regions. Tax reduction or exemption for autonomous prefectures and autonomous counties shall be submitted to the people's government of the province, autonomous region or municipality directly under the central government for approval. According to the *100 Billion Investment Agreement on Electric Information Industry Park of Foxconn Nanning Sci-Tech Park*, Nanning Fugui Precision Industrial Co., Ltd. is exempt from enterprise income tax on the local share.

(4) Guoji Electronics (Shanghai) Co., Ltd. is a limited liability company established in Shanghai. Guoji Electronics (Shanghai) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in October 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Guoji Electronics (Shanghai) Co., Ltd. in 2020 was 15% (2019: 15%).

(5) Jizhun Precision Industry (Huizhou) Co., Ltd. is a limited liability company established in Huizhou City, Guangdong Province. Jizhun Precision Industry (Huizhou) Co., Ltd. was certified as a high-tech enterprise in 2016, and was re-certified after approval in December 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jizhun Precision Industry (Huizhou) Co., Ltd. in 2020 was 15% (2019: 15%).

(6) Jincheng Hongren Technology Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province.Jincheng Hongren Technology Co., Ltd. was certified as a high-tech enterprise in 2016, and was re-certified after approval in November 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jincheng Hongren Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(7) Chengdu Zhunren Technology Co., Ltd. is a limited liability company established in Chengdu City, Sichuan Province. It has been enjoying preferential policies for the development of the west part of China since 2015. As approved by tax authorities, the actual enterprise income tax rate applicable to Chengdu Zhunren Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(8) Futaihua Precision Electronics (Jiyuan) Co., Ltd. is a limited liability company established in Jiyuan City, Henan Province. It was certified as a high-tech enterprise in 2017, and was re-certified after approval in September 2020. As approved by tax authorities, the actual enterprise income tax rate applicable to Futaihua Precision Electronics (Jiyuan) Co., Ltd. in 2020 was 15% (2019: 15%).

4 Taxation (Cont'd)

(c) Preferential tax treatments and approval documents (Cont'd)

(9) Hongfujing Precision Electronics (Guiyang) Co., Ltd. is a limited liability company established in Guiyang City, Guizhou Province. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Hongfujing Precision Electronics (Guiyang) Co., Ltd. in 2020 was 15% (2019: 15%).

(10) Chongqing Fugui Electronics Co., Ltd. is a limited liability company established in Chongqing. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Chongqing Fugui Electronics Co., Ltd. in 2020 was 15% (2019: 15%).

(11) Shenzhenshi Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Shenzhenshi Yuzhan Precision Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(12) Jincheng Futaihua Precision Electronics Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Jincheng Futaihua Precision Electronics Co., Ltd. in 2020 was 15% (2019: 15%).

(13) Henan Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Henan Yuzhan Precision Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(14) ShanXi Yuding Precision Technology Co., Ltd. is a limited liability company established in Taiyuan City, Shanxi Province. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to ShanXi Yuding Precision Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(15) Shenzhen Jingjiang Yunchuang Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Shenzhen Jingjiang Yunchuang Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(16) Hebi Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Hebi City, Henan Province. It was certified as a high-tech enterprise in 2020. As approved by tax authorities, the actual enterprise income tax rate applicable to Hebi Yuzhan Precision Technology Co., Ltd. in 2020 was 15% (2019: 15%).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash on hand	653	543
Cash at bank	77,342,545	66,581,115
Other cash balances	327,602	108,311
Deposit interest receivable	385,802	211,164
	78,056,602	66,901,133
Including: Overseas deposits	11,692,094	8,197,052

As at 31 December 2020, other cash balances of RMB 63,725 thousand (31 December 2019: RMB 2,082 thousand) were margin deposited by the Group to the bank who issued a letter of guarantee to the customs, while other cash balances of RMB 263,877 thousand represented margin deposited by the Group for forward exchange settlement and sales business (31 December 2019: RMB 106,229 thousand).

Margin on letters of guarantee and forward settlement margins are restricted deposits.

(2) Derivative financial assets

	31 December 2020	31 December 2019
Derivative financial liabilities - Forward exchange contracts	467,888	157,110

(a) As at 31 December 2020, derivative financial assets mainly comprised forward exchange contracts held by the Group with a nominal amount of USD 4,733,500 thousand (31 December 2019: USD 2,785,000 thousand or AUD 9,000 thousand). Forward exchange contracts include non-principal forward exchange transaction contracts settled on a net basis in which the difference between the forward exchange rate determined by the contracts and the actual spot exchange rate at maturity, and forward purchase contracts for a certain amount of foreign exchange to be delivered at a certain time in the future. The Group determines the fair value based on present value of quoted prices in the open market.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	87,757,582	85,503,801
Less: Provision for bad debts	(930,087)	(860,066)
	86,827,495	84,643,735

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	87,747,429	85,482,661
1 to 2 years	7,589	15,663
2 to 3 years	1,933	4,816
Over 3 years	631	661
	87,757,582	85,503,801

(b) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were mainly trade receivable, and were summarised and analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total of the five largest accounts receivable	67,829,506	712,912	77%

(c) Accounts receivable derecognised due to transfer of financial assets are analysed as follows:

As at 31 December 2020, the Group conducted factoring of accounts receivable without recourse, with RMB 2,126,301 thousand of ending balance derecognised and RMB 22,326 thousand of provision for bad debts made (31 December 2019: RMB 2,313,873 thousand of ending balance derecognised and RMB 23,139 thousand of provision for bad debts made).

(d) Provision for bad debts

For accounts receivable, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

(i) As at 31 December 2020, accounts receivable for which the related provision for bad debts is provided on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Accounts receivable 1	1,879	100%	(1,879)	Individually identified after assessment
Accounts receivable 2	1,304	100%	(1,304)	Individually identified after assessment
Accounts receivable 3	714	100%	(714)	Individually identified after assessment
Accounts receivable 4	680	100%	(680)	Individually identified after assessment
Accounts receivable 5	553	100%	(553)	Individually identified after assessment
Accounts receivable 6	491	100%	(491)	Individually identified after assessment
Accounts receivable 7	369	100%	(369)	Individually identified after assessment
Accounts receivable 8	346	100%	(346)	Individually identified after assessment
Accounts receivable 9	294	100%	(294)	Individually identified after assessment
Accounts receivable 10	215	100%	(215)	Individually identified after assessment
Accounts receivable 11	174	100%	(174)	Individually identified after assessment
Accounts receivable 12	172	100%	(172)	Individually identified after assessment
Accounts receivable 13	157	100%	(157)	Individually identified after assessment
Accounts receivable 14	75	100%	(75)	Individually identified after assessment
Accounts receivable 15	54	100%	(54)	Individually identified after assessment
Accounts receivable 16	40	100%	(40)	Individually identified after assessment
Others	65	100%	(65)	Individually identified after assessment
	7,582		(7,582)	

(ii) Accounts receivable for which the related provision for bad debts is made on the grouping basis are analysed as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount	Amount	Lifetime ECL (%)	Amount
Not overdue	86,677,136	1.05%	(908,358)	84,071,423	1.00%	(842,281)
Overdue within 1 year	1,066,610	1.22%	(13,013)	1,416,073	1.20%	(14,596)
Overdue for 1 to 2 years	5,270	14.99%	(790)	10,828	10.00%	(1,083)
Overdue for 2 to 3 years	984	34.96%	(344)	4,816	30.00%	(1,445)
	87,750,000		(922,505)	85,503,140		(859,405)

i) After the outbreak of COVID-19, the Group adjusted the macro factor used for forward-looking adjustment to global GDP because overseas pandemic situation was still severe and most of the Group's customers were multinational groups, resulting in an increase in the ECL rate of accounts receivable.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

(iii) In 2020, the provision for bad debts reversed amounted to RMB 1,007 thousand, and provision for bad debts provided was RMB 117,072 thousand.

In 2019, the provision for bad debts reversed amounted to RMB 139,871 thousand, and provision for bad debts provided was RMB 83,442 thousand.

(iv) In 2020, the ending balance of accounts receivable written off was RMB 198 thousand, and the provision for bad debts was RMB 198 thousand (2019: Nil).

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	31 December 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	171,467	100%	228,837	100%

As at 31 December 2020, the Group had no advances to customers with ageing over 1 year (31 December 2019: Nil).

(b) As at 31 December 2020, the five largest advances to suppliers were mainly advances for materials and taxes, and were analysed as follows:

	Relationship with the Group	Amount	% of total balance	Date of payment	Reason for unsettlement
Total of the five largest advances to suppliers	Third parties	62,264	36%	Within 1 year	Delivery still on schedule

As at 31 December 2019, the five largest advances to suppliers were mainly advances for materials and taxes, and were analysed as follows:

	Relationship with the Group	Amount	% of total balance	Date of payment	Reason for unsettlement
Total of the five largest advances to suppliers	Third parties	92,761	41%	Within 1 year	Delivery still on schedule

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables

	31 December 2020	31 December 2019
Advances receivable	95,805	155,222
Receivables from related parties (Note 8(5))(i)	70,452	84,549
Guarantees	1,346	3,978
Tax refund receivable	126,375	157,046
Others	126,507	76,139
	420,485	476,934
Less: Provision for bad debts	(24,761)	(20,975)
	395,724	455,959

(i) As at the date on which the financial statements were authorised for issue, RMB 55,824 thousand of receivables from related parties was collected.

(a) The ageing of other receivables is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	367,773	386,023
1 to 2 years	8,971	78,587
2 to 3 years	31,481	1,438
Over 3 years	12,260	10,886
	420,485	476,934

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements

	Stage 1					Stage 3		
	12-month ECL (grouping)		12-month ECL (individual)		Sub-total	Lifetime ECL (credit impaired)		Total
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2019	466,048	(10,089)	-	-	(10,089)	10,886	(10,886)	(20,975)
Increase in the current year		(2,412)	-	-	(2,412)	1,374	(1,374)	(3,786)
Decrease in the current year	(57,823)	-	-	-		-	-	-
31 December 2020	408,225	(12,501)	-	-	(12,501)	12,260	(12,260)	(24,761)

i) There was no provision for bad debts reversed in the current year due to changes in data used to determine the ECLs.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements (Cont'd)

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 31 December 2020, other receivables for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Stage 3:				
Other receivables 1	9,908	100%	(9,908)	Unrecoverable by estimation
Others	2,352	100%	(2,352)	Unrecoverable by estimation
	12,260		(12,260)	

As at 31 December 2019, other receivables for which the related provision for bad debts was provided on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Stage 3:				
Other receivables 1	9,908	100%	(9,908)	Unrecoverable by estimation
Others	978	100%	(978)	Unrecoverable by estimation
	10,886		(10,886)	

(ii) As at 31 December 2020 and 31 December 2019, other receivables for which the related provision for bad debts was provided on the grouping basis were all in Stage 1, which are analysed below:

	31 December 2020			31 December 2019		
	Ending balance	Loss provision		Ending balance	Loss provision	
	Amount	Percentages	Amount	Amount	Percentages	Amount
The ageing group of guarantees receivable (including deposits) and tax refund receivable:						
Within 1 year	127,721	0.00%	-	161,024	0.00%	-
The ageing group of other receivables						
Within 1 year	240,052	0.90%	(2,160)	226,437	0.98%	(2,230)
1 to 2 years	8,971	10.00%	(897)	78,587	10.00%	(7,859)
2 to 3 years	31,481	30.00%	(9,444)	-	30.00%	-
	408,225		(12,501)	466,048		(10,089)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(c) For the year ended 31 December 2020, the Group's provision for bad debts amounted to RMB 3,786 thousand, and there was no provision for bad debts reversed in the current year (2019: the provision for bad debts reversed amounted to RMB 13,544 thousand).

(d) In 2020, no other receivables were written off (2019: Nil).

(e) As at 31 December 2020, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Other receivables 1	Receivables from equipment purchased on behalf	75,809	Within 1 year	18%	(758)
Other receivables 2	Tax refund receivable	74,829	Within 1 year	18%	-
Other receivables 3	Receivables from related parties	40,929	Within 1 year	10%	(409)
Other receivables 4	Receivables from equity transfer	29,487	2 to 3 years	7%	(8,846)
Other receivables 5	Tax refund receivable	17,446	Within 1 year	4%	(174)
		238,500		57%	(10,187)

(f) As at 31 December 2020, the Group did not recognise government grants at amounts receivable.

(6) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2020		
	Ending balance	Provision for decline in the value of inventories and contract performance costs impairment	Carrying amount
Raw materials	23,465,984	(819,806)	22,646,178
Finished goods	9,833,721	(717,441)	9,116,280
Semi-finished goods	8,031,375	(151,128)	7,880,247
Materials in transit	3,333,990	-	3,333,990
Delivered goods	2,340,801	-	2,340,801
Contract performance costs	36,404	-	36,404
	47,042,275	(1,688,375)	45,353,900

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(6) Inventories (Cont'd)

(a) Inventories are summarised by categories as follows:

	31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	18,363,104	(739,489)	17,623,615
Finished goods	10,737,466	(212,449)	10,525,017
Semi-finished goods	8,801,437	(235,060)	8,566,377
Materials in transit	3,547,214	-	3,547,214
Delivered goods	1,383,728	-	1,383,728
	42,832,949	(1,186,998)	41,645,951

(b) Analysis of provision for decline in the value of inventories and contract performance costs impairment is as follows

	31 December 2019	Increase in the current year	Write-off in the current year	Differences on translation of foreign currency financial statements	31 December 2020
Raw materials	(739,489)	(576,851)	473,135	23,399	(819,806)
Semi-finished goods	(235,060)	(4,257)	82,138	6,051	(151,128)
Finished goods	(212,449)	(751,871)	243,099	3,780	(717,441)
	(1,186,998)	(1,332,979)	798,372	33,230	(1,688,375)

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determining net realisable value	Reason for reversal of or written off provision for decline in the value of inventories
Raw materials	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales, utilisation or obsolescence
Semi-finished goods	It is determined based on the estimated selling price of the finished goods, less the costs of further processing and estimated costs necessary to make the sale and related taxes	Sales, utilisation or obsolescence
Finished goods	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales or obsolescence

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(7) Other current assets

	31 December 2020	31 December 2019
Input VAT to be deducted	1,781,004	1,466,280
Moulds to be amortised	129,005	135,140
Prepaid enterprise income tax	70,755	55,978
	1,980,764	1,657,398

(8) Investments in other equity instruments and other non-current financial assets

(a) Investments in other equity instruments

	31 December 2020	31 December 2019
Investment in equity instruments		
- Equity of unlisted companies	74,943	16,928

	Investments in other equity instruments
31 December 2019	16,928
- Additions	63,413
- Differences on translation of foreign currency financial statements	(5,398)
31 December 2020	74,943

(b) Other non-current financial assets

	31 December 2020	31 December 2019
Investment in equity instruments		
- Equity of unlisted companies	280,196	-

	Other non-current financial assets
31 December 2019	-
- Additions	280,395
- Differences on translation of foreign currency financial statements	(199)
31 December 2020	280,196

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(9) Long-term equity investments

	31 December 2020	31 December 2019
Associates (a)	1,167,690	551,754
Less: Provision for impairment of long-term equity investments	-	(18,308)
	1,167,690	533,446

As at 31 December 2020 and 31 December 2019, there was no significant restriction on sales of the long-term equity investments held by the Group.

(a) Associates

		Movements for the current year										
	31 December 2019	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method (Note 5(42))	Foreign currency translation	Adjustment to other comprehensive income	Other changes in equity	Dividends or profits declared by associates	Accrual of provision for impairment	Others	31 December 2020	Provision for impairment at the end of the year
AMAX Engineering Corporation	128,463	-	-	2,175	(7,876)	(989)	-	-	-	-	121,773	-
Suirui Co., Ltd.	267,882	-	-	1,192	-	-	1,278	-	-	-	270,352	-
CyberInsight Technology (Beijing) Co., Ltd.	117,322	-	-	(2,847)	-	-	-	-	-	-	114,475	-
Shanghai Oriental Pearl Radio & Television Research Development Co., Ltd.	19,479	-	-	1,985	-	-	-	-	-	-	21,464	-
Shenzhen Longlua Research Institute of New Generation Communication and Smart Computing Technology	300	-	-	(41)	-	-	-	-	-	-	259	-
Henan Zhongchi Fulian Precision Technology Co., Ltd.	-	20,000	-	977	-	-	-	-	-	-	20,977	-
Shenzhen CRF Technology Co., Ltd.	-	60,000	-	(1,208)	-	-	-	-	-	-	58,792	-
Digiwin Software Co., Ltd.	-	559,598	-	-	-	-	-	-	-	-	559,598	-
	533,446	639,598	-	2,233	(7,876)	(989)	1,278	-	-	-	1,167,690	-

In 2020, due to the liquidation and cancellation of Hope Bay Mobile Inc., the Group wrote off the long-term equity investments in Hope Bay Mobile Inc. with the original value of RMB 18,308 thousand and the provision for impairment of RMB 18,308 thousand.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(10) Fixed assets

	Buildings	Land	Machinery and equipment	Motor vehicles	Other equipment	Office and electronic equipment	Total
Cost							
31 December 2019	2,268,670	23,644	23,575,406	77,070	2,356,770	1,001,738	29,303,298
Increase in the current year							
Purchase	87,015	13,467	1,545,761	21,650	285,996	175,739	2,129,628
Transfer from construction in progress (Note 5(11))	469,221	-	141,852	1,184	14,281	16,663	643,201
Decrease in the current year							
Disposal and obsolescence	(4,146)	-	(1,504,186)	(903)	(37,363)	(41,179)	(1,587,777)
Differences on translation of foreign currency financial statements	(66,666)	(1,614)	(118,977)	(695)	(21,543)	(14,567)	(224,062)
31 December 2020	2,754,094	35,497	23,639,856	98,306	2,598,141	1,138,394	30,264,288
Accumulated depreciation							
31 December 2019	(946,698)	-	(19,438,057)	(73,350)	(1,434,216)	(766,613)	(22,658,934)
Increase in the current year							
Provision	(107,947)	-	1,610,617)	(4,593)	(262,966)	(124,900)	(2,111,077)
Decrease in the current year							
Disposal and obsolescence	3,703	-	1,449,893	814	30,242	38,289	1,522,941
Differences on translation of foreign currency financial statements	15,842	-	71,323	104	10,068	8,479	105,816
31 December 2020	(1,035,100)	-	(19,527,512)	(77,025)	(1,656,872)	(844,745)	(23,141,254)
Provision for impairment							
31 December 2019 and 31 December 2020	-	-	-	-	-	-	-
Carrying amount							
31 December 2020	1,718,994	35,497	4,112,334	21,281	941,269	293,649	7,123,034
31 December 2019	1,321,972	23,644	4,137,349	3,720	922,554	235,125	6,644,364

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(10) Fixed assets (Cont'd)

In 2020, the depreciation of fixed assets amounted to RMB 2,111,077 thousand (2019: RMB 2,520,346 thousand), of which the amounts charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were RMB 1,667,079 thousand (2019: RMB 2,076,633 thousand), RMB 3,574 thousand (2019: RMB 3,437 thousand), RMB 81,575 thousand (2019: RMB 90,897 thousand) and RMB 358,849 thousand (2019: RMB 349,379 thousand) respectively.

As at 31 December 2020, approximately 74% of the Group's fixed assets and construction in progress were located in Mainland China (31 December 2019: over 82%).

(a) Fixed assets with pending certificates of ownership:

As at 31 December 2020 and 31 December 2019, fixed assets with pending certificates of ownership are analysed as follows:

	31 December 2020 Carrying amount	31 December 2019 Carrying amount
Buildings	291,215	1,203

As at 31 December 2020, the ownership certificates of the above buildings were still in progress.

(11) Construction in progress

	31 December 2020		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	619,579	-	619,579
Cloud computing	7,292	-	7,292
Precision tools and industrial robots	16,950	-	16,950
	643,821	-	643,821

	31 December 2019		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	431,100	-	431,100
Cloud computing	13,239	-	13,239
Precision tools and industrial robots	1,563	-	1,563
	445,902	-	445,902

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(11) Construction in progress (Cont'd)

(a) Movement of projects of construction in progress

Project name	31 December 2019	Increase in the current year	Transfer to fixed assets in the current year (Note 5(10))	Transfer to long-term prepaid expenses in the current year	Differences on translation of foreign currency financial statements	31 December 2020	Accumulative amount of capitalised borrowing costs	Including: capitalised borrowing costs in the current period	Capitalisation rate	Source of funds
Communication and mobile network equipment	431,100	811,710	(563,419)	(35,101)	(24,711)	619,579	-	-	-	Self-owned funds
Cloud computing	13,239	73,194	(78,539)	(612)	10	7,292	-	-	-	Self-owned funds
Precision tools and industrial robots	1,563	16,630	(1,243)	-	-	16,950	-	-	-	Self-owned funds
Total	445,902	901,534	(643,201)	(35,713)	(24,701)	643,821	-	-	-	

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(12) Intangible assets

	Land use rights	Software	Trademarks	Patents	Total
Cost					
31 December 2019	185,305	174,137	193	6,093	365,728
Increase in the current year					
Purchase	182,358	22,730	24,000	39,702	268,790
Decrease in the current year					
Disposal	-	(5,725)	-	(8)	(5,733)
Differences on translation of foreign currency financial statements	(12,117)	(1,331)	(10)	(190)	(13,648)
31 December 2020	355,546	189,811	24,183	45,597	615,137
Accumulated amortisation					
31 December 2019	(36,330)	(139,721)	(182)	(3,768)	(180,001)
Increase in the current year					
Provision	(9,271)	(20,154)	(1,301)	(7,138)	(37,864)
Decrease in the current year					
Disposal	-	5,671	-	1	5,672
Differences on translation of foreign currency financial statements	790	1,068	10	505	2,373
31 December 2020	(44,811)	(153,136)	(1,473)	(10,400)	(209,820)
Provision for impairment					
31 December 2019 and 31 December 2020	-	-	-	-	-
Carrying amount					
31 December 2020	310,735	36,675	22,710	35,197	405,317
31 December 2019	148,975	34,416	11	2,325	185,727

In 2020, the amortisation of intangible assets amounted to RMB 37,864 thousand (2019: RMB 41,531 thousand).

(13) Long-term prepaid expenses

	31 December 2019	Increase in the current year	Amortisation in the current year	Differences on translation of foreign currency financial statements	31 December 2020
Expenditure for improvements to fixed assets held under operating leases (i)	636,431	544,146	(255,757)	(8,217)	916,603
Others	28,181	19,288	(28,257)	(87)	19,125
	664,612	563,434	(284,014)	(8,304)	935,728

(i) Expenditure for improvements to fixed assets held under operating leases mainly represents the Group's expenses for decoration of plants held under operating leases and renovation of leased equipment.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(14) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting of certain debit and credit balances

	31 December 2020		31 December 2019	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for decline in the value of inventories	1,688,375	283,643	1,186,998	241,644
Depreciation of fixed assets	1,522,662	239,315	1,931,396	300,147
Employee benefits payable	1,046,695	170,195	1,308,083	215,850
Accrued expenses	1,036,107	170,698	994,796	164,899
Provision for bad debts	954,848	163,081	881,041	154,397
Equity incentive	648,812	111,230	148,736	26,362
Deductible losses	547,200	137,162	441,691	110,782
Deferred Revenue	273,307	61,331		
Elimination of intra-group unrealised profit	224,475	40,551	249,327	47,571
Unrealised exchange losses	49,428	9,886	-	-
	7,991,909	1,387,092	7,142,068	1,261,652
Including:				
Expected to be recovered within one year (inclusive)		1,053,922		908,432
Expected to be recovered after one year		333,170		353,220
		1,387,092		1,261,652

(All amounts in RMB thousand unless otherwise stated)

5 **Notes to the consolidated financial statements (Cont'd)**

(14) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax liabilities before offsetting

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	743,543	155,918	923,887	193,365
Estimated interest income	467,574	104,961	149,707	35,619
Changes in fair value of derivative financial assets	434,361	69,869	89,389	14,781
Differences between the fair value of the identifiable assets and carriying value of the acquiree arising from business combinations not under common control	25,647	6,412	-	-
Unrealised exchange profit	-	-	56,227	11,232
Others	288	86	315	93
	1,671,413	337,246	1,219,525	255,090
Including:				
Expected to be recovered within one year (inclusive)		192,900		81,601
Expected to be recovered after one year		144,346		173,489
		337,246		255,090

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(14) Deferred tax assets and deferred tax liabilities (Cont'd)

(c) Deductible temporary differences and deductible losses that were not recognised as deferred tax assets are analysed as follows:

	31 December 2020	31 December 2019
Deductible losses	364,973	-

(i) Deductible losses that was not recognised as deferred tax assets were incurred by the Group's subsidiary FII USA Inc., with no maturity date.

(d) Taxable temporary differences for which no deferred tax liability was recognised

For tax effect arising from accumulated undistributed profits of other overseas subsidiaries, as the Group can determine its dividend distribution policy independently and has no dividend distribution plan in the foreseeable future or no intention to dispose the subsidiaries, the Group did not recognise any deferred tax liability for the taxable temporary differences of RMB 7,842,972 thousand (31 December 2019: RMB 6,161,976 thousand).

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2020		31 December 2019	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(198,049)	1,189,043	(171,746)	1,089,906
Deferred tax liabilities	198,049	139,197	171,746	83,344

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Provision for asset impairments

	31 December 2019	Changes in accounting policies	1 January 2020	Increase in the current year	Write-off in the current year	Differences on foreign currency translation	31 December 2020
Provision for decline in the value of inventories	1,186,998	-	1,186,998	1,332,979	(798,372)	(33,230)	1,688,375
Provision for bad debts	881,041	-	881,041	119,851	(198)	(45,846)	954,848
Including: accounts receivable	860,066	-	860,066	116,065	(198)	(45,846)	930,087
Other receivables	20,975	-	20,975	3,786	-	-	24,761
Provision for impairment of long-term equity investments	18,308	-	18,308	-	(18,308)	-	-
	2,086,347	-	2,086,347	1,452,830	(816,878)	(79,076)	2,643,223

(16) Short-term borrowings

	Currency	31 December 2020	31 December 2019
Unsecured loans	USD	41,259,162	25,952,581
	TWD	1,226,523	778,205
	RMB	900,000	800,000
	CZK	508,508	642,479
	EUR	283,508	11,686
Interest payable	RMB	30,282	14,640
	USD	13,423	70,917
	TWD	1,528	777
		44,222,934	28,271,285

(a) In 2020, the interest rate range of RMB-denominated short-term borrowings was 2.60% to 3.95%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.50% to 4.25%.

In 2019, the interest rate range of RMB-denominated short-term borrowings was 3.90% to 4.99%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.45% to 4.50%.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(17) Notes payable

	31 December 2020	31 December 2019
Bank acceptance notes	100,000	-

(18) Accounts payable

	31 December 2020	31 December 2019
Accounts payable	62,144,793	67,321,345

As at 31 December 2020, accounts payable with ageing over one year amounted to RMB 48,631 thousand (31 December 2019: RMB 1,354,437 thousand), which were mainly material expenses payable. This amount was unsettled due to quality problems of the materials.

(19) Advances from customers

	31 December 2020	31 December 2019
Advances from customers	-	103,398

(a) As at 31 December 2019, advances from customers with ageing over one year and a carrying amount of RMB 8,494 thousand were mainly advances for goods, which were unsettled as business transactions were not completed.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(20) Contract liabilities

	31 December 2020	31 December 2019
Advances for goods	92,552	-
Advances for labour expenses	5,043	-
	97,595	-

As at 1 January 2020, the balance of the Group's contract liabilities was RMB 103,398 thousand, of which RMB 95,444 thousand was transferred to the operating revenue in 2020.

As mentioned in Note 6 (1), due to business combinations involving enterprises not under common control in the current year, the amount of contract liabilities increased by RMB 4,507 thousand.

(21) Employee benefits payable

	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	5,037,069	4,893,918
Defined contribution plans payable (b)	69,504	79,255
	5,106,573	4,973,173

(a) Short-term employee benefits

	31 December 2019	Increase in the current year	Decrease in the current year	Differences on Foreign currency translation	31 December 2020
Wages and salaries, bonus, allowances and subsidies	4,648,036	19,632,403	(19,451,932)	(46,850)	4,781,657
Staff welfare	21,353	202,736	(188,782)	(524)	34,783
Social security contributions	32,049	464,845	(469,920)	-	26,974
Including: Medical insurance	18,118	415,253	(416,937)	-	16,434
Work injury insurance	6,105	16,589	(17,609)	-	5,085
Maternity insurance	7,826	33,003	(35,374)	-	5,455
Housing funds	33,301	377,815	(380,610)	(235)	30,271
Labour union funds and employee education funds	104,000	179,954	(174,535)	(56)	109,363
Overseas social security	55,179	271,428	(271,795)	(791)	54,021
	4,893,918	21,129,181	(20,937,574)	(48,456)	5,037,069

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(21) Employee benefits payable (Cont'd)

(b) Defined contribution plans

	31 December 2019	Increase in the current year	Decrease in the current year	Differences on foreign currency translation	31 December 2020
Basic pensions	45,743	734,131	(739,584)	-	40,290
Unemployment insurance	6,557	36,493	(37,718)	-	5,332
Overseas pensions	26,955	148,168	(150,777)	(464)	23,882
	79,255	918,792	(928,079)	(464)	69,504

(22) Taxes payable

	31 December 2020	31 December 2019
Enterprise income tax payable	1,682,659	1,812,028
VAT payable	177,698	248,566
City maintenance and construction tax payable	46,575	133,135
Educational surcharge payable	30,760	92,716
Individual income tax payable	12,737	10,935
Others	17,155	24,893
	1,967,584	2,322,273

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(23) Other payables

	31 December 2020	31 December 2019
Payables to related parties (Note 8(5))	1,846,146	3,245,035
Repurchase obligation of restricted stocks (Note 5(48))	789,056	941,396
Advances for equipment purchased on behalf	686,193	710,018
Maintenance and repair fees payable	410,427	326,247
Guarantees	505,998	481,257
Construction and equipment expenses payable	496,665	228,241
Mould fee payable	200,581	96,425
Royalty fee payable	188,702	155,772
Rentals payable	134,857	494,527
Advances received/paid on half	116,426	151,189
Combination cost payable of Restructuring Businesses (i)(Note 8(5))	59,022	4,591,396
Dividends payable to restricted stocks	44,590	19,245
Temporary collection	21,835	49,644
Interest payable to related parties (Note 8(5))	-	16,755
Others	872,412	1,088,673
	6,372,910	12,595,820

As at 31 December 2020, other payables with ageing over one year of RMB 273,069 thousand were mainly combination cost payable of Restructuring Businesses and related party payables (31 December 2019: RMB 6,121,103 thousand, mainly combination cost payable of Restructuring Businesses and related party payables).

(i) Combination cost payable of Restructuring Businesses

According to the Reconstructing Plan, the Company's Reconstructing Assets acquired by means of cash payment include certain internal and external equities and operating assets related to internal and external Restructuring Businesses (primarily including production and operation equipment, moulds, inventories, etc.).

As at 31 December 2017 (restructuring completion date), according to the Reconstructing Plan and the signed equity and asset transfer agreement, the combination consideration recognised and paid to Hon Hai Precision and its subsidiaries (including taxes) totalled RMB 22,954,739 thousand, and the combination consideration equivalent to RMB 22,001,858 thousand (excluding taxes) was deducted against shareholders' equity in accordance with the requirements of business combination under common control. As at 31 December 2020, the combination cost of the Restructuring Businesses paid by the Group amounted to RMB 22,895,717 thousand, while the balance of the combination cost payable of Restructuring Businesses amounted to RMB 59,022 thousand.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(24) Other current liabilities

	31 December 2020	31 December 2019
Short-term notes and bills payable (i)	275,438	209,320
Product warranties expected to be settled within one year (Note 5(26))	228,301	173,239
Others	8,757	2,755
	512,496	385,314

(i) On 10 December 2020, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 91,840 thousand) at discount. The issuing price was RMB 9998.62/RMB 10 thousand. The term of the short-term notes and bills was 28 days and the interest rate was 0.868%. The short-term notes and bills were repaid upon maturity in January 2021.

On 10 December 2020, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 91,840 thousand) at discount. The issuing price was RMB 9998.85/RMB 10 thousand. The term of the short-term notes and bills was 28 days and the interest rate was 0.868%. The short-term notes and bills were repaid upon maturity in January 2021.

On 17 December 2020, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 91,840 thousand) at discount. The issuing price was RMB 9998.39/RMB 10 thousand. The term of the short-term notes and bills was 28 days and the interest rate was 0.868%. The short-term notes and bills were repaid upon maturity in January 2021.

(25) Deferred income

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Government grants	18,804	276,068	(21,565)	273,307

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(25) Deferred income (Cont'd)

Government grant project	31 December 2019	Grants addition in the current year	Amount recognised in other income in the current year (Note 5(41))	31 December 2020	Asset related/ Income related
Supporting funds for enterprises	-	113,578	(517)	113,061	Income related
Subsidy for research and development	14,348	39,804	(3,916)	50,236	Assets related
Funds for technology renovation discount	4,456	56,856	(4,389)	56,923	Assets related
Subsidies for development projects	-	65,830	(12,743)	53,087	Income related
	18,804	276,068	(21,565)	273,307	

(26) Provisions

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Product warranties	362,737	837,914	(437,045)	763,606
Less: Provisions expected to be settled within one year (Note 5(24))	(173,239)			(228,301)
	189,498			535,305

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(27) Share capital

	31 December 2019	Movements in the current year (Note 1)					31 December 2020
		Shares newly issued (ii)	Bonus share	Transfer from reserves	Others	Sub-total	
Ordinary shares denominated in RMB	19,854,832	19,480	-	-	(3,666)	15,814	19,870,646

	31 December 2018	Movements in the current year (Note 1)					31 December 2019
		Shares newly issued (i)	Bonus share	Transfer from reserves	Others	Sub-total	
Ordinary shares denominated in RMB	19,695,300	159,532	-	-	-	159,532	19,854,832

(i) Pursuant to *Incentive Plan (Revised Draft) and* the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meetings of the Board of Directors for the approval of the grant plan on 30 April 2019 and 11 September 2019 respectively , granting a total of 160,438,532 restricted RMB ordinary shares (A shares) to 4,289 incentive targets, 26,420,021 stock options to 966 incentive targets with the granting price of RMB 6.03 and RMB 5.901 per share. The Company received share contributions amounting to RMB 960,641 thousand in total, with the share capital increased by RMB 159,532 thousand and the capital surplus increased by RMB 801,109 thousand (Note 5(28)). The increase in share capital was verified by PricewaterhouseCoopers Zhong Tian LLP with the capital verification report of PwC ZT Yan Zi (2019) No. 0282 and PwC ZT Yan Zi (2019) No. 0577 issued on 30 April 2019 and 26 September 2019 respectively. After the capital contribution, the share capital of the Company was changed to RMB 19,854,831,899 and the total number of shares was increased to 19,854,831,899 at RMB 1 per share.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(27) Share capital (Cont'd)

(ii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 31 December 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan,* intending to grant a total of 18,881,226 restricted stocks (A stock) to 474 restricted stock incentive targets at a granting price of RMB 5.901 per share, and to grant 6,013,755 stock options to 20 incentive targets. The Company actually received share contributions amounting to RMB 100,973 thousand in total from 428 subscribers, with the share capital increased by RMB 17,111 thousand and the capital surplus increased by RMB 83,862 thousand. The change in share capital has been verified by PricewaterhouseCoopers Zhong Tian LLP, which has issued the capital verification report of PwC ZT (2020) No. 0305.

In 2020, the registered capital and share capital were increased by RMB 2,369 thousand and the capital surplus was increased by 25,428 thousand in total due to incentive targets' exercise on stock options. The Company received stock options amounting to RMB 27,680 thousand in 2020 and received another RMB 117 thousand in January 2021.

In 2020, due to the resignation of restricted stock incentive targets or the failure to meet the personal assessment indicators, the Company repurchased the restricted stocks and paid RMB 22,100 thousand by equity, correspondingly reduced registered capital and share capital of RMB 3,666 thousand, and reduced capital surplus of RMB 18,434 thousand.

(28) Capital Surplus

Capital Surplus	31 December 2019	Increase in the current year	Reclassification in the current year	Decrease in the current year	31 December 2020
Share premium					
- Shares newly issued (Note 5 (27))	25,548,018	109,290	295,369	-	25,952,677
Other capital surplus					
- Others (Note 5(9) and Note 5(48))	1,144,231	956,501	(295,369)	-	1,805,363
	26,692,249	1,065,791	-	-	27,758,040

	31 December 2018	Increase in the current year	Reclassification in the current year	Decrease in the current year	31 December 2019
Share premium					
- Shares newly issued (Note 5 (27))	24,746,909	801,109	-	-	25,548,018
Other capital surplus					
Others (Note 5(9) and Note 5(48))	375,050	769,181	-	-	1,144,231
	25,121,959	1,570,290	-	-	26,692,249

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(29) Surplus reserve

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	740,214	697,221	-	1,437,435

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	289,183	451,031	-	740,214

(a) As at 1 January 2020, since the new revenue standards were implemented for the first time, the surplus reserve was not adjusted (Note 3(28)).

(b) In accordance with the *Company Law* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution at the Board of Directors, the Company appropriated 10% of undistributed profits, amounting to RMB 697,221 thousand in 2020 (2019: RMB 451,031 thousand) to the statutory surplus reserve.

(30) Undistributed profits

	2020	2019
Undistributed profits at the beginning of the year	42,306,789	26,710,822
Add: Net profit attributable to shareholders of the parent company for the current year	17,430,783	18,606,184
Less: Ordinary share dividends (a)	(3,974,421)	(2,559,938)
Less: Appropriation to statutory surplus reserve (Note 5(29))	(697,221)	(451,031)
Add: Revocable cash dividends on restricted stocks	4,115	752
Undistributed profits at the end of the year	55,070,045	42,306,789

(a) Pursuant to the resolution of the shareholders' general meeting held on 28 May 2020 and the announcement on the implementation of 2019 annual interest distribution issued on 20 June 2020, the Company proposed a cash dividend to the shareholders at RMB 2 (tax inclusive) per 10 shares, amounting to RMB 3,974,421 thousand (tax inclusive) calculated by 19,872,102,687 issued shares on the date of share registration.

Pursuant to the resolution of the shareholders' general meeting held on 17 May 2019 and the announcement on the implementation of 2018 annual interest distribution issued on 14 June 2019, the Company proposed a cash dividend to the shareholders at RMB 1.29 (tax inclusive) per 10 shares, amounting to RMB 2,559,938 thousand (tax inclusive) calculated by 19,844,483,574 issued shares on the date of share registration.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(31) Minority interests

Minority interests attributable to minority shareholders of subsidiaries

	31 December 2020	31 December 2019
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	50,060	33,314
Industrial Fu Lian Foshan Smart Manufacture Valley Co. , Ltd.	49,267	-
Shenzhen Fu lian Lingyunguang Technology Co., Ltd.	49,085	-
Jincheng Foxconn Intelligent Manufacturing Vocational Training School Co., Ltd.	44,146	-
		-
Jincheng Hongshuo Intelligent Technology Co., Ltd.	38,130	18,141
Industrial Fu Liant Hengyang Smart Manufacture Valley Co., Ltd.	19,180	-
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	19,232	-
LEAPSY INTERNATIONAL LTD	9,316	-
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	5,294	12,674
Guangxi Fumeng Inovation Technology Co., Ltd.	3,549	3,882
Others	890	-
	288,149	68,011

(32) Revenue and cost of sales

	2020	2019
Revenue from main operations	430,765,749	408,100,651
Revenue from other operations	1,020,139	596,930
	431,785,888	408,697,581

	2020	2019
Cost of sales from main operations	(395,056,260)	(374,032,935)
Cost of sales from other operations	(662,966)	(418,033)
	(395,719,226)	(374,450,968)

In 2020 and 2019, the Group's two largest customers' individual revenue accounted for more than 10% of the Group's total revenue respectively. The combined revenue of the two largest customers accounted for more than 42% of the Group's total revenue.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(32) Revenue and cost of sales (Cont'd)

(a) Revenue and cost of sales from main operations

	2020		2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Communication and mobile network equipment	254,018,496	(227,027,908)	244,553,638	(217,232,881)
Cloud computing	175,305,896	(167,187,564)	162,922,637	(156,377,054)
Industrial Internet	1,441,357	(840,788)	624,376	(423,000)
	430,765,749	(395,056,260)	408,100,651	(374,032,935)

(b) Revenue and cost of sales from other operations

	2020		2019	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of materials and scraps	370,488	(254,213)	201,395	(132,190)
Revenue from rendering of services	271,332	(216,266)	298,461	(240,922)
Rental income	253,315	(115,558)	97,074	(44,921)
Others	125,004	(76,929)	-	-
	1,020,139	(662,966)	596,930	(418,033)

(c) The Group's revenue was divided as follows:

	2020				
	Communication and mobile network equipment	Cloud computing	Technology services	Others	Total
Revenue from main operations	254,018,496	175,305,896	1,441,357	-	430,765,749
Including: recognised at point	254,018,496	175,305,896	1,441,357	-	430,765,749
Revenue from other operations	356,571	13,917	-	649,651	1,020,139
	254,375,067	175,319,813	1,441,357	649,651	431,785,888

(i) As at 31 December 2020, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was expected to be recognised in 2021.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(33) Taxes and surcharges

	2020	2019
City maintenance and construction tax	316,973	270,443
Educational surcharge	219,915	192,593
Stamp tax	133,133	126,296
Real estate tax	11,842	10,223
Others	41,374	42,022
	723,237	641,577

(34) Selling and distribution expenses

	2020	2019
Transportation, rental and storage expenses	1,303,215	1,055,891
Employee benefits	457,103	382,612
Packaging expenses	91,599	74,794
After-sale service fees	90,879	78,833
Others	181,731	140,772
	2,124,527	1,732,902

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(35) General and administrative expenses

	2020	2019
Employee benefits	3,114,902	2,336,678
Management service fee	347,899	354,126
Depreciation and amortisation	278,216	134,492
Rental expenses	265,451	203,599
Maintenance fee	140,336	55,365
Energy fee	70,427	72,094
Environmental expenditures	26,412	24,075
Insurance expenses	13,136	18,954
Others	245,944	321,685
	4,502,723	3,521,068

In 2020, the Group charged the losses on work stoppage of RMB 998,688 thousand to general and administrative expenses (2019: Nil), including employee benefits of RMB 705,114 thousand, depreciation and amortisation of RMB 186,920 thousand and lease expenses of RMB 106,654 thousand due to relevant national and local epidemic prevention policies, delayed resumption of work and suspended operation.

(36) Research and development expenses

	2020	2019
Employee benefits	4,758,815	4,458,156
Material consumption fee	2,670,883	2,428,321
Technical service fee	1,620,806	1,371,872
Depreciation and amortisation	370,740	410,245
Maintenance fee	168,692	185,193
Rental expenses	115,738	121,282
Processing expenses	115,280	136,781
Inspection fee	68,441	94,871
Others	148,334	220,459
	10,037,729	9,427,180

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(37) Financial income - net

	2020	2019
Interest costs	589,493	753,125
Less: Capitalised interest	-	-
Interest expenses	589,493	753,125
Less: Interest income	(1,652,588)	(1,524,448)
Exchange losses - net	803,765	20,283
Others	23,035	15,724
	(236,295)	(735,316)

(38) Expenses by nature

The cost of sales, selling and distribution expenses, research and development expenses and general and administrative expenses in the income statement are listed as follows by nature:

	2020	2019
Changes in inventories of finished goods and work in progress	716,734	1,096,708
Consumed raw materials, moulds, low value consumables, processing fees and other low-value consumables	374,653,382	353,916,046
Employee benefits	23,021,630	21,228,430
Management service fee	2,521,023	2,189,767
Depreciation and amortisation	2,432,955	2,746,040
Rental and storage expenses (i)	1,759,069	1,804,551
Logistics expense	1,744,074	1,265,337
Energy fee	1,685,211	1,606,881
Maintenance fee	1,224,171	999,623
Security service fee	237,534	262,860
Environmental expenditures	184,585	166,860
Packaging expenses	148,022	145,621
Others	2,055,815	1,703,394
	412,384,205	389,132,118

(i) Due to the impact of COVID-19, the lessor exempted the Group from paying the rental of RMB 1,809 thousand for 2020, and the Group has deducted the above rental waivers against the rental expense for the current period.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(39) Losses on/(Reversal of) credit impairment losses

	2020	2019
Provision for/(reversal of) bad debts of accounts receivable	116,065	(56,429)
Provision for/(reversal of) bad debts of other receivables	3,786	(13,544)
	119,851	(69,973)

(40) Asset impairment losses

	2020	2019
Losses on decline in value of inventories and contract performance cost impairment	1,332,979	483,704
Losses on Impairment of long-term equity investments	-	18,308
	1,332,979	502,012

(41) Other income

	2020	2019	Asset related/ Income related
Supporting funds for enterprises	1,319,009	1,327,470	Income related
Logistics subsidies	81,041	81,706	Income related
Subsidies for development projects (Note 5(25))	12,743	-	Income related
Subsidies for export increment	12,080	70,122	Income related
Subsidies for technology renovation (Note 5(25))	4,389	7,773	Assets related
Subsidies for research and development (Note 5(25))	3,916	-	Assets related
Others	144,162	119,250	Income related
	1,577,340	1,606,321	

(42) Investment income

	2020	2019
Investment gains from disposal of derivative financial assets (liabilities)	325,388	159,293
Investment income from long-term equity investment under equity method (Note 5(9))	2,233	2,167
Investment income earned during the holding period of other non-current financial assets (Note 5(8(b)))	1,862	-
	329,483	161,460

There is no significant restriction on the repatriation of investment income of the Group.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(43) Gains on changes in fair value

	2020	2019
Foreign currency forward contract	312,832	156,692

(44) Gains/(Losses) on disposal of assets

	2020	2019
Gains on disposal of non-current assets	87,118	149,656
Including: Gains on disposal of fixed assets	87,118	149,653
Gains on disposal of intangible assets	-	3
Losses on disposal of non-current assets	(53,027)	(194,723)
Including: Losses on disposal of fixed assets	(53,027)	(194,723)
	34,091	(45,067)

(45) Non-operating income and expenses

(a) Non-operating income

	2020	2019
Income from default punishment compensation	37,637	43,988
Income from insurance compensation	25,694	-
Amounts not to be paid	290	13,566
Others	28,334	27,614
	91,955	85,168

(b) Non-operating expenses

	2020	2019
Donations	26,704	1,475
Losses on scrapping of non-current assets	5,835	-
Penalties and overdue fine	483	15,287
Others	28,702	42,539
	61,724	59,301

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(46) Income tax expenses

	2020	2019
Current income tax calculated based on tax law and related regulations	2,369,878	2,341,007
Deferred income tax	(50,682)	185,381
	2,319,196	2,526,388

The reconciliation from the total profit presented in the consolidated income statement to the income tax expenses is listed below:

	2020	2019
Total profit	19,745,888	21,132,436
Income tax expenses calculated at applicable statutory tax rates	4,936,472	5,283,109
Effect of difference in the tax rates	(2,060,460)	(1,825,265)
Additional deduction of R&D expenditure	(633,818)	(987,262)
Income tax filing difference	(12,623)	(11,823)
Additional deduction of expenses of disabled staff	(8,318)	(5,600)
Utilisation of previously unrecognised deductible temporary differences	(52,548)	-
Costs, expenses and losses not deductible for tax purposes	44,649	73,229
Deductible temporary differences and deductible losses for which no deferred tax asset was recognised	105,842	-
Income tax expenses	2,319,196	2,526,388

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Other comprehensive income

	Other comprehensive income/(loss) in the balance sheet			2020				
	31 December 2019	Attributable to the parent company - net of tax	31 December 2020	Amount incurred before income tax for the current year	Less: Previously recognised in other comprehensive income but transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders after tax
Changes in fair value of investments in other equity instruments	(37,760)	-	(37,760)	-	-	-	-	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(307)	(989)	(1,296)	(989)	-	-	(989)	-
Differences on translation of foreign currency financial statements	666,811	(202,841)	463,970	(202,841)	-	-	(202,841)	-
	628,744	(203,830)	424,914	(203,830)	-	-	(203,830)	-

	Other comprehensive income/(loss) in the balance sheet			2019				
	31 December 2018	Attributable to the parent company - net of tax	31 December 2019	Amount incurred before income tax for the current year	Less: Previously recognised in other comprehensive income but transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders after tax
Changes in fair value of investments in other equity instruments	-	(37,760)	(37,760)	(37,760)	-	-	(37,760)	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	-	(307)	(307)	(307)	-	-	(307)	-
Differences on translation of foreign currency financial statements	477,370	189,441	666,811	189,441	-	-	189,441	-
	477,370	151,374	628,744	151,374	-	-	151,374	-

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments

Equity-settled share-based payment

(a) Overview of restricted stock incentive plan

	2020	2019
Outstanding restricted stocks at the beginning of the year (share)	400,884,283	253,209,656
Total restricted stocks granted in the current year (share)	17,111,096	159,531,677
Total restricted stocks unlocked in the current year (share)	(114,912,126)	-
Less: Total restricted stocks forfeited in the current year (share)	(19,842,610)	(11,857,050)
Outstanding restricted stocks at the end of the year (share)	283,240,643	400,884,283
Financial liabilities recognised at the end of the year	789,056	941,396
Treasury stock recognised at the end of the year	808,531	942,148
Expenses for share-based payment incurred in the current year	909,532	712,962
Accumulated share-based payment expenses	1,991,284	1,081,752

(i) As approved by the resolution of the second meeting of the first Board of Directors on 6 December 2017 and the resolution of the second extraordinary shareholders' meeting in 2017, some employees of the Group indirectly held a total of 1.4625% of 259,240,433 RMB ordinary shares issued by the Company through a number of limited partnerships on the completion date of the restructuring (31 December 2017). These RMB ordinary shares have restrictive conditions ("conditional equity instruments"), and employees can only unlock them after the expiration of the service period stipulated in the above limited partnership agreement.

At the grant date, the fair value of the above conditional equity instruments was RMB 2,143,141 thousand. The fair value was assessed by qualified professional organisations using valuation techniques. The difference between the fair value of the conditional equity instruments and the consideration paid by the employees to acquire the equity instruments is amortised over the service period of approximately 3 to 5 years from the grant date.

In 2020, the Group lifted the above restriction on the sale of 88,772,238 conditional equity instruments in consideration of the termination of employment and performance assessment of employees.

In 2020, expenses recognised for the above share-based payments were RMB 390,432 thousand (2019: RMB 291,133 thousand) and the amount recognised in capital surplus was RMB 390,432 thousand (2019: RMB 291,133 thousand).

(ii) In accordance with relevant provisions of the Incentive Plan (Revised Draft) and the authorisation of the first extraordinary shareholders' meeting in 2019, the Company held a meeting of the Board of Directors for the approval of the first grant plan on 30 April 2019, granted a total of 149,183,352 restricted RMB ordinary shares to 3,893 incentive objects at a granting price of RMB 6.03 per share, received share contributions amounting to RMB 899,576 thousand in total, and recognised a liability of RMB 899,576 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(ii) According to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.39.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted, The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th post lock-up period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th post lock-up period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus and minority interests accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(ii) Based on the results for 2019, the Group has met the performance conditions for the 1st post lock-up period. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks of 29,108,303 shares and repurchased 6,780,810 restricted stocks in 2020. As at 31 December 2020, 3,178,480 shares have not been registered for repurchase.

Based on the Group's performance for 2020 and the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 2nd, 3rd, 4th and 5th post lock-up periods. Therefore, as at 31 December 2020, the Group estimated that there would be 107,269,650 remaining shares that could be eventually unlocked. In 2020, expenses recognised for the above share-based payments were RMB 392,153 thousand and the amount recognised in capital surplus was RMB 392,153 thousand.

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 11 September 2019 for the approval of *the Proposal of Granting Certain Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 11,255,180 restricted RMB ordinary shares to 396 incentive targets at a granting price of RMB 5.901 per share,. As at 25 September 2019, the actual number of subscribers was 364, and a total of 10,348,325 shares were subscribed, with a total of RMB 61,065 thousand share contributions received. The Company also recognised a liability of RMB 61,065 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

According to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.31.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iii)

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date of the reserved portion to the last trading day within 24 months after the granting date of the reserved portion	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date of the reserved portion to the last trading day within 36 months after the granting date of the reserved portion	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date of the reserved portion to the last trading day within 48 months after the granting date of the reserved portion	20%
4th post lock-up period	From the first trading day after 48 months since the granting date of the reserved portion to the last trading day within 60 months after the granting date of the reserved portion	20%
5th post lock-up period	From the first trading day after 60 months since the granting date of the reserved portion to the last trading day within 72 months after the granting date of the reserved portion	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus and minority interests accordingly.

5 Notes to the consolidated financial statements (Cont’d)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont’d)

(iii) Based on the results for 2019, the Group has met the performance conditions for the 1st post lock-up period. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks of 2,031,585 shares and repurchased 837,120 restricted stocks in 2020. As at 31 December 2020, 773,020 shares have not been registered for repurchase.

Based on the Group’s performance for 2020 and the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 2nd, 3rd, 4th and 5th post lock-up periods. Therefore, as at 31 December 2020, the Group estimated that there would be 6,800,096 shares that could be eventually unlocked. In 2020, expenses recognised for the above share-based payments were RMB 34,899 thousand and the amount recognised in capital surplus was RMB 34,899 thousand.

(iv) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company’s 2019 first extraordinary general meeting, the Company held the Board of Directors on 31 December 2019 for approval of the *Grant of Certain Remaining Reserved Equities to Incentive Targets of the Company’s 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 18,881,226 restricted stocks to 474 restricted stock incentive targets at a granting price of RMB 5.901 per share. As at 14 April 2020, the actual number of subscribers was 428, and a total of 17,111,096 shares were subscribed, with a total of RMB 100,973 thousand share contributions received. At the same time, the Company recognised a liability of RMB 100,973 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

According to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment and other provisions, *the* fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 12.37.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iv)

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date of the reserved portion to the last trading day within 24 months after the granting date of the reserved portion	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date of the reserved portion to the last trading day within 36 months after the granting date of the reserved portion	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date of the reserved portion to the last trading day within 48 months after the granting date of the reserved portion	20%
4th post lock-up period	From the first trading day after 48 months since the granting date of the reserved portion to the last trading day within 60 months after the granting date of the reserved portion	20%
5th post lock-up period	From the first trading day after 60 months since the granting date of the reserved portion to the last trading day within 72 months after the granting date of the reserved portion	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievements of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus and minority interests accordingly.

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iv) Based on the results for 2019, the Group has met the performance conditions for the 1st post lock-up period. Therefore, considering the departure rate of the incentive targets of restricted stocks and their individual performance assessment, the Group unlocked the restricted stocks and repurchased 120,400 restricted stocks in 2020. As at 31 December 2020, The Group has not been registered for repurchase.

Based on the Group's performance for 2020 and the profit forecast for 2021 to 2023, the Group estimated that it could meet the performance conditions for the 2nd, 3rd, 4th and 5th post lock-up periods. Therefore, as at 31 December 2020, the Group estimated that there would be 15,752,194 shares that could be eventually unlocked. In 2020, expenses recognised for the above share-based payments were RMB 92,048 thousand and the amount recognised in capital surplus was RMB 92,048 thousand.

(b) Overview of stock option plan

(i) Movements of outstanding stock options during the year

	2020	2019
Stock options issued at the beginning of the year	25,263,446	-
Stock options granted during the current year	6,013,755	26,420,021
Stock options exercised during the current year	(2,368,860)	-
Stock options lapsed in current year	(1,119,460)	(1,156,575)
Stock options issued at the end of the year	27,788,881	25,263,446
Expenses for share-based payment incurred in the current year	64,125	41,386
Accumulated share-based payment expenses	105,511	41,386

The weighted average price of stock options exercised for the year calculated based on that on the exercise date was RMB 11.73.

(ii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 30 April 2019 for the approval of the initial granting plan, granting a total of 25,947,021 stock options to 892 stock option incentive targets at an exercise price of RMB 12.05 per share on 30 April 2019, the granting date. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(ii) The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd exercise period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd exercise period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th exercise period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th exercise period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

Based on the results for 2019, the Group has met the performance conditions for the 1st exercise period. Therefore, in consideration of the resignation and individual performance appraisal of the stock option incentive targets, 4,863,194 stock options of the Group are exercisable from 11 June 2020 to 30 April 2021. As at 31 December 2020, 2,346,780 stock options were exercised and the registration procedures for share transfers were completed. The Group increased its share capital by RMB 2,347 thousand and its capital surplus by RMB 25,191 thousand. In 2020, the Group actually received share-based payment of RMB 27,421 thousand from relevant incentive targets, and another RMB 117 thousand was received in January 2021.

Determination method for fair value of stock options at the granting date

In 2020, the Group recognised share-based payment expenses of RMB 42,206 thousand. As at each balance sheet date during the service period, with a maximum of 5 years, after the grant date, based on subsequent information such as the latest employee dismission rate and the achievement of performance indicators, the Group made the best estimate of the number of options that are expected to be exercisable, amended the number of equity instruments that are expected to be exercisable, and recognised the corresponding employee services acquired in the current period as relevant costs or expenses at the fair value on the grant date, and adjusted capital surplus accordingly.

The fair value of stock options at the granting date was estimated by using the Black-Scholes Option Pricing Model, after taking the terms and conditions for stock options into consideration. The table below shows the inputs of the model used::

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(ii)

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.00%-39.57%
Risk-free interest rate during the option life	2.72%-3.22%
Exercise price on grant date (RMB / share)	RMB 12.05

If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 13 September 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive* Targets *of the Company's 2019 Share Options and Restricted Share Incentive Scheme*, intending to grant a total of 473,000 stock options to 74 incentive targets at a granting price of RMB 11.921 per share. The grant date was 11 September 2019. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd exercise period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd exercise period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th exercise period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th exercise period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iii) Based on the performance in 2019, the Group has met the performance conditions of the 1st exercise period. Therefore, in combination with the resignation and individual performance appraisal of the stock option incentive targets, from 2 November 2020 to 11 September 2021, 70,520 stock options of the Group entered the vesting period. As at 31 December 2020, 22,080 stock options completed the exercise and share transfer registration procedures. In 2020, the Group received equity payment of RMB 259 thousand from relevant incentive targets, increased paid-in capital by RMB 2 thousand and increased capital surplus by RMB 257 thousand.

Determination method for fair value of stock options at the grant date

In 2020, the Group recognised share-based payment expenses amounted to RMB 686 thousand. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of options that are exercisable, amended the number of equity instruments exercisable, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

The fair value of the granted stock options at the grant date was estimated by using the Black Scholes Option Pricing Model, after taking the terms and conditions of stock options into consideration. The table below shows the inputs of the model used:

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.67%-39.73%
Risk-free interest rate during the option life	2.62%-3.03%
Exercise price on grant date (RMB / share)	RMB 11.921

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(iv) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 31 December 2019 for approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive* Targets *of the Company's 2019 Share Options and Restricted Share Incentive Scheme*, intending to grant a total of 6,013,755 stock options to 20 incentive targets at a granting price of RMB 11.921 per share. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iv) The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd exercise period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd exercise period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th exercise period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th exercise period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

Determination method for fair value of stock options at the grant date

In 2020, the Group recognised share-based payment expenses amounted to RMB 21,233 thousand. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of options that are exercisable, amended the number of equity instruments exercisable, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus accordingly.

The fair value of the granted stock options at the grant date was estimated by using the Black Scholes Option Pricing Model, after taking the terms and conditions of stock options into consideration. The table below shows the inputs of the model used:

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.64%-39.31%
Risk-free interest rate during the option life	2.42%-2.93%
Exercise price on grant date (RMB / share)	RMB 11.921

5 Notes to the consolidated financial statements (Cont'd)

(48) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iv) The service period of the outstanding stock option plan is divided into five stages (Cont'd):

If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(49) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the parent company (net of cash dividends distributed to holders in the current year whose restricted shares are expected to be unlocked)	17,404,818	18,587,692
Weighted average number of ordinary shares outstanding issued by the Company	19,715,377	19,695,300
Basic earnings per share (RMB Yuan)	0.88	0.94
Including:		
- Basic earnings per share from continuing operations:	0.88	0.94

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As at 31 December 2020, the Company had granted 179,319,758 restricted RMB ordinary shares and 32,433,776 stock options to employees, which are dilutive to the consolidated net profit attributable to the ordinary shares of the parent company. Diluted earnings per share during the reporting period was RMB 0.88 (2019: RMB 0.94).

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2020	2019
Subsidies received	1,831,844	1,190,408
Interest income	1,477,950	1,473,439
Compensation income	37,637	43,988
Recovery of margin on letters of guarantee	1,932	8,212
Others	81,497	186,049
	3,430,860	2,902,096

(b) Cash paid relating to other operating activities

	2020	2019
Research and development and management service expenses	2,913,964	3,392,226
Rental expenses	2,270,771	1,753,765
Energy fee	1,806,880	1,738,490
Environmental expenditures	184,585	151,601
Others	297,563	291,581
	7,473,763	7,327,663

(c) Cash received relating to other investing activities

	2020	2019
Fixed deposits recovered upon maturity	116,260	11,512

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement (Cont'd)

(d) Cash paid relating to other investing activities

	2020	2019
Payment of restricted cash	263,876	106,229
Payment of fixed deposits	2,089,942	5,053
	2,353,818	111,282

(e) Cash received relating to other financing activities

	2020	2019
Recovery of restricted cash	-	2,133,082

(f) Cash paid relating to other financing activities

	2020	2019
Payment of restructuring cost payable	4,532,374	2,739,832
Restricted share repurchases	36,540	-
	4,568,914	2,739,832

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2020	2019
Net profit	17,426,692	18,606,048
Add: Asset impairment losses	1,332,979	502,012
Credit impairment losses	119,851	(69,973)
Depreciation and amortisation of long-term assets	2,432,955	2,746,040
(Gains)/Losses on disposal of fixed assets, intangible assets and other long-term assets	(34,091)	45,067
Losses on scrapping of fixed assets	5,835	
Amortisation of share-based payments	973,657	754,348
Gains on changes in fair value	(312,832)	(156,692)
Financial expenses	589,493	747,206
Investment income	(329,483)	(161,460)
(Increase)/Decrease in deferred tax assets	(99,137)	193,342
Decrease/(Increase) in deferred tax liabilities	48,455	(7,961)
Increase in inventories	(5,005,534)	(3,673,513)
(Increase)/Decrease in operating receivables	(5,739,978)	2,945,946
Decrease in operating payables	(3,715,124)	(16,031,123)
Net cash flows from operating activities	7,693,738	6,439,287

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(a) Supplementary information to the cash flow statement (Cont'd)

	2020	2019
Cash at the end of the year	75,293,257	66,571,627
Less: Cash at the beginning of the year	(66,571,627)	(60,133,266)
Net increase in cash	8,721,630	6,438,361

(b) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	2020	2019
Cash and cash equivalents paid in the current year for business combination incurred in the current year	85,335	-
Including: LEAPSY INTERNATIONAL LTD and its subsidiaries (collectively referred to as "LEAPSY")	31,068	-
Safe DX s.o.r.	54,267	-
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	(14,870)	-
Including: LEAPSY	(12,703)	-
Safe DX s.o.r.	(2,167)	-
Net cash outflow on acquisition of the subsidiary	70,465	-

Considerations for acquisition of subsidiaries in 2020

LEAPSY	31,068
Safe DX s.o.r.	54,267
	85,335

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(b) Acquisition or disposal of subsidiaries (Cont'd)

Net assets of subsidiaries acquired in 2020 at the acquisition date

	LEAPSY	Safe DX s.o.r.	Total
Current assets	25,626	8,568	34,194
Non-current assets	29,648	77,557	107,205
Current liabilities	(79)	(31,144)	(31,223)
Non-current liabilities	(7,398)	(714)	(8,112)
	47,797	54,267	102,064

(c) Cash

	31 December 2020	31 December 2019
Cash		
Including: Cash on hand	653	543
Cash at bank that can be readily drawn on demand	75,292,604	66,571,084
Cash at the end of the year	75,293,257	66,571,627

Cash at bank that cannot be readily drawn on demand is mainly fixed deposits with the term of over three months

5 Notes to the consolidated financial statements (Cont'd)

(52) Monetary items denominated in foreign currency

	31 December 2020		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash at bank and on hand -			
USD	2,494,505	6.5249	16,276,398
VND	8,469,740,000	0.0003	2,540,922
JPY	4,292,959	0.0632	271,315
SGD	26,130	4.9314	128,856
INR	1,262,444	0.0896	113,115
TWD	417,239	0.2296	95,798
HKD	89,325	0.8416	75,176
EUR	7,299	8.0250	58,578
AUD	634	5.0163	3,180
Others			57,907
			19,621,245
Receivables -			
USD	11,977,311	6.5249	78,150,759
EUR	55,277	8.0250	443,597
JPY	4,743,244	0.0632	299,773
KRW	42,738,833	0.0060	256,433
CZK	784,388	0.3054	239,552
SGD	43,624	4.9314	215,127
INR	1,405,502	0.0896	125,933
TWD	519,512	0.2296	119,280
AUD	20,519	5.0163	102,928
Others			190,056
			80,143,438
Short-term borrowings -			
USD	6,325,397	6.5249	41,272,585
TWD	5,348,654	0.2296	1,228,051
CZK	1,665,056	0.3054	508,508
EUR	35,328	8.0250	283,508
			43,292,652

5 Notes to the consolidated financial statements (Cont'd)

(52) Monetary items dominated in foreign currency (Cont'd)

		31 December 2020		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Payables -				
	USD	7,694,987	6.5249	50,209,018
	VND	1,223,910,000	0.0003	367,173
	CZK	726,067	0.3054	221,741
	TWD	867,003	0.2296	199,064
	EUR	11,541	8.0250	92,614
	JPY	542,358	0.0632	34,277
	Others			120,412
				51,244,299

		31 December 2019		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash at bank and on hand -				
	USD	1,306,761	6.9762	9,116,227
	VND	1,822,576,667	0.0003	546,773
	AUD	97,186	4.8843	474,688
	INR	2,482,860	0.0979	243,072
	JPY	1,603,853	0.0641	102,807
	TWD	173,027	0.2326	40,246
	SGD	5,438	5.0805	27,628
	EUR	3,447	7.8155	26,937
	HKD	17,281	0.8958	15,480
	Others			43,886
				10,637,744

5 Notes to the consolidated financial statements (Cont'd)

(52) Monetary items dominated in foreign currency (Cont'd)

		31 December 2019		
		Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Receivables -				
	USD	10,965,599	6.9762	76,498,213
	EUR	51,067	7.8155	399,113
	CZK	1,143,670	0.3071	351,221
	JPY	3,716,927	0.0641	238,255
	KRW	16,260,833	0.0060	97,565
	INR	827,804	0.0979	81,042
	AUD	10,185	4.8843	49,745
	SGD	7,352	5.0805	37,352
	TWD	134,639	0.2326	31,317
	Others			110,095
				77,893,918
Short-term borrowings -				
	USD	3,730,326	6.9762	26,023,498
	TWD	3,349,020	0.2326	778,982
	CZK	2,092,084	0.3071	642,479
	EUR	1,495	7.8155	11,686
				27,456,645
Payables -				
	USD	8,216,414	6.9762	57,319,344
	CZK	4,053,002	0.3071	1,244,677
	VND	2,995,293,333	0.0003	898,588
	EUR	46,595	7.8155	364,163
	TWD	1,538,659	0.2326	357,892
	JPY	2,208,986	0.0641	141,596
	Others			139,126
				60,465,386

The above monetary items denominated in foreign currency refer to all currencies other than RMB (the scope of which is different from the foreign currency items in Note 12(1)(a)).

6 Changes of the scope of consolidation

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the current year

Acquiree	Timing of acquisition	Acquisition cost	Interest acquired (%)	Way of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the year	Net losses of the acquiree from the acquisition date to the end of the year	Cash flows from operating activities of the acquiree from the acquisition date to the end of the year	Net cash flows of the acquiree from the acquisition date to the end of the year
LEAPSY	30 April 2020	USD 4,390 thousand	65%	Capital contribution to the investee	30 April 2020	Control the financial and operating policies of the acquiree, so as to obtain variable returns from its involvement in the investee's related activities, and has the ability to use its power over the investee to affect the amount of the investor's returns.	-	(20,812)	(6,728)	(6,728)
Safe DX s.o.r.	30 April 2020	CZK 190,000 thousand	100%	Acquisition of equity in the target companies held by the original shareholders	30 April 2020	Control the financial and operating policies of the acquiree, so as to obtain variable returns from its involvement in the investee's related activities, and has the ability to use its power over the investee to affect the amount of the investor's returns.	11,693	(6,060)	(4,556)	(134)

(All amounts in RMB thousand unless otherwise stated)

6 Changes of consolidation scope (Cont'd)

(1) Business combinations involving enterprises not under common control (Cont'd)

(b) Details of the cost of combination and goodwill recognised are as follows:

	LEAPSY	Safe DX s.o.r.	Total
Costs of combination -			
Cash	31,068	54,267	85,335
Less: Fair value of the identifiable net assets obtained	(31,068)	(54,267)	(85,335)
Goodwill	-	-	-

The Group uses the valuation techniques to determine the fair value of the transferred non-cash assets and of the liabilities incurred.

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(i) LEAPSY

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2019 Carrying amount
Cash at bank and on hand	12,703	12,703	93
Receivables	429	429	758
Inventories	106	106	3
Advances to suppliers	12,390	12,390	136
Other current assets	83	83	109
Fixed assets	56	56	53
Intangible assets	29,593	-	-
Less: Payables	(64)	(64)	-
Advances from customers	-	-	(100)
Contract liabilities	(100)	(100)	-
Employee benefits payable	-	-	(39)
Deferred tax liabilities	(7,398)	-	-
Net assets	47,798	25,603	1,013
Less: Minority interests	(16,730)	(8,961)	
Net assets obtained	31,068	16,642	

(All amounts in RMB thousand unless otherwise stated)

6 Changes of consolidation scope (Cont'd)

(1) Business combinations involving enterprises not under common control (Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(ii) Safe DX s.o.r.

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2019 Carrying amount
Cash at bank and on hand	2,167	2,167	3,618
Receivables	1,547	1,547	1,709
Advances to suppliers	9	9	47
Inventories	2,164	2,164	2,283
Other current assets	2,681	2,681	4,577
Fixed assets	70,318	70,318	78,548
Construction in progress	573	573	606
Intangible assets	6,667	3,054	3,573
Less: Borrowings	(714)	(714)	(873)
Payables	(6,736)	(6,736)	(12,892)
Contract liabilities	(3,996)	(3,996)	(2,177)
Employee benefits payable	(385)	(385)	(483)
Other current liabilities	(20,028)	(20,028)	(20,191)
Net assets	54,267	50,654	58,345
Less: Minority interests	-	-	
Net assets obtained	54,267	50,654	

The fair value of the assets and liabilities of LEAPSY and Safe DX s.o.r. at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

Fixed assets and intangible assets are valued at return method using the following critical assumptions:

The assessment is based on the assumption that the assessment results will be used for the accounting treatment and reporting of the assets acquired by the enterprise;

All assets under assessment are based on the actual stock on the assessment base date, and the current market price of relevant assets is based on the effective domestic price on the assessment base date.

There will be no unpredictable significant changes in the external economic environment after the assessment base date.

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities

(1) Interests in subsidiaries

(a) Constitution of the Group as at 31 December 2020

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Ambit Microsystems (Shanghai) Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
JiZhun Precision Industrial (Huizhou) Co., Ltd.	Huizhou, China	Huizhou, China	Precision tool	100%		Business combination involving enterprises under common control
Ingrasys Info-Tech Corp.	Beijing, China	Beijing, China	Servers	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	Jiyuan, China	Jiyuan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Focus PC Enterprises Limited	Hong Kong, China	Hong Kong, China	Holding platform company	100%		Business combination involving enterprises under common control
System Integration Electronics (Hangzhou) Co., Ltd.	Hangzhou, China	Hangzhou, China	Network equipment	100%		Business combination involving enterprises under common control
Nanning Fugui Precision Industrial Co., Ltd.	Nanning, China	Nanning, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Amworld Microsystems (Shanghai) Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Dong Guan Fu Yi Precision Industrial Ltd.	Dongguan, China	Dongguan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
HeNan YuZhan Technology Limited	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Jincheng Futaihua Precision Electronic Co., Ltd.	Jincheng, China	Jincheng, China	High-precision mechanical components for communication network equipment and robot	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Zhengzhou) Co., Ltd.	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers, storage equipment, cloud computing high-precision mechanical components	100%		Business combination involving enterprises under common control
Shenzhen Fugui Precision Industrial Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for network equipment, telecommunication equipment and telecom network equipment, servers and storage equipment	100%		Newly established
Chengdu Zhunren Technology Co., Ltd.	Chengdu, China	Chengdu, China	Precision tool		100%	Business combination involving enterprises under common control
Jincheng Hongren Technology Co., Ltd.	Jincheng, China	Jincheng, China	Precision tool		100%	Business combination involving enterprises under common control
Zhangzhou HongRen Cutting Tool Ltd.	Zhengzhou, China	Zhengzhou, China	Precision tool		100%	Business combination involving enterprises under common control
Jizhun Precision (Hong Kong) Limited	Hong Kong, China	Hong Kong, China	Precision tool		100%	Business combination involving enterprises under common control
Shenzhenshi Yuzhan Precision Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for communication network equipment and industrial robot		100%	Business combination involving enterprises under common control
Langfang Yuzhan Technology Limited	Langfang, China	Langfang, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2020 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
(Continued)						
Foxconn Precision International Limited (Former name "Star Vision Precision International Limited")	Hong Kong, China	Hong Kong, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control
Qianhai Yuzhan (Shenzhen) Consulting Management Co., Ltd.	Shenzhen, China	Shenzhen, China	Business consulting and marketing planning		100%	Business combination involving enterprises under common control
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	Guiyang, China	Guiyang, China	Servers and storage equipment		80%	Business combination involving enterprises under common control
Baichang Technology Service (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers and storage equipment		100%	Business combination involving enterprises under common control
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Communication network equipment		64.2%	Business combination involving enterprises under common control
Shanxi Yuding Precision Technology Co., Ltd.	Taiyuan, China	Taiyuan, China	High-precision mechanical components for communication network equipment	44.5%	55.5%	Business combination involving enterprises under common control
Chongqing Fugui Electronics Co., Ltd.	Chongqing, China	Chongqing, China	Network equipment		100%	Business combination involving enterprises under common control
Guangxi Fumeng Innovation Technology Co., Ltd.	Nanning, China	Nanning, China	Communication network equipment		51%	Business combination involving enterprises under common control
Hebi Yuzhan Precision Technology Co., Ltd.	Hebi, China	Hebi, China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Wuhan Yuzhan Precision Technology Co., Ltd.	Wuhan , China	Wuhan , China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Cloud Network Technology Singapore Pte. Ltd.	Singapore	Singapore	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Rich Excel International Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Glory Star Investments Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Ingrasys (Singapore) Pte. Ltd.	Singapore	Singapore	Servers and storage equipment		100%	Business combination involving enterprises under common control
Cloud Network Technology Kft	Hungary	Hungary	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Funing Precision Component Co., Ltd.	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control
Fuhong Precision Component (Bac Giang) Limited	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control
Mega Well Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2020 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Indirect	Method of acquisition
(Continued)						
Foxconn Technology (India) Private Limited	India	India	High-precision mechanical components for communication network equipment		99.9994%	Business combination involving enterprises under common control
Ingrasys Technology Korea, Inc.	Korea	Korea	Servers and storage equipment		100%	Business combination involving enterprises under common control
Yuzhan Precision Technology Japan Co., Ltd.	Japan	Japan	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Foxconn Industrial Internet (Japan) Co., Ltd. (Former name "Jizhun Precision Japan Co., Ltd.")	Japan	Japan	Precision tool		100%	Business combination involving enterprises under common control
AMB Logistics Limited	Virgin Islands	Virgin Islands	Trade		100%	Business combination involving enterprises under common control
Profit New Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
IPL International Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
Cloud Network Technology (Samoa) Limited	Samoa	Samoa	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NWE Technology Inc.	United States	United States	Rendering of management service		100%	Business combination involving enterprises under common control
Scientific Atlanta de Mexico S. de R.L de C.V.	Mexico	Mexico	Network equipment		99.9667%	Business combination involving enterprises under common control
Foxconn Technology CZ s.r.o.	Czech Republic	Czech Republic	Servers and storage equipment		100%	Business combination involving enterprises under common control
Foxconn CZ s.r.o.	Czech Republic	Czech Republic	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NSG Technology Inc.	United States	United States	Network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology USA Inc.	United States	United States	Servers and storage equipment		100%	Business combination involving enterprises under common control
PCE Paragon Solutions (USA) Inc.	United States	United States	Rendering of management and IT services		100%	Business combination involving enterprises under common control
Foxconn Assembly LLC	United States	United States	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NWEA LLC	United States	United States	Network equipment		100%	Business combination involving enterprises under common control

(To be continued)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2020 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
(Continued)						
Cloud Network Technology USA Inc.	United States	United States	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology Inc.	Taiwan, China	Taiwan, China	Servers, storage equipment and cloud computing		100%	Business combination involving enterprises under common control
Shenzhen Jingjiang Yunchuang Technology Co., Ltd	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Fulian Intelligence Workshop (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Likom De Mexico De C.V-Mexico	Mexico	Mexico	Servers, storage equipment and network equipment		99.99998%	Business combination involving enterprise not under common control
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool	80.81%		Newly established
Hongzhihui Technology (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Network equipment and servers		60%	Newly established by subsidiaries
Fu Jia Zhichuang (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment	100%		Newly established
Fu Ji Yun (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment		100%	Newly established by subsidiaries
System Integration(Haining) Electronics Co., Ltd.	Haining, China	Haining, China	Network equipment and servers	100%		Newly established
Zhengzhou Fulian Intelligent Workshop Co., Ltd.	Zhengzhou, China	Zhengzhou, China	Software development and Internet information service		100%	Newly established by subsidiaries
Lankao YuFu Precision Technology Co., Ltd.	Lankao, China	Lankao, China	Network equipment		100%	Newly established by subsidiaries
FII USA Inc.	United States	United States	Software development and cloud computing		100%	Newly established by subsidiaries
ICSA, Inc.	United States	United States	Software development and cloud computing		100%	Newly established by subsidiaries
Taiyuan Fulian Intelligent Workshop Co., Ltd.	Taiyuan, China	Taiyuan, China	Software development and data service		100%	Newly established by subsidiaries
Beijing Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Beijing, China	Beijing, China	Technology development and technical consulting		100%	Newly established by subsidiaries
Jincheng Hongshuo Intelligent Technology Co., Ltd.	Jincheng, China	Jincheng, China	Construction machinery and mining equipment		51%	Newly established by subsidiaries
Shenzhen Industrial Internet Foshan Smart Manufacture Valley Co., Ltd. (Former Name "Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.")	Shenzhen, China	Shenzhen, China	Management consulting and education equipment	100%		Newly established
Jingcheng Hongzhi Nano Optical-mechanical-electrical Institute	Jincheng, China	Jincheng, China	Technology development and technical consulting		80%	Newly established by subsidiaries

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2020 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
(Continued)						
Jincheng Foxconn intelligent manufacturing institute Co., Ltd.. (Former name "Jincheng Foxconn Intelligent Manufacturing Institute Co., Ltd.")	Jincheng, China	Jincheng, China	Technical consulting		51%	Newly established by subsidiaries
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	Fuzhou, China	Fuzhou, China	Technology development and technical consulting	100%		Newly established
Foxconn (Hangzhou) Data Science Co., Ltd	Hangzhou, China	Hangzhou, China	Technology development and technical consulting	100%		Newly established
Fuyu Precision Component Co., Ltd.	Vietnam	Vietnam	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment		100%	Newly established by subsidiaries
Foxconn Industrial Internet Hengyang Smart Manufacture Valley Co., Ltd. (Former name "HengYang Foxconn Industrial Internet Consulting Co., Ltd.")	Hengyang, China	Hengyang, China	Information system and technical development	51%		Newly established
Vault DX s.o.r.	Czech Republic	Czech Republic	Rental service		100%	Business combination involving enterprises under common control
Safe DX s.o.r.	Czech Republic	Czech Republic	Software development and cloud computing		100%	Business combination involving enterprise not under common control
LEAPSY INTERNATIONAL LTD	Cayman	Cayman	Management service		65%	Business combination involving enterprise not under common control
LEAPSY INTERNATIONAL LTD	Shenzhen, China	Shenzhen, China	Development of intelligent wearables and software		65%	Business combination involving enterprise not under common control
Foxconn Industrial Internet Foshan Smart Manufacture Valley Co., Ltd.	Foshan, China	Foshan, China	High-end development and sales of machinery	51%		Newly established by subsidiaries
Shenzhen Foxconn Internet Lingyunguang Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Technical development and hardware development		51%	Newly established by subsidiaries
Fuhong Clouding Computing (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Cloud computing		100%	Newly established by subsidiaries
Foshan Zhizaogu Instrudial Exemplary Base Co., Ltd.	Foshan, China	Foshan, China	High-end manufacturing, 5G laboratory		51%	Newly established by subsidiaries
Foshan Zhizaogu Innovation Centre Co., Ltd.	Foshan, China	Foshan, China	High-end manufacturing, 5G laboratory		66%	Newly established by subsidiaries
Hengyang Yuzhan Precision Technology Co., Ltd.	Hengyang, China	Hengyang, China	High-precision mechanical components for communication, automation and moulds		100%	Newly established by subsidiaries

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests

In 2020, the Group had no subsidiaries with significant minority interests.

(2) Interests in associates

	2020	2019
Associates:		
Aggregated carrying amount of investments	1,167,690	533,446
Aggregate of the following items in proportion		
Net profit (i)	2,233	2,167
Other comprehensive income (i)	(8,865)	1,450
Total comprehensive income	(6,632)	3,617

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions

(1) Information of the controlling shareholder

(a) General information of the controlling shareholder

	Place of registration	Nature of business
China Galaxy	Hong Kong, China	Investment holding

China Galaxy is indirectly wholly owned by Hon Hai Precision.

(b) Paid-in capital and changes in paid-in capital of the controlling shareholder

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
China Galaxy	HKD 32,263,250 thousand	-	-	HKD 32,263,250 thousand

(c) The percentages of shareholding and voting rights in the Company held by Hon Hai Precision

	31 December 2020		31 December 2019	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Hon Hai Precision	84.052%	84.052%	84.119%	84.119%

(2) Information of the subsidiaries

The general information and other related information of the subsidiaries are set out in Note 7.

(3) Information of other related parties

During the reporting period, the related parties that involve in related party transactions but do not control/are not controlled by the Company include the subsidiaries of China Galaxy, joint ventures and associates of China Galaxy, shareholders holding over 5% equity of the Company, joint ventures and associates of the Group, subsidiaries of Hon Hai Precision, joint ventures and associates of Hon Hai Precision and other related parties.

Other related parties include legal persons or other organisations that are directly or indirectly controlled by the related natural persons, or of which the directors or senior managers are the related natural persons. The related natural persons include natural persons who indirectly hold more than 5% equity of the Company and their close family members, the directors, supervisors and senior managers of the Company, the directors, supervisors and senior managers of the controlling shareholders of the Company and the directors, supervisors and senior managers of Hon Hai Precision.

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions

(a) Purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2020	2019
Hon Hai Precision and its subsidiaries	Purchase of goods	Negotiated pricing	6,639,844	7,855,334
Hon Hai Precision and its subsidiaries	Receipt of services	Negotiated pricing	4,866,591	4,078,899
Joint ventures and associates of Hon Hai Precision	Purchase of goods	Negotiated pricing	4,409,598	5,521,856
Subsidiaries of China Galaxy	Purchase of goods	Negotiated pricing	1,555,692	2,578,433
Subsidiaries of China Galaxy	Receipt of services	Negotiated pricing	325,252	445,680
Joint ventures and associates of China Galaxy	Purchase of goods	Negotiated pricing	322,451	427,162
Shareholders holding over 5% equity of the Company	Purchase of goods	Negotiated pricing	315,988	507,028
Hon Hai Precision and its subsidiaries	Purchase of equipment	Negotiated pricing	223,148	239,185
Other related parties	Purchase of goods	Negotiated pricing	108,273	210,647
Joint ventures and associates of China Galaxy	Receipt of services	Negotiated pricing	91,739	16,697
Subsidiaries of China Galaxy	Purchase of equipment	Negotiated pricing	76,962	56,919
Shareholders holding over 5% equity of the Company	Receipt of services	Negotiated pricing	51,962	127,529
Shareholders holding over 5% equity of the Company	Purchase of equipment	Negotiated pricing	14,328	21,956
Joint ventures and associates of Hon Hai Precision	Receipt of services	Negotiated pricing	8,356	41,826
Joint ventures and associates of Hon Hai Precision	Purchase of equipment	Negotiated pricing	7,913	12,962
Joint ventures and associates of China Galaxy	Purchase of equipment	Negotiated pricing	173	210
			19,018,270	22,142,323

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont’d)

(a) Purchase and sales of goods, and rendering and receipt of services (Cont'd)

Sales of goods and rendering of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2020	2019
Hon Hai Precision and its subsidiaries	Sale of goods	Negotiated pricing	2,930,321	3,332,035
Joint ventures and associates of Hon Hai Precision	Sale of goods	Negotiated pricing	831,127	577,484
Hon Hai Precision and its subsidiaries	Rendering of services	Negotiated pricing	411,273	395,537
Subsidiaries of China Galaxy	Sale of goods	Negotiated pricing	346,264	372,007
Joint ventures and associates of China Galaxy	Sale of goods	Negotiated pricing	138,485	5,845
Shareholders holding over 5% equity of the Company	Sale of goods	Negotiated pricing	118,618	129,075
Subsidiaries of China Galaxy	Rendering of services	Negotiated pricing	75,238	72,433
Joint ventures and associates of Hon Hai Precision	Rendering of services	Negotiated pricing	14,796	31,197
Joint ventures and associates of China Galaxy	Rendering of services	Negotiated pricing	11,465	11,851
Shareholders holding over 5% equity of the Company	Rendering of services	Negotiated pricing	8,510	36,750
			4,886,097	4,964,214

(b) Leases

The lease income recognised by the Group as the lessor in the current year:

Name of the lessee	Type of the leased asset	2020	2019
Subsidiaries of China Galaxy	Buildings	29,110	35,127
Hon Hai Precision and its subsidiaries	Buildings	21,425	22,832
Hon Hai Precision and its subsidiaries	Equipment	19,701	29,349
Joint ventures and associates of Hon Hai Precision	Equipment	5,873	-
Subsidiaries of China Galaxy	Equipment	472	203
Joint ventures and associates of Hon Hai Precision	Buildings	296	312
Joint ventures and associates of China Galaxy	Equipment	-	66
		76,877	87,889

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont’d)

(b) Leases (Cont'd)

The Group as the lessee:

Name of the lessor	Type of the leased assets	2020	2019
Subsidiaries of China Galaxy	Buildings	148,339	150,776
Shareholders holding over 5% equity of the Company	Buildings	146,608	147,906
Hon Hai Precision and its subsidiaries	Buildings	116,740	124,072
Joint ventures and associates of China Galaxy	Buildings	118,559	135,473
Hon Hai Precision and its subsidiaries	Equipment	17,557	12,298
Joint ventures and associates of Hon Hai Precision	Buildings	1,681	389
Subsidiaries of China Galaxy	Equipment	382	1,907
Shareholders holding over 5% equity of the Company	Equipment	10	674
		549,876	573,495

(c) Transfer of assets

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2020	2019
Hon Hai Precision and its subsidiaries	Purchase of fixed assets	Negotiated pricing	100,407	103,337
Subsidiaries of China Galaxy	Purchase of fixed assets	Negotiated pricing	83,302	116,031
Joint ventures and associates of Hon Hai Precision	Purchase of fixed assets	Negotiated pricing	57,996	38,106
Shareholders holding over 5% equity of the Company	Purchase of fixed assets	Negotiated pricing	3,530	8,798
Joint ventures and associates of China Galaxy	Purchase of fixed assets	Negotiated pricing	1,124	268
			246,359	266,540

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2020	2019
Hon Hai Precision and its subsidiaries	Disposal of fixed assets	Negotiated pricing	16,889	27,578
Subsidiaries of China Galaxy	Disposal of fixed assets	Negotiated pricing	9,312	58,319
Joint ventures and associates of Hon Hai Precision	Disposal of fixed assets	Negotiated pricing	644	9,282
Joint ventures and associates of China Galaxy	Disposal of fixed assets	Negotiated pricing	96	-
Shareholders holding over 5% equity of the Company	Disposal of fixed assets	Negotiated pricing	12	94
			26,953	95,273

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont’d)

(d) Remuneration of key management

	2020	2019
Remuneration of key management	74,909	49,830

(e) Payments by the related parties on behalf of the Group

	2020	2019
Joint ventures and associates of China Galaxy	16,892	-
Hon Hai Precision and its subsidiaries	15,057	15,498
Joint ventures and associates of Hon Hai Precision	-	33,755
Subsidiaries of China Galaxy	7,042	20,491
Shareholders holding over 5% equity of the Company	-	2,237
	38,991	71,981

(f) Equipment acquisition by the related parties on behalf of the Group

	2020	2019
Hon Hai Precision and its subsidiaries	138,975	-

(g) Trademark fees

	2020	2019
Hon Hai Precision and its subsidiaries	2,500	2,500

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties

Receivables from related parties:

		31 December 2020		31 December 2019	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Hon Hai Precision and its subsidiaries	747,868	(8,227)	1,398,381	(16,094)
	Joint ventures and associates of Hon Hai Precision	383,856	(4,222)	438,090	(4,381)
	Subsidiaries of China Galaxy	154,332	(1,698)	322,702	(3,347)
	Joint ventures and associates of China Galaxy	90,416	(995)	502	(5)
	Shareholders holding over 5% equity of the Company	39,982	(440)	28,856	(289)
		1,416,454	(15,582)	2,188,531	(24,116)

		31 December 2020		31 December 2019	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other receivables	Joint ventures and associates of Hon Hai Precision	41,500	(415)	20,953	(210)
	Hon Hai Precision and its subsidiaries	28,836	(288)	60,287	(603)
	Subsidiaries of China Galaxy	43	-	1,861	(19)
	Shareholders holding over 5% equity of the Company	64	(1)	33	-
	Joint ventures and associates of China Galaxy	9	-	1,415	(14)
		70,452	(704)	84,549	(846)

		31 December 2020	31 December 2019
Advances to suppliers	Hon Hai Precision and its subsidiaries	5,016	5,378
	Subsidiaries of China Galaxy	157	149
	Shareholders holding over 5% equity of the Company	-	44
		5,173	5,571

Payables to related parties:

		31 December 2020	31 December 2019
Accounts payable	Hon Hai Precision and its subsidiaries	2,236,463	5,079,541
	Joint ventures and associates of Hon Hai Precision	1,972,341	2,750,217
	Subsidiaries of China Galaxy	554,946	1,148,104
	Shareholders holding over 5% equity of the Company	203,602	1,674,582
	Joint ventures and associates of China Galaxy	105,416	232,344
	Other related parties	55,006	32,346
		5,127,774	10,917,134

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

		31 December 2020	31 December 2019
Contract liabilities (Advances from customers)	Hon Hai Precision and its subsidiaries	21,510	6,929
	Subsidiaries of China Galaxy	-	110
		21,510	7,039

		31 December 2020	31 December 2019
Other payables	Hon Hai Precision and its subsidiaries	1,277,278	3,766,434
	Subsidiaries of China Galaxy	358,416	244,637
	Joint ventures and associates of Hon Hai Precision	102,114	152,501
	Shareholders holding over 5% equity of the Company	92,561	3,488,328
	Joint ventures and associates of China Galaxy	73,662	201,286
	Other related parties	1,137	-
		1,905,168	7,853,186

(6) Commitments in relation to related parties

The commitments in relation to related parties contracted for by the Group but not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

(i) Leases

Lessor		31 December 2020	31 December 2019
Joint ventures and associates of China Galaxy	Lease - Lessee		
	Within 1 year	7,200	-
	1 to 2 years	7,200	-
	2 to 3 years	7,200	-
	Over 3 years	7,200	-
		28,800	-

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties (Cont'd)

(i) Leases (Cont'd)

Lessor		31 December 2020	31 December 2019
Subsidiaries of China Galaxy	Lease - Lessee		
	Within 1 year	26,121	140,535
	1 to 2 years	30	26,073
	2 to 3 years	15	1,556
		26,166	168,164

Lessor		31 December 2020	31 December 2019
Hon Hai Precision and its subsidiaries	Lease - Lessee		
	Within 1 year	43,099	55,025
	1 to 2 years	24,826	30,012
	2 to 3 years	11,480	24,266
	Over 3 years	59,767	73,825
		139,172	183,128

Lessor		31 December 2020	31 December 2019
Shareholders holding over 5% equity of the Company	Lease - Lessee		
	Within 1 year	91,834	169,761
	1 to 2 years	53,841	72,936
	2 to 3 years	-	48,241
		145,675	290,938

Lessee		31 December 2020	31 December 2019
Subsidiaries of China Galaxy	Lease - Lessor		
	Within 1 year	26,992	26,688
	1 to 2 years	5,526	26,688
	2 to 3 years	-	5,526
		32,518	58,902

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties (Cont’d)

(i) Leases (Cont'd)

Lessee		31 December 2020	31 December 2019
Hon Hai Precision and its subsidiaries	Lease - Lessor		
	Within 1 year	6,486	3,831
	1 to 2 years	336	231
	2 to 3 years	336	-
	Over 3 years	588	-
		7,746	4,062

(ii) Trademark use rights

		31 December 2020	31 December 2019
Hon Hai Precision and its subsidiaries	Within 1 year	2,500	2,500
	1 to 2 years	2,500	2,500
	2 to 3 years	2,500	2,500
	Over 3 years	10,000	12,500
		17,500	20,000

(iii) Capital commitments

	31 December 2020	31 December 2019
Joint ventures and associates of Hon Hai Precision	3,205	-
Hon Hai Precision and its subsidiaries	44,464	3,208
Subsidiaries of China Galaxy	14,489	31,741
Shareholders holding over 5% equity of the Company	-	621
	62,158	35,570

(All amounts in RMB thousand unless otherwise stated)

9 Contingencies

(1) Contingent liabilities arising from significant pending litigation or arbitration and the financial impact

The Group has no contingent liabilities arising from significant pending litigation or arbitration that are subject to disclosure.

(2) Contingent liabilities arising from debt guarantees on behalf of other companies and the financial impact

The Group has no contingent liabilities arising from debt guarantees on behalf of other companies.

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2020	31 December 2019
Buildings, machinery and equipment	356,827	51,492
Intangible assets	8,855	-
	365,682	51,492

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2020	31 December 2019
Within 1 year	918,660	1,118,999
1 to 2 years	616,547	816,399
2 to 3 years	334,323	518,730
Over 3 years	496,284	656,847
	2,365,814	3,110,975

11 Events after the balance sheet date

(1) Statement of dividend distribution

According to the resolution of the Board of Directors on 28 March 2021, the Company distributed cash dividends of RMB 2.5 (pre-tax) to all shareholders for every 10 shares on the basis of the total share capital recognised on the equity registration date when the 2020 profit distribution scheme was implemented. As at 28 March 2021, since stock option owners exercise, the total share capital of the Company increases by 1,651 thousand shares and is changed to 19,872,297 thousand shares, calculated by deducting 4,027 thousand proposed repurchase cancellation restricted stock shares (based on 19,868,225 thousand shares) on which, cash dividends of RMB 4,967,056 thousand (pre-tax) were proposed to be distributed but were not recognised as liabilities in the financial statements.

(2) Investments

In 8 January 2021, the subsidiary of the company, FII USA INC., signed the agreement with the related party. It purchased construction in progress (including factories and data centers under construction) and other related assets by its own funds.

(All amounts in RMB thousand unless otherwise stated)

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group’s major operational activities are carried out in Mainland China, Hong Kong and Singapore. A majority of the operational activities carried out in Mainland China are denominated in RMB, a majority of the operational activities carried out in Hong Kong are denominated in USD or HKD, and a majority of the operational activities carried out in Singapore are denominated in USD. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions that are not denominated in recording currency. The Group’s finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions that are not denominated in recording currency to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk (Note 5 (2)).

As at 31 December 2020 and 31 December 2019, the financial assets and financial liabilities held by the companies of the Group in Mainland China, not denominated in recording currency, were expressed in RMB as follows:

	31 December 2020			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	7,928,560	17,917	3,704	7,950,181
Accounts receivable	1,038,849	-	-	1,038,849
Other receivables	107,192	-	1	107,193
	9,074,601	17,917	3,705	9,096,223
Financial liabilities not denominated in recording currency -				
Short-term borrowings	20,253,447	-	-	20,253,447
Accounts payable	8,500,710	7,233	36,665	8,544,608
Other payables	223,228	5,646	1,858	230,732
	28,977,385	12,879	38,523	29,028,787

(All amounts in RMB thousand unless otherwise stated)

	31 December 2019			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	2,617,798	8,575	11,214	2,637,587
Accounts receivable	2,140,063	-	158	2,140,221
Other receivables	488,749	-	1,520	490,269
	5,246,610	8,575	12,892	5,268,077
Financial liabilities not denominated in recording currency -				
Short-term borrowings	13,267,744	-	6,218	13,273,962
Accounts payable	13,879,521	7,030	31,203	13,917,754
Other payables	737,339	11,168	80,115	828,622
	27,884,604	18,198	117,536	28,020,338

12 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 31 December 2020, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's total profit would have been approximately RMB 647,367 thousand higher/lower for the financial assets and liabilities dominated in USD held by the Company whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's total profit would have been approximately RMB 148 thousand lower/higher for the financial assets and liabilities dominated in HKD.

As at 31 December 2019, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's total profit would have been approximately RMB 732,705 thousand higher/lower for the financial assets and liabilities dominated in USD held by the Company whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's total profit would have been approximately RMB 343 thousand higher/lower for the financial assets and liabilities dominated in HKD.

(b) Interest rate risk

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the reporting period, the Group did not enter into any interest rate swap agreements.

A majority of the Group's borrowings are fixed-rate borrowings. The Group has no significant floating-rate borrowings, no significant long-term bank borrowings and long-term interest-bearing debts such as bonds payable, and thus has no significant interest rate risk.

12 Financial instrument and risk (Cont'd)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivable, accounts receivable, other receivables, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(All amounts in RMB thousand unless otherwise stated)

As at 31 December 2020, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2019: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s finance department in its headquarters. Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s finance department in its headquarters. The Group’s finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	44,322,296	-	-	-	44,322,296
Notes payable	100,000	-	-	-	100,000
Accounts payable	62,144,793	-	-	-	62,144,793
Other payables	6,372,910	-	-	-	6,372,910
Other current liabilities	284,277	-	-	-	284,277
Long-term borrowings	342	228	-	-	570
	113,224,618	228	-	-	113,224,846

(All amounts in RMB thousand unless otherwise stated)

12 Financial instrument and risk (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	28,413,284	-	-	-	28,413,284
Accounts payable	67,321,345	-	-	-	67,321,345
Other payables	12,595,820	-	-	-	12,595,820
Other current liabilities	212,220	-	-	-	212,220
	108,542,669	-	-	-	108,542,669

13 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial assets	-	467,888	-	467,888
Other debt investments	-	-	40,000	40,000
Investments in other equity instruments	-	-	74,943	74,943
Other non-current financial assets	-	-	280,196	280,196
	-	467,888	395,139	863,027

(All amounts in RMB thousand unless otherwise stated)

13 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

As at 31 December 2019, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial instruments	-	157,110	-	157,110
Investments in other equity instruments	-	-	16,928	16,928
	-	157,110	16,928	174,038

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the year ended 31 December 2020.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount, etc.

The changes in Level 3 financial assets are analysed below:

	Investments in other equity instruments	Other non-current financial assets	Other debt investments	Total
31 December 2019	16,928	-	-	16,928
Purchases	60,050	280,395	40,000	380,445
Differences on translation of foreign currency financial statements	(2,035)	(199)	-	(2,234)
31 December 2020	74,943	280,196	40,000	395,139

(All amounts in RMB thousand unless otherwise stated)

13 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

	Investments in other equity instruments
31 December 2018	-
Changes in accounting policies	40,760
1 January 2019	40,760
Purchases	13,405
Changes in fair value	(37,760)
Differences on translation of foreign currency financial statements	523
31 December 2019	16,928

(2) Assets measured at fair value on a non-recurring basis

The Group holds no assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, short-term borrowings, payables, current portion of non-current liabilities and long-term borrowings, which are not measured at fair value. The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

14 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio was as follows:

	31 December 2020	31 December 2019
Gearing ratio	54%	57%

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	72,916	50,626
Less: Provision for bad debts	(728)	(507)
	72,188	50,119

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	72,916	50,626

(b) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were mainly management service fees receivable from related parties, and were summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance of account receivable
Total amounts of the five largest accounts receivable	47,265	(473)	65%

(c) Provision for bad debts

	31 December 2020	31 December 2019
Provision for bad debts of accounts receivable	(728)	(507)

For accounts receivable, the Company recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which the related provision for bad debts is made on the grouping basis are analysed as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate (%)	Amount	Amount	Lifetime ECL rate (%)	Amount
Not overdue	72,916	1%	(728)	50,626	1%	(507)

(ii) In 2020, the provision for bad debts was RMB 221 thousand.

(iii) No accounts receivable were written off in 2020.

(2) Other receivables

	31 December 2020	31 December 2019
Dividends receivable	5,000,000	2,500,000
Equity incentive receivable from subsidiaries	429,962	-
Others	559	154
	5,430,521	2,500,154
Less: Provision for bad debts	(4,300)	-
	5,426,221	2,500,154

(a) The ageing of other receivables is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	5,430,521	2,500,154

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements:

As at 31 December 2020 and 31 December 2019, the Company did not have any other receivables at Stage 2 and Stage 3. Other receivables at Stage 1 are analysed as follows:

(i) As at 31 December 2020, all other receivables for which the related provision for bad debts was provided on the grouping basis were at Stage 1 and analysed as follows:

	31 December 2020			31 December 2019		
	Ending balance	Loss provision		Ending balance	Loss provision	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
The ageing group of dividends receivable						
Within 1 year	5,000,000	-	0%	2,500,000	-	0%
The ageing group of other receivables						
Within 1 year	430,521	(4,300)	1%	154	-	0%
	5,430,521	(4,300)	0%	2,500,154	-	0%

(c) In 2020, the provision for bad debts of the Company was RMB 4,300 thousand (2019: Nil).

(d) In 2020, no other receivables were written off (2019: Nil).

(e) As at 31 December 2020, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Other receivables 1	Dividends receivable	1,850,000	Within 1 year	34%	-
Other receivables 2	Dividends receivable	1,050,000	Within 1 year	19%	-
Other receivables 3	Dividends receivable	966,500	Within 1 year	18%	-
Other receivables 4	Dividends receivable	500,000	Within 1 year	9%	-
Other receivables 5	Dividends receivable	500,000	Within 1 year	9%	-
		4,866,500		89%	-

(f) As at 31 December 2020, the Group did not recognise government grants at amount receivable (31 December 2019: Nil).

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments

	31 December 2020	31 December 2019
Subsidiaries (a)	39,592,665	37,549,961
Associates	559,598	-
	40,152,263	37,549,961
Less: Provision for impairment of long-term equity investments	-	-
	40,152,263	37,549,961

(a) Subsidiaries

	31 December 2019	Movements for the current year: Increase in investment	Decrease in investment	Provision for impairment	Others	31 December 2020	Ending balance of provision for impairment	Cash dividends declared in the current year
Futaihua Precision Electronics (Zhengzhou) Co., Ltd.	9,910,448	200,000	-	-	(70,499)	10,039,949	-	1,700,000
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	8,615,556	-	-	-	(16,144)	8,599,412	-	1,250,000
Nanning Fugui Precision Industrial Co., Ltd.	3,695,615	-	-	-	(17,268)	3,678,347	-	-
Ambit Microsystems (Shanghai) Ltd.	2,362,111	-	-	-	(10,088)	2,352,023	-	500,000
JiZhun Precision Industrial (Huizhou) Co., Ltd.	1,836,667	-	-	-	61,939	1,898,606	-	-
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	1,914,082	800,000	-	-	(17,143)	2,696,939	-	-
HeNan YuZhan Technology Limited	3,919,745	750,000	-	-	(102,455)	4,567,290	-	2,550,000
Jincheng Futaihua Precision Electronic Co., Ltd.	1,509,415	-	-	-	(9,625)	1,499,790	-	500,000
Shanxi Yuding Precision Technology Co., Ltd.	1,256,822	-	-	-	-	1,256,822	-	-
System Integration Electronics (Hangzhou) Co., Ltd.	389,006	-	-	-	(1,663)	387,343	-	-
Amworld Microsystems (Shanghai) Ltd.	155,256	-	-	-	-	155,256	-	-
Ingrasys Info-Tech Corp.	27,072	-	-	-	-	27,072	-	-
Focus PC Enterprises Limited	390,692	-	-	-	331,387	722,079	-	-
Shenzhen Fugui Precision Industrial Co., Ltd.	1,491,207	-	-	-	(48,062)	1,443,145	-	-
Dong Guan Fu Yi Precision Industrial Ltd.	10,087	-	-	-	-	10,087	-	-
Fu Jia Zhichuang (Shenzhen) Technology Co., Ltd.	1,180	60,000	-	-	-	61,180	-	-
Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.	5,000	45,000	-	-	-	50,000	-	-
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	60,000	-	-	-	-	60,000	-	-
Foxconn Industrial Internet (Hangzhou) Digital Technology Co., Ltd.	-	5,000	-	-	925	5,925	-	-
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	-	10,000	-	-	-	10,000	-	-
HengYang Foxconn Industrial Internet Consulting Co., Ltd.	-	20,400	-	-	-	20,400	-	-
Foxconn Industrial Internet Foshan Smart Manufacture Valley Co., Ltd.	-	51,000	-	-	-	51,000	-	-
	37,549,961	1,941,400	-	-	101,304	39,592,665	-	6,500,000

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales

	2020	2019
Revenue from main operations	128,879	109,764

	2020	2019
Cost of sales from main operations	101,713	57,665

(a) Revenue and cost of sales from main operations

	2020		2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Rendering of services	128,879	101,713	109,764	57,665

(b) The Company's revenue is broken down as follows:

	2020
	Services
Revenue from main operations	128,879
Including: Recognised at a point in time	-
Recognised within a certain period	128,879
	128,879

As at 31 December 2020, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was expected to be recognised in 2021.

(5) Investment income

	2020	2019
Income from long-term equity investments under cost method	6,500,000	4,000,000
Interest income from entrusted loans	-	131,670
	6,500,000	4,131,670

(All amounts in RMB thousand unless otherwise stated)

I Statement of non-recurring profit or loss

	2020	2019
Gains/(Losses) on disposal of non-current assets	34,091	(45,067)
Government grants recognised in profit or loss for the current period	1,577,340	1,606,321
Gains or losses arising from changes in fair value of financial assets and financial liabilities held for trading, derivative financial assets and derivative financial liabilities, and investment income from disposal of financial assets and financial liabilities held for trading, derivative financial assets, derivative financial liabilities, other debt investments, other non-current financial assets and other equity instrument investments, except for the effective hedging activities related to the Group's ordinary activities	638,220	315,985
Losses arising from production suspension and pandemic control expenses during the outbreak of COVID-19	(1,080,163)	-
Reversal of provision for impairment of receivables and contract assets tested for impairment on an individual basis	317	1,258
Non-operating income other than aforesaid items	30,231	25,867
	1,200,036	1,904,364
Effect of income tax	(152,103)	(279,907)
Effect of minority interests (net of tax)	(3,340)	(3,151)
	1,044,593	1,621,306

(i) Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No. 1 - Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the Company's normal course of business, also from transactions and events that even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

(All amounts in RMB thousand unless otherwise stated)

II Return on net assets and earnings per share

	Weighted average return on net assets (%)	
	2020	2019
Net profit attributable to shareholders of the Company	18.13%	23.04%
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss	17.04%	21.03%

	Earnings per share	
	Basic earnings per share	Diluted earnings per share
	2020	2020
Net profit attributable to shareholders of the Company (RMB yuan)	0.88	0.88
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss (RMB yuan)	0.83	0.83

FOXCONN INDUSTRIAL INTERNET CO., LTD.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Foxconn Industrial Internet Co., Ltd.
Financial Statements and Auditor's Report
For the Year Ended 31 December 2019
[English translation for reference only]

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2020) No. 10011
(Page 1 of 7)

To the Board of Directors of Foxconn Industrial Internet Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Foxconn Industrial Internet Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2019, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters identified in our audit are summarised as follows:

(1) Revenue recognition: sales of products
(2) Provision for decline in value of inventories

Key Audit Matters	**How our audit addressed the Key Audit Matters**
(1) Revenue recognition: sales of products	
Note 3(21), note 3(27)(a)(iii) and note 5(31) to the financial statements In 2019, revenue from main operations of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") was RMB 408,100,651 thousand, most of which was from sales of products. The Group manufactures and sells products to the regional customers. Revenue from domestic sales is recognised when the Group has delivered the products to the designated carrier or shipped them to the location specified in the sales contract and customers have accepted the goods. Revenue from foreign sales is recognised when the Group has gone through the export customs declaration procedures and shipped the products for export, or delivered the products to the designated location in accordance with the international trade terms stipulated in the sales contract or order. For above sales conditions, the customer has the right to sell the products and takes the risks of any obsolescence and loss of the products after confirming acception.	We understood, evaluated and tested the internal control related to revenue from sales of products, including key controls in the complete business processes from product pricing, customer credit management, order management, sales and delivery, sales verification, revenue recognition to sales collection, and general control of information system related to revenue recognition to sales of products. We selected main sales and purchase contracts of the Group's key customers and suppliers, reviewed main cooperation terms between the Group and customers and suppliers, including order opening, product delivery, invoicing and payment, and evaluated accounting policies related to revenue recognition of the Group; we also reviewed and evaluated the Group's judgements to the main responsible person for sales business, the party undertaking general risks of inventories and credit risks, as well as the Group's ability to independently determine the price under the "Buy and Sell" mode. We conducted sampling tests to revenue from sales of products in different regions, for different customers and under different sales modes and reviewed supportive documents relating to revenue recognition, such as sales orders, delivery orders, shipping documents, acceptance records, etc.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
(1) Revenue recognition: sales of products (Cont'd)	
As the Group's revenue from sales of products came from a variety of products provided to a large number of customers in different regions of the world; sales revenue is recognised at different time point under different trading modes;And in the case where the customer is also a supplier of certain raw materials (namely the "Buy and Sell" mode), sales revenue recognition in total involves critical accounting judgements in the following aspects: the main responsible person for sales business, the party undertaking general risks of inventories and credit risks, and the Group's ability to independently determine the price. Therefore, we recognised revenue from sales of products as a key audit matter.	With transaction amount, nature and customer characteristics taken into consideration, we performed confirmation process to confirm the transaction amount and the balances of accounts receivable from specific customers on a sampling basis. We tested revenue from sales of products before and after the balance sheet date, checked the revenue recognition records with the delivery orders, shipping documents and acceptance records, and evaluated whether relevant sales revenue is recognised in appropriate accounting period. Based on the audit work we performed, we found that the Group recognised revenue from sales of products in accordance with its accounting policies.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
(2) Provision for decline in the value of inventories Note 3(9), note 3(27)(b)(iii) and note 5(6) to the financial statements As at 31 December 2019, the Group's ending balance of inventories and balance of provision for decline in the value of inventories were RMB 42,832,949 thousand and RMB 1,186,998 thousand respectively. Inventories are measured at the lower of cost and net realisable value, and provision for decline in the value of inventories that are aged over a certain period, obsolete or damaged is made accordingly. As the Group's inventories are significant in amount and numerous in category, and the net realisable value of obsolete or damaged inventories usually involves the subjective judgements of management, which is part of the critical accounting estimates and judgements. Therefore, provision for decline in the value of inventories is considered as a key audit matter.	We understood, assessed and tested the internal control related to provision for decline in the value of inventories, including general control of the report system and the logic and automatic calculation of the financial statements adopted by management to estimate the provision for decline in the value of inventories. We compared the actual scrap and losses of inventories in the current year with provision for decline in the value of inventories accrued in previous years to determine whether there was management bias in the policy for provision for decline in the value of inventories. During the observation of stocktake, we paid attention to unmarketable, excessive, obsolete or damaged inventory items, and checked relevant inventory list with the statement of provision for decline in the value of inventories provided by management when such inventory items exist. We checked the net realisable value used in the report system for provision for decline in the value of inventories with the latest purchase price of raw materials or the latest selling price of finished goods through sampling tests. Based on the audit work performed, we found that the provision for decline in the value of inventories made by the Group could be supported by the evidence obtained in our audit.

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2019 annual report of the Company other than 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.

Responsibilities of Management and Audit Committee for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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 CSAs 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 CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 these 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the Audit Committee, 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.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	_______________ Zhu Wei (Engagement Partner)
Shanghai, the People's Republic of China 29 March 2020	Signing CPA	_______________ Gao Wenjun

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2019

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Current assets					
Cash at bank and on hand	5(1)	66,901,133	62,293,132	22,189,148	17,321,850
Derivative financial assets	5(2)	157,110	-	-	-
Notes receivable		-	923	-	-
Accounts receivable	5(3)、15(1)	84,643,735	86,116,982	50,119	15,793
Advances to suppliers	5(4)	228,837	215,215	266	166
Other receivables	5(5)、15(2)	455,959	1,354,727	2,500,154	4,882,847
Inventories	5(6)	41,645,951	37,467,635	-	-
Other current assets	5(7)	1,657,398	2,478,701	9,101	21,625
Total current assets		195,690,123	189,927,315	24,748,788	22,242,281
Non-current assets					
Available-for-sale securities	5(8)	——	40,760	——	-
Long-term equity investments	5(10)、15(3)	533,446	393,664	37,549,961	36,302,879
Investments in other equity instruments	5(9)	16,928	——	-	——
Fixed assets	5(11)	6,644,364	7,596,072	1,047	1,168
Construction in progress	5(12)	445,902	501,073	279	-
Intangible assets	5(13)	185,727	196,982	14	23
Long-term prepaid expenses	5(14)	664,612	549,145	2,332	2,860
Deferred tax assets	5(15)	1,089,906	1,283,248	10,379	4,381
Other non-current assets		341,937	115,065	1,924	1,924
Total non-current assets		9,922,822	10,676,009	37,565,936	36,313,235
TOTAL ASSETS		205,612,945	200,603,324	62,314,724	58,555,516

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Current liabilities					
Short-term borrowings	5(17)	28,271,285	22,490,216	-	-
Financial liabilities at fair value through profit or loss		——	117	——	-
Accounts payable	5(18)	67,321,345	69,730,796	-	-
Advances from customers	5(19)	103,398	57,971	-	-
Employee benefits payable	5(20)	4,973,173	4,382,173	6,703	4,973
Taxes payable	5(21)	2,322,273	3,079,926	96,195	50,116
Other payables	5(22)	12,595,820	27,897,455	979,412	4,182
Other current liabilities	5(23)	385,314	347,193	-	-
Total current liabilities		115,972,608	127,985,847	1,082,310	59,271
Non-current liabilities					
Provisions	5(25)	189,498	174,549	-	-
Deferred income	5(24)	18,804	6,983	-	-
Deferred tax liabilities	5(15)	83,344	91,305	32,908	20,700
Total non-current liabilities		291,646	272,837	32,908	20,700
Total liabilities		116,264,254	128,258,684	1,115,218	79,971
Shareholders' equity					
Share capital	1, 5(26)	19,854,832	19,695,300	19,854,832	19,695,300
Capital surplus	5(27)	26,692,249	25,121,959	37,443,873	35,888,416
Less: Treasury stock	5(47)	(942,148)	-	(942,148)	-
Other comprehensive income	5(46)	628,744	477,370	-	-
Surplus reserve	5(28)	740,214	289,183	740,214	289,183
Undistributed profits	5(29)	42,306,789	26,710,822	4,102,735	2,602,646
Total equity attributable to shareholders of the parent company		89,280,680	72,294,634	61,199,506	58,475,545
Minority interests	5(30)	68,011	50,006	——	——
Total shareholders' equity		89,348,691	72,344,640	61,199,506	58,475,545
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		205,612,945	200,603,324	62,314,724	58,555,516

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

Legal representative: Li Junqi Principal in charge of accounting: Guo Junhong Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2019

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	2019 Consolidated	2,018 Consolidated	2019 Company	2,018 Company
Revenue	5(31)、15(4)	408,697,581	415,377,697	109,764	49,130
Less: Cost of sales	5(31)、5(37)、15(4)	(374,450,968)	(379,485,979)	(57,665)	(27,967)
Taxes and surcharges	5(32)	(641,577)	(456,033)	(365)	(137)
Selling and distribution expenses	5(33)、5(37)	(1,732,902)	(1,791,128)	-	-
General and administrative expenses	5(34)、5(37)	(3,521,068)	(4,351,957)	(47,696)	(34,174)
Research and development expenses	5(35)、5(37)	(9,427,180)	(8,998,879)	-	-
Financial income	5(36)	735,316	324,098	525,802	364,438
Including: Interest expenses		(753,125)	(682,611)	-	-
Interest income		1,524,448	988,745	525,786	364,332
Add: Other income	5(40)	1,606,321	493,092	19,234	5,000
Investment income	5(41)、15(5)	161,460	(420,162)	4,131,670	2,624,186
Including: Share of profit of associates and joint ventures		2,167	(1,672)	-	-
Gains on changes in fair value	5(42)	156,692	(115)	-	-
(Losses on)/Reversal of credit impairment	5(38)	69,973	——	(348)	——
Asset impairment losses	5(39)	(502,012)	(736,312)	-	124
Gains/(Losses) on disposal of assets	5(43)	(45,067)	128,307	-	-
Operating profit		21,106,569	20,082,629	4,680,396	2,980,600
Add: Non-operating income	5(44(a))	85,168	38,100	-	-
Less: Non-operating expenses	5(44(b))	(59,301)	(49,242)	-	-
Total profit		21,132,436	20,071,487	4,680,396	2,980,600
Less: Income tax expenses	5(45)	(2,526,388)	(3,163,930)	(170,090)	(90,132)
Net profit		18,606,048	16,907,557	4,510,306	2,890,468
Including: net profit realized before merger in business combination under		-	-	-	-
Classified by continuity of operations					
Net profit from continuing operations		18,606,048	16,907,557	4,510,306	2,890,468
Net loss from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to shareholders of the parent company		18,606,184	16,902,307	4,510,306	2,890,468
Minority interests		(136)	5,250	-	-
Other comprehensive income/loss, net of tax	5(46)	151,374	139,779	-	-
Attributable to shareholders of the parent company, net of tax		151,374	139,779	-	-
Other comprehensive income items which will not be reclassified subsequently to profit or loss		(37,760)	——	-	——
Changes in fair value of investments in other equity instruments		(37,760)	——	-	——
Other comprehensive income items which will be reclassified to profit or loss		189,134	139,779	-	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss		(307)	-	-	-
Differences arising from translation of foreign currency financial statements		189,441	139,779	-	-
Attributable to minority shareholders, net of tax		-	-	-	-
Total comprehensive income		18,757,422	17,047,336	4,510,306	2,890,468
Attributable to shareholders of the parent company		18,757,558	17,042,086	4,510,306	2,890,468
Total comprehensive income/loss attributable to minority shareholders		(136)	5,250	——	——
Earnings per share					
Basic earnings per share (RMB Yuan)	5(48)	0.94	0.90	——	——
Diluted earnings per share (RMB Yuan)	5(48)	0.94	0.90	——	——

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi   Principal in charge of accounting: Guo Junhong   Head of accounting department: Huang Zhao

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	2019 Consolidated	2,018 Consolidated	2,019 Company	2,018 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		422,177,744	414,230,214	90,580	64,720
Refund of taxes and surcharges		4,667,007	5,250,537	-	-
Cash received relating to other operating activities	5(49(a))	2,902,096	1,531,397	491,792	291,029
Sub-total of cash inflows		429,746,847	421,012,148	582,372	355,749
Cash paid for goods and services		(391,348,183)	(367,695,676)	-	(4,367)
Cash paid to and on behalf of employees		(19,889,607)	(21,247,342)	(29,262)	(22,994)
Payments of taxes and surcharges		(4,742,107)	(2,777,954)	(117,915)	(38,049)
Cash paid relating to other operating activities	5(49(b))	(7,327,663)	(7,285,589)	(38,746)	(39,367)
Sub-total of cash outflows		(423,307,560)	(399,006,561)	(185,923)	(104,777)
Net cash flows from operating activities	5(50(a))	6,439,287	22,005,587	396,449	250,972
Cash flows (used in)/from investing activities					
Cash received from disposals of investments		-	700,000	4,000,000	-
Cash received from returns on investments		165,213	142,548	4,135,855	120,000
intangible assets and other long-term assets		328,392	995,550	-	-
Net cash received from disposal of subsidiaries and other business segments		-	1,308,190	-	-
Cash received relating to other investing activities	5(49(c))	11,512	208,696	-	-
Sub-total of cash inflows		505,117	3,354,984	8,135,855	120,000
and other long-term assets		(3,058,426)	(3,680,488)	(406)	(4,102)
Cash paid to acquire investments		(153,045)	(851,042)	(2,216,180)	(9,850,000)
Cash paid relating to other investing activities	5(49(d))	(111,282)	(191,687)	-	-
Sub-total of cash outflows		(3,322,753)	(4,723,217)	(2,216,586)	(9,854,102)
Net cash flows (used in)/from investing activities		(2,817,636)	(1,368,233)	5,919,269	(9,734,102)
Cash flows from/(used in) financing activities					
Cash received from capital contributions		978,782	26,780,656	960,641	26,780,656
minority shareholders of subsidiaries		18,141	-	-	-
Cash received from borrowings		58,516,568	60,246,268	-	-
Cash received relating to other financing activities	5(49(e))	2,133,082	5,243,622	-	-
Sub-total of cash inflows		61,628,432	92,270,546	960,641	26,780,656
Cash repayments of borrowings		(52,800,364)	(44,444,332)	-	-
or interest expenses		(3,368,348)	(698,297)	(2,540,693)	-
Cash paid relating to other financing activities	5(49(f))	(2,739,832)	(22,243,229)	-	(46,669)
Sub-total of cash outflows		(58,908,544)	(67,385,858)	(2,540,693)	(46,669)
Net cash flows from/(used in) financing activities		2,719,888	24,884,688	(1,580,052)	26,733,987
Effect of foreign exchange rate changes on cash		96,822	425,967	-	-
Net increase/(decrease) in cash	5(50(b))	6,438,361	45,948,009	4,735,666	17,250,857
Add: Cash at the beginning of the year		60,133,266	14,185,257	17,321,850	70,993
Cash at the end of the year	5(50(c))	66,571,627	60,133,266	22,057,516	17,321,850

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi

Principal in charge of accounting: Guo Junhong

Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Note	Equity attributable to shareholders of the parent company							Minority interests	Total shareholders' equity
		SHARE CAPITAL	Surplus reserve	Undistributed profits	Other comprehensive income	Surplus reserve	Undistributed profits	Total		
Balance at 31 December 2017		17,725,770	-	-	337,591	-	10,097,698	28,161,059	21,529	28,182,588
Movements for the year ended 31 December 2019										
Total comprehensive income										
Net profit		-	-	-	-	-	16,902,307	16,902,307	5,250	16,907,557
Other comprehensive income/loss		-	-	-	139,779	-	-	139,779	-	139,779
Total comprehensive income/loss		-	-	-	139,779	-	16,902,307	17,042,086	5,250	17,047,336
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders	5(26)	1,969,530	24,746,909	-	-	-	-	26,716,439	-	26,716,439
Issued shares		-	368,790	-	-	-	-	368,790	-	368,790
Share-based payment included in shareholders' equity		-	6,260	-	-	-	-	6,260	23,227	29,487
Profit distribution										
Appropriation to surplus reserve	5(28)	-	-	-	-	289,183	(289,183)	-	-	-
OTHER										
Balance at 31 December 2018		19,695,300	25,121,959	-	477,370	289,183	26,710,822	72,294,634	50,006	72,344,640
Balance at 31 December 2018		19,695,300	25,121,959	-	477,370	289,183	26,710,822	72,294,634	50,006	72,344,640
Movements for the year ended 31 December 2019										
Total comprehensive income										
Net profit		-	-	-	-	-	18,606,184	18,606,184	(136)	18,606,048
Other comprehensive income/loss		-	-	-	151,374	-	-	151,374	-	151,374
Total comprehensive income/loss		-	-	-	151,374	-	18,606,184	18,757,558	(136)	18,757,422
Capital contribution and withdrawal by shareholders										
Capital contribution by shareholders		-	-	-	-	-	-	-	18,141	18,141
Share-based payment included in shareholders' equity	5(26)	159,532	801,109	(960,641)	-	-	-	-	-	-
Amortisation of share-based payment		-	754,348	-	-	-	-	754,348	-	754,348
Others		-	14,833	-	-	-	-	14,833	-	14,833
Profit distribution										
Appropriation to surplus reserve	5(28)	-	-	-	-	451,031	(451,031)	-	-	-
Distribution to shareholders	5(29)	-	-	-	-	-	(2,559,938)	(2,559,938)	-	(2,559,938)
Revocable cash dividends on restricted shares		-	-	18,493	-	-	752	19,245	-	19,245
Balance at 31 December 2019		19,854,832	26,692,249	(942,148)	628,744	740,214	42,306,789	89,280,680	68,011	89,348,691

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi

Principal in charge of accounting: Guo Junhong

Head of accounting department: Huang Zhaoqi

FOXCONN INDUSTRIAL INTERNET CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2017	17,725,770	10,772,717	-	-	1,361	28,499,848
Movements for the year ended 31 December 2018						
Total comprehensive income						
Net profit	-	-	-	-	2,890,468	2,890,468
Total comprehensive income/loss	-	-	-	-	2,890,468	2,890,468
Capital contribution and withdrawal by shareholders						
SHARES ISSUED	1,969,530	24,746,909	-	-	-	26,716,439
Share-based payment included in shareholders' equity		368,790	-	-	-	368,790
Profit distribution						
Appropriation to surplus reserve	-	-	-	289,183	(289,183)	-
Balance at 31 December 2018	19,695,300	35,888,416	-	289,183	2,602,646	58,475,545
Balance at 31 December 2018	19,695,300	35,888,416	-	289,183	2,602,646	58,475,545
Movements for the year ended 31 December 2019						
Total comprehensive income						
Net profit	-	-	-	-	4,510,306	4,510,306
Total comprehensive income/loss	-	-	-	-	4,510,306	4,510,306
Capital contribution and withdrawal by shareholders						
Share-based payment included in shareholders' equity	159,532	801,109	(960,641)	-	-	-
Amortisation of share-based payment	-	754,348	-	-	-	754,348
Profit distribution						
Appropriation to surplus reserve	-	-	-	451,031	(451,031)	-
Distribution to shareholders	-	-	-	-	(2,559,938)	(2,559,938)
Revocable cash dividends on restricted shares	-	-	18,493	-	752	19,245
Balance at 31 December 2019	19,854,832	37,443,873	(942,148)	740,214	4,102,735	61,199,506

The accompanying notes are part of these financial statements.

Legal representative: Li Junqi　　Principal in charge of accounting: Guo Junhong　　Head of accounting department: Huang Zhaoqi

1 General information

Foxconn Industrial Internet Co., Ltd. (hereinafter "the Company") is a wholly foreign-owned enterprise incorporated in Shenzhen City, Guangdong Province of the People’s Republic of China (“the PRC”) on 6 March 2015 by Robot Holding Co., Ltd. The Company has an approved operating period of 50 years. The registered capital was USD 15,000,000. Robot Holding Co., Ltd. is indirectly wholly owned by Hon Hai Precision Industry Co., Ltd. (hereinafter “Hon Hai Precision”), a company registered in Taiwan, China.

According to the resolution of the Board of Directors on 25 March 2017 and the Company’s Articles of Association, the Company was changed into a Sino-foreign equity joint venture from a wholly foreign-owned enterprise by introducing Hongfujin Precision Industry (Shenzhen) Co., Ltd. as a new investor, and the registered capital was increased from USD 15,000,000 to USD 20,000,000. On 24 February 2017 and 29 March 2017, the Company received registered capital of USD 15,000,000 contributed by Robot Holding Co., Ltd. and a RMB equivalent of USD 5,000,000 contributed by Hongfujin Precision Industry (Shenzhen) Co., Ltd. Hongfujin Precision Industry (Shenzhen) Co., Ltd. is indirectly wholly owned by Hon Hai Precision.

According to the Sponsorship Agreement signed by all shareholders on 10 July 2017, the Company was restructured to a joint stock limited company and the audited carrying amount of net assets as at 31 March 2017 of RMB 137,853,442.57 was converted into share capital of RMB 137,778,000 at the par value of RMB 1.00 per share, with a total of 137,778,000 shares. And RMB 75,442.57 that was not converted into share capital was included in capital surplus. The registered capital and share capital were changed to RMB 137,778,000 after registration. The aforesaid change in share capital was verified by PricewaterhouseCoopers Zhong Tian LLP with the capital verification report of PwC ZT Yan Zi (2017) No. 528 issued on 10 July 2017. On 21 July 2017, the Company obtained the updated business license, and was officially changed into a joint stock limited company and renamed as Foxconn Industrial Internet Co., Ltd.

On 6 December 2017, the Company held a general meeting of the Board of Directors and shareholders, where the *Reconstructing Plan of Foxconn Industrial Internet Co., Ltd.* (“Reconstructing Plan”) and the *Proposal on Registered Capital Contribution of Foxconn Industrial Internet Co., Ltd.* (“Capital Contribution Proposal”) were approved.According to the Reconstructing Plan, Hon Hai Precision transferred some of its key businesses (communication network equipment, cloud service equipment, precision tools, industrial robots, etc.) ("Restructuring Businesses") to the Company. The Company acquired relevant equities and operating assets of the Restructuring Businesses (primarily including production and operation equipment, moulds, inventories, etc.) (“Reconstructing Assets”) by means of capital contribution, share increase and cash payment, and completed the reconstruction on 31 December 2017.

1 General information (Cont'd)

After the restructuring, on 31 December 2017, the share capital of the Company was changed to RMB 17,725,770,199 and the total number of shares was increased to 17,725,770,199 with par value of RMB 1 per share. The aforesaid change in share capital was verified by PricewaterhouseCoopers Zhong Tian LLP with the capital verification report of PwC ZT Yan Zi (2018) No. 0022 issued on 31 January 2018. After this, China Galaxy Enterprises Limited ("China Galaxy"), a company incorporated in Hong Kong, China, became the controlling shareholder of the Company. China Galaxy is indirectly wholly owned by Hon Hai Precision.

The Company publicly issued 1,969,530,023 ordinary shares denominated in RMB under the document "Zheng Jian Xu Ke [2018] No. 815" as approved by China Securities Regulatory Commission. The ordinary shares were listed for trading at Shanghai Stock Exchange on 8 June 2018. Afterwards, the share capital of the Company was changed to RMB 19,695,300,222 and the total number of shares was increased to 19,695,300,222 with par value of RMB 1 per share.

Pursuant to *2019 Stock Option and Restricted Stock Incentive Plan of Foxconn Industrial Internet Co., Ltd. (Revised Draft)* (hereinafter *"Incentive Plan (Revised Draft)"*) and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the general meeting of the Board of Directors for the approval of the grant plan on 30 April 2019, granting a total of 149,183,352 restricted RMB ordinary shares (A shares) to 3,893 incentive targets at the granting price of RMB 6.03 per share; and 25,947,021 stock options to 892 incentive targets, and the exercise price at the grant date was RMB 12.05 per share. As at 30 April 2019, the Company has received payments amounting to RMB 899,575,613 from 3,893 restricted stock incentive targets, with the registered capital and share capital increased by RMB 149,183,352 and the capital surplus increased by RMB 750,392,261. The aforesaid change in share capital was verified by PricewaterhouseCoopers Zhong Tian LLP with the capital verification report of PwC ZT Yan Zi (2019) No. 0282 issued on 30 April 2019. After the capital contribution, the share capital of the Company was changed to RMB 19,844,483,574 and the total number of shares was increased to 19,844,483,574 with par value of RMB 1 per share.

Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 11 September 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 11,255,180 restricted RMB ordinary shares (A shares) to 396 restricted stock incentive targets at a granting price of RMB 5.901 per share. As at 25 September 2019, the actual number of subscribers was 364, and a total of 10,348,325 shares were subscribed, with a total of RMB 61,065,466 share contributions received, the registered capital and share capital increased by RMB 10,348,325 and the capital surplus increased by RMB 50,717,141. The aforesaid change in share capital was verified by PricewaterhouseCoopers Zhong Tian LLP with the capital verification report of PwC ZT Yan Zi (2019) No. 0577 issued on 26 September 2019. After the capital contribution, the share capital of the Company was changed to RMB 19,854,831,899 and the total number of shares was increased to 19,854,831,899 with par value of RMB 1 per share.

1 General information (Cont'd)

On 31 December 2019, the Company held the 23th meeting of the 1st Board of Directors for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan.* According to the proposal, the Company intended to grant 6,013,755 stock options to 20 employees and 18,881,226 restricted stocks to 474 employees in 2020. Relevant employees will complete subscription and contribution in 2020.

The scope of business of the Company includes: research and development of industrial internet technologies; research and development of communication systems; provision of enterprise management services; and engagement in import & export of electronic products and spare parts and related supporting businesses (excluding state-run products; products subject to quota, license management and other special regulations are applied based on relevant state regulations).

These financial statements were authorised for issue by the Company's Board of Directors on 29 March 2020.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, and the specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

3 Summary of significant accounting policies and accounting estimates

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") determine the specific accounting policies and accounting estimates based on the features of its production and operation, which are included in the measurement of expected credit losses ("ECLs") on receivables (Note 3(8)), valuation of inventories (Note 3(9)), depreciation of fixed assets and amortisation of intangible assets (Note 3(11), (14)), recognition of revenue (Note 3(21)), etc.

Key judgements, critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 3(27).

(1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 31 December 2019 and their financial performance, cash flows and other information for the year then ended.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(2) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(3) Recording currency

The recording currencies of the Company and its subsidiaries are determined based on the economic environment in which they operate. Renminbi ("RMB") is the currency of the primary economic environment in which the Company and the Group's domestic subsidiaries operate. Therefore, the recording currency of the Company and the Group's domestic subsidiaries is RMB. USD is the currency of the primary economic environment in which the Group's subsidiaries in Singapore and the United States operate. Therefore, the recording currency of the Group's subsidiaries in Singapore and the United States is USD. USD/HKD is the currency of the primary economic environment in which the Group's subsidiaries in Hong Kong operate. Therefore, the recording currency of the Group's subsidiaries in Hong Kong is USD/HKD. The presentation currency used by the Group when preparing the financial statements is RMB.

(4) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss for the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The combination cost and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date.
Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profit and loss and comprehensive income for the period not attributable to the Company are recognised as minority interests, profit or loss attributable to minority shareholders and total comprehensive income attributable to minority shareholders, and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Unrealised profits and losses resulting from sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(6) Cash and cash equivalents

Cash and cash equivalents comprise all cash on hand and deposits that can be readily drawn on demand.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date.Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

The financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period; for other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

- Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of a financial liability from the issuer's perspective, and are mainly measured at amortised cost.

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable, accounts receivable and other receivables.

- Equity instruments

A portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

Loss provision for financial assets at amortised cost and investments in debt instruments at fair value through other comprehensive income is recognised on the basis of ECLs.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECLs of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

In case the ECLs of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings and provision methods is as follows:

Grouping 1	Interest receivable from cash at bank, guarantees (including deposits), tax refunds, entrusted loans receivable within the Group and dividends receivable
Grouping 2	Bank acceptance notes
Grouping 3	Other receivables besides the groupings mentioned above

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For accounts receivable that are classified into groupings and notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECLs with reference to historical credit losses experience, current conditions and forecasts of future economic conditions, and based on the overdue days and the lifetime ECL rate. For other notes receivable, and other receivables classified into groupings, the Group calculates the ECLs based on default risk exposure and the 12-month or lifetime ECL rates, and with reference to the historical credit loss experience, current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payable, other payables, borrowings, debentures payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Inventories

(a) Classification

Inventories include raw materials, semi-finished goods, finished goods, materials in transit and delivered goods, and are measured at the lower of cost and net realisable value.

(b) Valuation method for inventories delivered

Cost is determined using the weighted average method. The cost of finished goods, semi-finished goods and delivered goods comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(10) Long-term equity investments

Long-term equity investments comprise the Group's long-term equity investments in subsidiaries and associates.

Subsidiaries are the investees over which the Group is able to exercise control. Associates are the investees that the Group has significant influence on their financial and operating decisions.

Investments in subsidiaries are presented using the cost method in the Company's financial statements, and adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss for the current period.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at 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 included in profit or loss for the current period and the cost of the long-term equity investments is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or losses according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake.The Group's share of the changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees.Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Significant influence is the power to participate in making decisions on financial and operating policies of investees, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amount (Note 3(16)).

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise land, buildings, machinery and equipment, motor vehicles, office and electronic equipment and other equipment, etc.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets except for land with permanent property rights are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. Land with permanent property rights is not subject to depreciation. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets except for land with permanent property rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20 to 30 years	RMB 1	3.3% to 5.0%
Buildings - Auxiliary facilities	6 to 11 years	RMB 1	9.1% to 16.7%
Machinery and equipment	3 to 12 years	RMB 1	8.3% to 33.3%
Motor vehicles	5 to 6 years	RMB 1	16.7% to 20.0%
Office and electronic equipment	4 to 6 years	RMB 1	16.7% to 25.0%
Other equipment	5 to 6 years	RMB 1	16.7% to 20.0%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(13) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalised amount of specific borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(14) Intangible assets

Intangible assets include land use rights, software, trademarks and patents, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 45 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Software

Software is measured at its actual cost on acquisition and is amortised on the straight-line basis over their estimated useful lives of 3 to 7 years.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(c) Trademarks

Trademarks are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 5 years.

(d) Patents

Patents are measured at its actual cost on acquisition and are amortised on the straight-line basis over their estimated useful lives of 2 to 5 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the planned investigation, evaluation and selection for research on manufacturing techniques is expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of manufacturing techniques before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique has been fully demonstrated by technical team;
- the development budget of manufacturing technique has been approved by management;
- the research and analysis of preliminary market survey indicate that products manufactured with such technique are marketable;
- adequate technical and financial supports are available for development of manufacturing techniques and subsequent mass production; and
- expenditure on development of manufacturing techniques can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as profit or loss are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(g) Impairment of intangible assets

The carrying amount of an intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 3(16)).

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current year and in subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, long-term prepaid expenses and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(17) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits and post-employment benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, national health insurance in Taiwan, China, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions, unemployment insurance and overseas pensions, all of which belong to defined contribution plans.

(c) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resources and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(18) Share-based payments

Share-based payments are transactions in which the Company grants equity instruments or assumes liabilities that are determined based on the equity instruments, in exchange for services rendered by employees. Equity instruments include the equity instruments of the Company and its subsidiaries or those of the Company's parent company. Share-based payments are divided into equity-settled and cash-settled share-based payments.During the reporting period, the Group's share-based payments were equity-settled payments.

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees.Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be included in costs or expenses at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or performance conditions are satisfied, the service obtained in the current period shall be included in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of performance conditions and subsequent information at each balance sheet date within the vesting period, with capital surplus increased accordingly.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Share-based payments (Cont'd)

The Group determines the fair value of equity instruments granted based on different conditions, including the share price at the grant date, discounted cash flow model, the Black-Scholes Option Pricing Model, consideration from the implementation of share-based incentives, etc.

During the period that the performance conditions and the service term conditions are satisfied, the cost or expenses of the equity-settled share-based payments shall be recognised, with capital surplus increased accordingly. At each balance sheet date before the vesting date, the accumulating amount recognised in the equity-settled share-based payments at each balance sheet date reflects the expired part within the vesting period and the best estimate for the number of equity instrument of final exercise carried out by the Group.

Where the equity-settled share-based payments cannot be exercised in the end, its cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deem to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

If the Group modifies terms and conditions of the equity-settled share-based payments in an unfavourable manner to employees, the Group shall continue to account for the services obtained as if the changes never happen, unless the Group cancels all or part of equity instruments granted. In addition, any modification newly added with the fair value of the granted equity instruments or the changes being in favour of employees at the modification date shall be recognised as an increase in service obtained.

If the equity-settled share-based payments are cancelled, the payments shall be accelerated for exercise at the date of cancellation and the unrecognised amount shall be recognised immediately. Where employees or other parties can select to meet the non-exercisable conditions but they do not meet the conditions within the vesting period, the equity-settled share-based payments shall be cancelled. However, if new equity instruments are granted, and the new instruments are recognised for substituting the cancelled equity instruments at the grant date, the granted substitutes shall be treated in the same method that terms and conditions of the original equity instruments are modified.

If the Company needs to repurchase restricted stocks that expire or become invalid without being unlocked at the repurchased price agreed before, liabilities and treasury stocks are recognised to measure repurchase obligations.

(19) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved at the shareholders' meeting.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Provisions

Provisions for product warranties, onerous contracts, etc. are recognised when the Group has a present obligation, 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.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be paid within one year since the balance sheet date are classified as current liabilities.

(21) Revenue

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is stated net of discounts, rebates and returns.

The Group recognises revenue at the amount of the consideration that is entitled to be charged by the Group as expected when the customer obtains control over relevant goods or services.

(a) Sales of goods

The Group manufactures and sells products to the regional customers. Revenue from domestic sales is recognised when the Group has delivered the products to the designated carrier or shipped them to the location specified in the sales contract and customers have confirmed the acceptance of the products. Revenue from foreign sales is recognised when the Group has gone through the export customs declaration procedures and shipped the products for export, or delivered the products to the designated location in accordance with the international trade terms stipulated in the sales contract or order. For above sales, the customer has the right to sell the products and takes the risks of any obsolescence and loss of the products upon confirming the acceptance.

(b) Rendering of services

The Group provides processing and research and development services and related revenue is recognised upon the completion of services.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs in reporting the related costs, expenses or losses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs directly for the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy-based preferential interest rate loans received by the Group, the actual loan amount received is used as the entry value of the loan, and the relevant borrowing costs are calculated based on the loan principal and the policy-based preferential interest rate. The financial discount directly received by the Group offsets related borrowing costs.

(23) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Deferred tax assets and deferred tax liabilities(Cont'd)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(24) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

(25) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Held for sale and discontinued operations (Cont'd)

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit (loss) from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(26) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

As more than 90% of the Group's revenue and performance are from electronic products business, no segment information is presented.

(27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial assets management on the group basis, and factors to be considered include the methods for evaluating the financial assets performance and reporting such performance to key management personnel, the risks relating to the financial assets performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only includes time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the repayment in advance reflects only the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Judgement on significant increase in credit risk

Judgement made by the Group for significant increase in credit risk is mainly based on whether the overdue days exceed 30 days, or whether one or more of the following indicators change significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement made by the Group for the occurrence of credit impairment is mainly based on whether the overdue days exceed 90 days (i.e., a default has occurred), or whether one or more of the following conditions is/are satisfied: the debtor is suffering significant financial difficulties, the debtor is undergoing other debt restructuring, or the debtor probably goes bankrupt, etc.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies (Cont'd)

(iii) Revenue recognition

For some of the Group's business, customers are also suppliers of some raw materials (namely "Buy and Sell Mode") which is a business mode widely used in the manufacturing industry of electronic products. The Group determines that it is the main responsible person of business under the Buy and Sell mode and recognises the revenue based on the total consideration of transactions after taking the followings conditions into account:

- in accordance with relevant terms of the contract, as the principal obligor, the Group is primarily responsible for selling products to customers and ensuring that the products sold are acceptable to the customers;
- the Group takes significant risks and rewards of ownership of products in the course of transactions;
- the Group is able to independently negotiate with customers and determine the selling price of the final products sold to customers; and
- the Group takes significant credit risks related to sales of products.

(b) Critical accounting estimates and key assumptions

(i) Measurement of ECL

The Group calculates ECLs through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, the external market environment, the technological environment and changes in customer conditions. The Group regularly monitors and reviews assumptions related to the calculation of ECLs. In 2019, there was no significant change in the above estimation techniques and key assumptions.

(ii) Income tax and deferred income tax

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(ii) Income tax and deferred income tax (Cont'd)

Deferred tax assets and deferred tax liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group.

Management of the Group recognises deferred tax assets to the extent that it is probable that taxable income will be available in the future against which the deductible temporary differences and deductible losses can be utilised. If the estimated taxable income in the future changes, management of the Group will adjust the carrying amount of the related deferred tax assets accordingly.

(iii) Net realisable value of inventories

Inventories are measured at the lower of cost and net realisable value, and provision for decline in the value of inventory items that are aged over a certain period, obsolete or damaged is made accordingly. Net realisable value of inventories is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes. These estimates are primarily based on current market conditions and past experience in producing and will vary significantly depending on technological innovations, customer preferences and the actions taken by competitors in reaction to market trends. Management reassesses these estimates at each balance sheet date.

(iv) Estimated net residual values and useful lives or expected beneficial periods of fixed assets and intangible assets

The Group makes estimates on estimated net residual values and estimated useful lives of fixed assets and intangible assets. Such estimates are made based on historical experience of actual net residual values and estimated useful lives of investment properties, fixed assets and intangible assets with similar natures and functions, which may change significantly due to technological updates or other reasons. When net residual values are lower or estimated useful lives are shorter than the prior estimates, the Group will increase depreciation and amortisation expenses.

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies

The Ministry of Finance released the revised *CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets, CAS 24 – Hedging and CAS 37 - Presentation of Financial Instruments* (collectively, "New Financial Instruments Standards") in 2017 and the *Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019* (Cai Kuai [2019] No. 6), revised *CAS 7 - Exchange of Non-monetary Assets* ("Standard for Exchange of Non-monetary Assets") and *CAS 12 - Debt Restructuring* ("Standard for Debt Restructuring") in 2019. The financial statements for the year ended 31 December 2019 are prepared in accordance with the above standards and circular. The revised Standard for Exchange of Non-monetary Assets and Standard for Debt Restructuring have no significant impact on the Group and the Company. Other impact on the Group and the Company's financial statements are set out as follows:

(a) Modification of general corporate report format

The impact on the consolidated balance sheet and income statement is listed below:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Group split notes and accounts receivables into notes receivable and accounts receivable.	Notes receivable	923	-
	Accounts receivable	86,116,982	78,513,196
	Notes and accounts receivables	(86,117,905)	(78,513,196)
The Group split notes and accounts payables into notes payable and accounts payable.	Accounts payable	69,730,796	76,809,307
	Notes and accounts payables	(69,730,796)	(76,809,307)

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(a) Modification of general corporate report format (Cont'd)

Impacts on the Company's balance sheet and income statement are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Company split notes and accounts receivables into notes receivable and accounts receivable.	Accounts receivable	15,793	28,061
	Notes and accounts receivables	(15,793)	(28,061)
The Company split notes and accounts payables into accounts payable and notes payable.	Accounts payable	-	4,366
	Notes and accounts payables	-	(4,366)

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(b) Financial instruments

In accordance with relevant provisions of the new financial instruments standards, the Group and the Company recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings in 2019 and other relevant line items in the financial statements. The comparatives were not restated. As at 31 December 2018 and 1 January 2019, the Group and the Company had no financial assets designated as at fair value through profit or loss.

(i) On January 1, 2019, the financial assets or financial liabilities in the Group's consolidated financial statements were classified and measured in accordance with the original financial instrument standards and the new financial instrument standards:

Old financial instruments standards			New financial instruments standards		
Line item	Measurement	Carrying amount	Line item	Measurement	Carrying amount
Cash at bank and on hand	Amortised cost	62,293,132	Cash at bank and on hand	Amortised cost	62,293,132
Notes receivable	Amortised cost	923	Notes receivable	Amortised cost	923
Accounts receivable	Amortised cost	86,116,982	Accounts receivable	Amortised cost	86,116,982
Other receivables	Amortised cost	1,354,727	Other receivables	Amortised cost	1,354,727
Available-for-sale financial assets	equity instrument measured at cost	40,760	Investments in other equity instruments	Fair value through other comprehensive income	40,760
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	(117)	Derivative financial liabilities	Fair value through profit or loss	(117)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(b) Financial instruments (Cont'd)

(i) As at 1 January 2019, the financial assets presented in the Company's financial statements were classified and measured in accordance with the old/new financial instruments standards as follows (Cont'd):

Old financial instruments standards			New financial instruments standards		
Line item	Measurement	Line item	Line item	Measurement	Carrying amount
Cash at bank and on hand	Amortised cost	17,321,850	Cash at bank and on hand	Amortised cost	17,321,850
Accounts receivable	Amortised cost	15,793	Accounts receivable	Amortised cost	15,793
Other receivables	Amortised cost	4,882,847	Other receivables	Amortised cost	4,882,847

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(b) Financial instruments (Cont'd)

(ii) As at 1 January 2019, the carrying amount of financial assets or financial liabilities was reconciled from the old financial instruments standards to the new financial instruments standards based on the new measurement:

Measurement under the new financial instruments standards	Note
Financial assets at amortised cost	Table 1
Financial liabilities at fair value through profit or loss	Table 2
Financial assets at fair value through other comprehensive income	Table 3

Table 1: Financial assets at amortised cost under the new financial instruments standards

	Note	Carrying amount	
		Consolidated	Company
Cash at bank and on hand 31 December 2018		62,293,132	17,321,850
Less: Transfer to financial assets at fair value through profit or loss (new financial instruments standards)		-	-
1 January 2019		62,293,132	17,321,850
Receivables (Note 1) 31 December 2018		87,472,632	4,898,640
Less: Transfer to financial assets at fair value through other comprehensive income (under the new financial instruments standards)		-	-
Remeasurement: Total expected credit losses		-	-
1 January 2019		87,472,632	4,898,640
Total financial assets at amortised cost (under the new financial instruments standards)		149,765,764	22,220,490

Note 1: As at 31 December 2018 and 1 January 2019, receivables included notes receivable, accounts receivable and other receivables.

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(b) Financial instruments (Cont'd)

(ii) As at 1 January 2019, the carrying amount of financial assets or financial liabilities was reconciled from the old financial instruments standards to the new financial instruments standards based on the new measurement (Cont'd):

Table 2: Financial liabilities at fair value through profit or loss under the new financial instruments standards

	Note	Carrying amount	
		Consolidated	Company
Derivative financial liabilities 31 December 2018		-	-
Add: Transfer from financial liabilities at fair value through profit or loss (under the old financial instruments standards)	i)	(117)	-
1 January 2019		(117)	-
Total financial liabilities at fair value through profit or loss (under the new financial instruments standards)		(117)	-

Table 3: Financial assets at fair value through other comprehensive income under the new financial instruments standards

	Note	Carrying amount	
		Consolidated	Company
Available-for-sale financial assets 31 December 2018		40,760	-
Less: Transfer to financial assets at fair value through other comprehensive income (under the new financial instruments standards)	ii)	(40,760)	-
1 January 2019		-	-
Total financial assets at fair value through other comprehensive income (under the new financial instruments standards)		40,760	-

i) As at 31 December 2018, the total carrying amount of the forward exchange contracts held by the Group was about RMB 117 thousand. As at 1 January 2019, the Group recognised it as financial liabilities at fair value through profit or loss, and classified as derivative financial liabilities.

(All amounts in RMB thousand unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Significant changes in accounting policies (Cont'd)

(b) Financial instruments(Cont'd)

(ii) As at 1 January 2019, the carrying amount of financial assets or financial liabilities was reconciled from the old financial instruments standards to the new financial instruments standards based on the new measurement (Cont'd):

ii) As at 31 December 2018, the carrying amount of unlisted equity investments measured at cost held by the Group was RMB 40,760 thousand, and the accumulated impairment provision was RMB 0. As at 1 January 2019, the Group, out of strategic concern, designated the equity investments as financial assets at fair value through other comprehensive income under investments in other equity instruments.

In accordance with relevant provisions of the *Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019* (Cai Kuai [2019] No. 6), companies that implement the new financial instruments standards, interest receivable in other accounts receivable only reflects the interest receivable relevant to financial instruments that have been due yet not received at the balance sheet date. Interest payable in other accounts payable only reflects the interest payable relevant to financial instruments that have been due yet not paid at the balance sheet date. Interest on financial instruments accrued by the effective interest method is included in the carrying amount of corresponding instruments Therefore, on 1 January 2019, the Group adjusted the interest receivable of RMB 166,075 thousand on financial instruments and RMB 160,887 thousand of interest payable on financial instruments accrued by the effective interest method to the monetary items and the short-term borrowings respectively. The Company adjusted RMB 78,362 thousand of interest receivable on financial instruments accrued by the effective interest method to the monetary items.

4 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Rates of taxes	Tax base
Enterprise income tax		
- Mainland China (a)	15%(c)，25%	Taxable income
- Hong Kong, Macao and Taiwan regions of China	16.5%，20%	Taxable income
- Overseas regions	0%-35.64%	Taxable income
Value-added tax ("VAT") (b)	3%-16%	Taxable value-added amount (tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax	5%-7%	The payment amount of VAT
Educational surcharge	3%	The payment amount of VAT
Local educational surcharge	2%	The payment amount of VAT

4 Taxation (Cont'd)

(a) Pursuant to the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) issued by the State Taxation Administration and relevant regulations, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

(b) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable VAT rate for revenue of the Group's subsidiaries from sales of goods, from processing, repair and replacement business and from leasing of tangible personal properties is 13% from 1 April 2019, while it was 16% before then; the applicable VAT rate for revenue from leasing of real estate and sales of real estate is 9%, while it was 10% before 1 April 2019.

(c) Preferential tax treatments and approval documents

(1) Futaihua Precision Electronics (Zhengzhou) Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. Futaihua Precision Electronics (Zhengzhou) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in November 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Futaihua Precision Electronics (Zhengzhou) Co., Ltd. in 2019 was 15%.

(2) Hongfujing Precision Electronics (Tianjin) Co., Ltd. is a limited liability company established in Tianjin. Hongfujing Precision Electronics (Tianjin) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in August 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Hongfujing Precision Electronics (Tianjin) Co., Ltd. in 2019 was 15% .

(3) Nanning Fugui Precision Industrial Co., Ltd. is a limited liability company established in Nanning City, Guangxi Province. It has been enjoying preferential policies for the development of the west part of China since 2012. As approved by tax authorities, the actual enterprise income tax rate applicable to the Company was 15% in 2019.

In accordance with Article No. 29 of the *Enterprise Income Tax Law of the People's Republic of China* (Order No. 63 of Chairman of the PRC), organs of self-government of national autonomous regions may decide to reduce or exempt the local portion of the enterprise income tax payable by enterprises in their own national autonomous regions. Tax reduction or exemption for autonomous prefectures and autonomous counties shall be submitted to the people's government of the province, autonomous region or municipality directly under the central government for approval. According to the *100 Billion Investment Agreement on Electric Information Industry Park of Foxconn Nanning Sci-Tech Park*, Nanning Fugui Precision Industrial Co., Ltd. is exempt from enterprise income tax on the local share.

4 Taxation (Cont'd)

(c) Preferential tax treatments and approval documents (Cont'd)

(4) Ambit Microsystem (Shanghai) Co.,Ltd. is a limited liability company established in Shanghai. Guoji Electronics (Shanghai) Co., Ltd. was certified as a high-tech enterprise in 2012, and was re-certified after approval in October 2015 and November 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to the Company in 2019 was 15%.

(5) JiZhun Precision Industrial (Huizhou) Co., Ltd. is a limited liability company established in Huizhou City, Guangdong Province. It was certified as a high-tech enterprise in 2016, and was re-certified after approval in December 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jizhun Precision Industry (Huizhou) Co., Ltd. in 2019 was 15%.

(6) Jincheng Hongren Technology Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province. It was certified as a high-tech enterprise in 2016, and was re-certified after approval in November 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Jincheng Hongren Technology Co., Ltd. in 2019 was 15%.

(7) Chengdu Zhunren Technology Co., Ltd. is a limited liability company established in Chengdu City, Sichuan Province. It has been enjoying preferential policies for the development of the west part of China since 2015. As approved by tax authorities, the actual enterprise income tax rate applicable to Chengdu Zhunren Technology Co., Ltd. in 2019 was 15%.

(8) Futaihua Precision Electronics (Jiyuan) Co., Ltd. is a limited liability company established in Jiyuan City, Henan Province. It was certified as a high-tech enterprise in 2017. As approved by tax authorities, the actual enterprise income tax rate applicable to Futaihua Precision Electronics (Jiyuan) Co., Ltd. in 2019 was 15%.

(9) Hongfujin Precision Electronics (Guiyang) Co., Ltd. is a limited liability company established in Guiyang City, Guizhou Province. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Hongfujin Precision Electronics (Guiyang) Co., Ltd. in 2019 was 15%.

(10) Chongqing Fugui Electronics Co., Ltd. is a limited liability company established in Chongqing. It has been enjoying preferential policies for the development of the west part of China since 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Chongqing Fugui Electronics Co., Ltd. in 2019 was 15%.

(11) Shenzhenshi Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Shenzhenshi Yuzhan Precision Technology Co., Ltd. in 2019 was 15%.

(12) Jincheng Futaihua Precision Electronics Co., Ltd. is a limited liability company established in Jincheng City, Shanxi Province. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Jincheng Futaihua Precision Electronics Co., Ltd. in 2019 was 15%.

(All amounts in RMB thousand unless otherwise stated)

4 Taxation (Cont'd)

(c) Preferential tax treatments and approval documents (Cont'd)

(13) Henan Yuzhan Precision Technology Co., Ltd. is a limited liability company established in Zhengzhou City, Henan Province. It was certified as a high-tech enterprise in 2018. As approved by tax authorities, the actual enterprise income tax rate applicable to Henan Yuzhan Precision Technology Co., Ltd. in 2019 was 15%.

(14) ShanXi Yuding Precision Technology Co., Ltd. is a limited liability company established in Taiyuan City, Shanxi Province. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to ShanXi Yuding Precision Technology Co., Ltd. in 2019 was 15%.

(15) Shenzhen Jingjiang Yunchuang Technology Co., Ltd. is a limited liability company established in Shenzhen. It was certified as a high-tech enterprise in 2019. As approved by tax authorities, the actual enterprise income tax rate applicable to Shenzhen Jingjiang Yunchuang Technology Co., Ltd. in 2019 was 15%.

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2019	31 December 2018
Cash on hand	543	783
Cash at bank	66,581,115	60,148,973
Other cash balances	108,311	2,143,376
Deposit interest receivable	211,164	—
	66,901,133	62,293,132
Including: Overseas deposits	8,197,052	12,569,396

As at 31 December 2019, other cash balances of RMB 2,082 thousand (31 December 2018: RMB 10,294 thousand) were margin deposited by the Group to the bank who issued a letter of guarantee to the customs, while other cash balances of RMB 106,229 thousand represented margin deposited by the Group for forward exchange settlement and sales business.

As at 31 December 2018, other cash balances of RMB 2,133,082 thousand were term deposits pledged as collateral for the Group's short-term borrowings of 1,723,444 thousand (Note 5(17)).

The aforesaid margin on letters of guarantee, settlement margins and term deposits as collateral for borrowings are restricted deposits.

(2) Derivative financial assets

	31 December 2019	31 December 2018
Derivative financial liabilities - Forward exchange contracts	157,110	—

5 Notes to the consolidated financial statements(Cont'd)

(2) Derivative financial assets (Cont'd)

(a) As at 31 December 2019, derivative financial assets mainly comprised forward exchange contracts held by the Group with a nominal amount of USD 2,785,000 thousand, AUD 9000 thousand. Forward exchange contracts include non-principal forward exchange transaction contracts settled on a net basis in which the difference between the forward exchange rate determined by the contracts and the actual spot exchange rate at maturity, and forward purchase contracts for a certain amount of foreign exchange to be delivered at a certain time in the future. The Group determines the fair value based on present value of quoted prices in the open market.

(3) Accounts receivable

	31 December 2019	31 December 2018
Accounts receivable	85,503,801	87,023,807
Less: Provision for bad debts	(860,066)	(906,825)
	84,643,735	86,116,982

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	85,482,661	86,931,269
1 to 2 years	15,663	91,655
2 to 3 years	4,816	14
Over 3 years	661	869
	85,503,801	87,023,807

(b) As at 31 December 2019, the five largest accounts receivable aggregated by debtor were mainly trade receivable, and were summarised and analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total of the five largest accounts receivable	58,637,041	(586,346)	69%

(c) Accounts receivable derecognised due to transfer of financial assets are analysed as follows:

As at 31 December 2019, the Group conducted factoring of accounts receivable without recourse and derecognised RMB 2,313,873 thousand of ending balance and RMB 23,139 thousand of provision for bad debts made (31 December 2018: derecognised RMB 2,747,240 thousand of ending balance derecognised and RMB 27,472 thousand of provision for bad debts made).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable (Cont'd)

(d) Provision for bad debts

For accounts receivable, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(i) As at 31 December 2019, accounts receivable for which the related provision for bad debts is provided on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Accounts receivable 1	383	100%	(383)	Individually identified after assessment
Accounts receivable 2	174	100%	(174)	Individually identified after assessment
Accounts receivable 3	74	100%	(74)	Individually identified after assessment
Accounts receivable 4	30	100%	(30)	Individually identified after assessment
	661		(661)	

(ii) As at 31 December 2019, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Grouping - Grouping of accounts receivable:

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL(%)	Amount
Not overdue	84,071,423	1.00%	(842,281)
Overdue within 1 year	1,416,073	1.20%	(14,596)
Overdue for 1 to 2 years	10,828	10.00%	(1,083)
Overdue for 2 to 3 years	4,816	30.00%	(1,445)
	85,503,140		(859,405)

(iii) In 2019, the provision for bad debts was reversed by RMB 139,871 thousand, and provision for bad debts was provided by RMB 83,442 thousand.

In 2018, the provision for bad debts was reversed by RMB 5,051 thousand, and provision for bad debts was provided by RMB 69,636 thousand.

(iv) In 2019, the Group had no provision for accounts receivable that was actually written off (2018: Nil).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	31 December 2019		31 December 2018	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	228,837	100%	215,215	100%

(b) As at 31 December 2019, the five largest advances to suppliers were mainly advances for materials and taxes, and were analysed as follows:

	Relationship with the Group	Amount	% of total balance	Date of payment	Reason for unsettlement
Total of the five largest advances to suppliers	Third parties	92,761	41%	Within 1 year	Delivery still on schedule

(5) Other receivables

	31 December 2019	31 December 2018
Tax refund receivable	157,046	77,618
Receivable of pay on behalf	155,222	350,944
Receivables from related parties	84,549	665,015
Guarantees	3,978	44,064
Interest receivable	—	166,075
Others	76,139	85,530
	476,934	1,389,246
Less: Provision for bad debts	(20,975)	(34,519)
	455,959	1,354,727

(i) As at the date on which the financial statements were authorised for issue, RMB 53,600 thousand of receivables from related parties was collected.

(a) The ageing of other receivables is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	386,023	1,344,545
1 to 2 years	78,587	23,101
2 to 3 years	1,438	9,664
Over 3 years	10,886	11,936
	476,934	1,389,246

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements

	Stage 1					Stage 3		
	12-month ECL (grouping)		12-month ECL (individual)		Sub-total	Lifetime ECL (credit impaired)		Total
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2018	1,377,310	(22,583)	-	-	(22,583)	11,936	(11,936)	(34,519)
Changes in accounting policies	-	-	-	-	-	-	-	-
1 January2019	1,377,310	(22,583)	-	-	(22,583)	11,936	(11,936)	(34,519)
Decrease in the current year	(911,262)	-	-	-	-	(1,050)	-	-
Switch back in this year i)	-	12,494	-	-	12,494	-	1,050	13,544
31 December 2019	466,048	(10,089)	-	-	(10,089)	10,886	(10,886)	(20,975)

i) Except for changes in provision for bad debts arising from amounts increased or decreased in the current year, there were no provisions for bad debts reversed in the current year due to changes in the parameters and data used to determine the ECLs.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements (Cont'd)

As at 31 December 2019, the Group did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 31 December 2019, other receivables for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL (%)	Provision for bad debts	Reason
Stage 3:				
Other receivables 1	9,908	100%	(9,908)	Unrecoverable by estimation
Others	978	100%	(978)	Unrecoverable by estimation
	10,886		(10,886)	

(ii) As at 31 December 2019, other receivables for which the related provision for bad debts was provided on the grouping basis were all in Stage 1, which are analysed below:

	31 December 2019		
	Ending balance	Loss provision	
	Amount	Percentages	Amount
The ageing group of guarantees receivable (including deposits) and tax refund receivable:			
Within 1 year	161,024	0.00%	-
The ageing group of other receivables			
Within 1 year	226,437	0.98%	(2,230)
1 to 2 years	78,587	10.00%	(7,859)
	466,048		(10,089)

(c) In 2019, the Group's provision for bad debts reversed amounted to RMB 13,544 thousand (2018: the provision for bad debts reversed amounted to RMB 12,126 thousand).

(d) In 2019, there were no other receivables that were actually written off (2018: Nil).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables (Cont'd)

(e) As at 31 December 2019, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Other receivables 1	Tax refund receivable	61,876	Within 1 year	13%	-
Other receivables 2	Tax refund receivable	54,580	Within 1 year	11%	-
Other receivables 3	Receivables from equity transfer	29,487	1 to 2 years	6%	(2,949)
Other receivables 4	Receivables from related parties	24,150	Within 1 year	5%	(242)
Other receivables 5	Tax refund receivable	18,785	Within 1 year	4%	-
		188,878		39%	(3,191)

(f) As at 31 December 2019, the Group did not recognise government grants at amounts receivable.

(6) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	18,363,104	(739,489)	17,623,615
Finished goods	10,737,466	(212,449)	10,525,017
Semi-finished goods	8,801,437	(235,060)	8,566,377
Materials in transit	3,547,214	-	3,547,214
Delivered goods	1,383,728	-	1,383,728
	42,832,949	(1,186,998)	41,645,951

	31 December 2018		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	14,396,548	(1,126,083)	13,270,465
Finished goods	10,083,347	(392,020)	9,691,327
Semi-finished goods	9,587,051	(173,698)	9,413,353
Materials in transit	2,743,549	-	2,743,549
Delivered goods	2,348,941	-	2,348,941
	39,159,436	(1,691,801)	37,467,635

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(6) Inventories (Cont'd)

(b) Analysis of Provision for decline in the value of inventories is as follows

	31 December 2018	Increase in the current year	Write-off in the current year	Differences on translation of foreign currency financial statements	31 December 2019
Raw materials	(1,126,083)	(199,732)	593,615	(7,289)	(739,489)
Semi-finished goods	(173,698)	(161,813)	103,053	(2,602)	(235,060)
Finished goods	(392,020)	(122,159)	305,003	(3,273)	(212,449)
	(1,691,801)	(483,704)	1,001,671	(13,164)	(1,186,998)

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determining net realisable value	Reason for reversal of or written off provision for decline in the value of inventories
Raw materials	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales, utilisation or obsolescence
Semi-finished goods	It is determined based on the estimated selling price of the finished goods, less the costs of further processing and estimated costs necessary to make the sale and related taxes	Sales, utilisation or obsolescence
Finished goods	It is determined based on the estimated selling price of inventories, less the estimated costs necessary to make the sale and related taxes.	Sales or obsolescence

(7) Other current assets

	31 December 2019	31 December 2018
Input VAT to be deducted	1,466,280	1,907,618
Moulds to be amortised	135,140	527,225
Prepaid enterprise income tax	55,978	43,858
	1,657,398	2,478,701

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(8) Available-for-sale equity instruments

	31 December 2019	31 December 2018
Measured at cost		
- Available-for-sale equity instruments	—	40,760
	—	40,760
Less: Provision for impairment loss	—	-
	—	40,760
Less: Available-for-sale financial assets included in other current assets	—	-
	—	40,760

(9) Investment in equity instruments

	31 December 2019	31 December 2018
Investment in equity instruments		
- Equity of unlisted companies (Note3(28)(b))	16,928	—

	Investments in other equity instruments
31 December 2018	—
Changes in Accounting Policy (Note3(28)(b))	40,760
1 January 2019	40,760
- Purchases	13,405
- Changes in fair value	(37,760)
- Differences on translation of foreign currency financial statements	523
31 December 2019	16,928

(10) Long-term equity investments

	31 December 2019	31 December 2018
Associates (a)	551,754	393,664
Less: Provision for impairment of long-term equity investments	(18,308)	-
	533,446	393,664

The long-term equity investments in the associates had no fair value with quoted price. As at 31 December 2019 and 31 December 2018, there was no significant restriction on sales of the long-term equity investments held by the Group.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments(Cont'd)

(a) Associates

		Movements for the current year										
	31 December 2018	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method (Note 5(41))	Foreign currency translation	Adjustment to other comprehensive income	Other changes in equity	Dividends or profits declared by associates	Accrual of provision for impairment	Others	31 December 2019	Provision for impairment at the end of the year
Hope Bay Mobile Inc.	18,308	-	-	-	-	-	-	-	(18,308)	-	-	(18,308)
AMAX Engineering Corporation	125,344	-	-	1,669	1,757	(307)	-	-	-	-	128,463	-
Suirui Technology Company Limited	250,012	-	-	3,037	-	-	14,833	-	-	-	267,882	-
CyberInsight Technology (Beijing) Co., Ltd.	-	122,989	-	(5,667)	-	-	-	-	-	-	117,322	-
Shanghai Oriental Pearl Radio & Television Research Development o., Ltd.	-	16,351	-	3,128	-	-	-	-	-	-	19,479	-
Shenzhen Longlua Research Institute of New Generation Communication and Smart Computing Technology	-	300	-	-	-	-	-	-	-	-	300	-
	393,664	139,640	-	2,167	1,757	(307)	14,833	-	(18,308)	-	533,446	(18,308)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets

	Buildings	Land	Machinery and equipment	Motor vehicles	Other equipment	Office and electronic equipment	Total
Cost							
31 December 2018	2,175,015	22,675	23,692,983	78,245	2,282,195	909,077	29,160,190
Increase in the current year							
Purchase	47,641	-	1,022,286	799	116,795	104,157	1,291,678
Transfer from construction in progress (Note 5(12))	33,392	-	523,797	378	29,107	29,049	615,723
Decrease in the current year							
Disposal and obsolescence	-	-	(1,747,110)	(2,420)	(75,278)	(44,426)	(1,869,234)
Differences on translation of foreign currency financial statements	12,622	969	83,450	68	3,951	3,881	104,941
31 December 2019	2,268,670	23,644	23,575,406	77,070	2,356,770	1,001,738	29,303,298
Accumulated depreciation							
31 December 2018	(850,663)	-	(18,748,344)	(66,016)	(1,224,888)	(674,207)	(21,564,118)
Increase in the current year							
Provision	(90,958)	-	(2,033,340)	(8,674)	(262,055)	(125,319)	(2,520,346)
Decrease in the current year							
Disposal and obsolescence	-	-	1,418,899	1,395	55,711	36,041	1,512,046
Differences on translation of foreign currency financial statements	(5,077)	-	(75,272)	(55)	(2,984)	(3,128)	(86,516)
31 December 2019	(946,698)	-	(19,438,057)	(73,350)	(1,434,216)	(766,613)	(22,658,934)
Provision for impairment							
31 December 2018 and 31 December 2019	-	-	-	-	-	-	-
Carrying amount							
31 December 2019	1,321,972	23,644	4,137,349	3,720	922,554	235,125	6,644,364
31 December 2018	1,324,352	22,675	4,944,639	12,229	1,057,307	234,870	7,596,072

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets (Cont'd)

In 2019, the depreciation of fixed assets was amounted to RMB 2,520,346 thousand (2018: RMB 3,630,813 thousand), of which the amounts charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were RMB 2,076,633 thousand (2018: RMB 3,138,352 thousand), RMB 3,437 thousand (2018: RMB 5,235 thousand), RMB 90,897 thousand (2018: RMB 115,287 thousand) and RMB 349,379 thousand (2018: RMB 371,939 thousand) respectively.

As at 31 December 2019, approximately 82% of the Group's fixed assets and construction in progress were located in Mainland China (31 December 2018: over 84%).

(a) Fixed assets with pending certificates of ownership:

As at 31 December 2019 and 31 December 2018, fixed assets with pending certificates of ownership are analysed as follows:

	31 December 2019 Carrying amount	31 December 2018 Carrying amount
Buildings	1,203	1,295

As at 31 December 2019, the ownership certificates of the above buildings were still in progress.

(12) Construction in progress

	31 December 2019		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	431,100	-	431,100
Cloud computing	13,239	-	13,239
Precision tools and industrial robots	1,563	-	1,563
	445,902	-	445,902

	31 December 2018		
	Ending balance	Provision for impairment	Carrying amount
Communication and mobile network equipment	494,260	-	494,260
Cloud computing	6,078	-	6,078
Precision tools and industrial robots	735	-	735
	501,073	-	501,073

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress (Cont'd)

(a) Movement of projects of construction in progress

Project name	31 December 2018	Increase in the current year	Transfer to fixed assets in the current year (Note 5(11))	Transfer to long-term prepaid expenses in the current year	Differences on translation of foreign currency financial statements	31 December 2019	Accumulative amount of capitalised borrowing costs	Including: capitalised borrowing costs in the current period	Capitalisation rate	Source of funds
Communication and mobile network equipment	494,260	488,068	(548,055)	(5,647)	2,474	431,100	-	-	-	Self-owned funds
Cloud computing	6,078	73,962	(66,686)	-	(115)	13,239	-	-	-	Self-owned funds
Precision tools and industrial robots	735	1,810	(982)	-	-	1,563	-	-	-	Self-owned funds
Total	501,073	563,840	(615,723)	(5,647)	2,359	445,902	-	-	-	

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(13) Intangible assets

	Land use rights	Software	Trademarks	Patents	Total
Cost					
31 December 2018	174,468	154,898	191	5,988	335,545
Increase in the current year					
Purchase	10,398	20,435	-	-	30,833
Decrease in the current year					
Disposal	-	(1,880)	-	-	(1,880)
Differences on translation of foreign currency financial statements	439	684	2	105	1,230
31 December 2019	185,305	174,137	193	6,093	365,728
Accumulated amortisation					
31 December 2018	(32,325)	(104,785)	(110)	(1,343)	(138,563)
Increase in the current year					
Provision	(3,908)	(35,158)	(70)	(2,395)	(41,531)
Decrease in the current year					
Disposal	-	901	-	-	901
Differences on translation of foreign currency financial statements	(97)	(679)	(2)	(30)	(808)
31 December 2019	(36,330)	(139,721)	(182)	(3,768)	(180,001)
Provision for impairment					
31 December 2018 and 31 December 2019	-	-	-	-	-
Carrying amount					
31 December 2019	148,975	34,416	11	2,325	185,727
31 December 2018	142,143	50,113	81	4,645	196,982

In 2019, the amortisation of intangible assets was amounted to RMB 41,531 thousand (2018: RMB 31,310 thousand).

(14) Long-term prepaid expenses

	31 December 2018	Increase in the current year	Amortisation in the current year	Differences on translation of foreign currency financial statements	31 December 2019
Expenditure for improvements to fixed assets held under operating leases (i)	511,609	296,683	(173,841)	1,980	636,431
Prepaid rental fees	23,110	-	(9,563)	-	13,547
Others	14,426	10,362	(10,322)	168	14,634
	549,145	307,045	(193,726)	2,148	664,612

(i) Expenditure for improvements to fixed assets held under operating leases mainly represents the Group's expenses for decoration of plants held under operating leases and renovation of leased equipment.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting of certain debit and credit balances

	31 December 2019		31 December 2018	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Depreciation of fixed assets	1,931,396	300,147	2,126,659	353,961
Provision for decline in the value of inventories	1,186,998	241,644	1,691,801	341,171
Payable to employees	1,308,083	215,850	1,205,005	200,332
Accrued expenses	994,796	164,899	419,816	75,508
Provision for bad debts	881,041	154,397	941,344	160,248
Deductible losses	441,691	110,782	34,524	6,604
Elimination of intra-group unrealised profit	249,327	47,571	591,791	99,981
Unrealised exchange losses	-	-	16,093	3,219
Others	148,736	26,362	374,574	57,893
	7,142,068	1,261,652	7,401,607	1,298,917
Including:				
Expected to be recovered within one year (inclusive)		908,432		922,459
Expected to be recovered after one year		353,220		376,458
		1,261,652		1,298,917

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax liabilities before offsetting

	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	923,887	193,365	503,245	86,166
Estimated interest income	149,707	35,619	82,799	20,700
Changes in fair value of derivative financial assets	89,389	14,781	-	-
Unrealised exchange profit	56,227	11,232	-	-
Others	315	93	417	108
	1,219,525	255,090	586,461	106,974
Including:				
Expected to be recovered within one year (inclusive)		81,601		28,859
Expected to be recovered after one year		173,489		78,115
		255,090		106,974

(c) As at 31 December 2019, there were no deductible temporary differences and deductible losses that were not recognised as deferred tax assets (31 December 2018: Nil).

(d) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2019		31 December 2018	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(171,746)	1,089,906	(15,669)	1,283,248
Deferred tax liabilities	171,746	83,344	15,669	91,305

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(16) Provision for asset impairments

	31 December 2018	Increase in the current year	Write-off in the current year	Differences on foreign currency translation	31 December 2019
Provision for decline in the value of inventories	1,691,801	483,704	(1,001,671)	13,164	1,186,998
Provision for bad debts	941,344	(69,973)	-	9,670	881,041
Including: accounts receivable	906,825	(56,429)	-	9,670	860,066
Other receivables	34,519	(13,544)	-	-	20,975
Provision for impairment of long-term equity investments	-	18,308	-	-	18,308
	2,633,145	432,039	(1,001,671)	22,834	2,086,347

(17) Short-term borrowings

	Currency	31 December 2019	31 December 2018
Collateralised borrowings	USD	-	73,444
	RMB	-	1,650,000
Unsecured loans	USD	25,952,581	16,777,376
	RMB	800,000	2,460,000
	CZK	642,479	517,773
	TWD	778,205	951,418
	EUR	11,686	60,205
Interest payable	USD	70,917	—
	RMB	14,640	—
	TWD	777	—
		28,271,285	22,490,216

(a) In 2019, the interest rate range of RMB-denominated short-term borrowings was 3.90% to 4.99%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.45% to 4.50%.

In 2018, the interest rate range of RMB-denominated short-term borrowings was 3.92% to 5.66%, while the interest rate range for short-term borrowings denominated in currencies other than RMB was from 0.45% to 4.50%.

(b) As at 31 December 2018, collateralised borrowings of RMB 1,723,444 thousand were pledged by term deposits of RMB 2,133,082 thousand (Note 5(1)). The borrowings were mature and repaid in 2019.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(18) Accounts payable

	31 December 2019	31 December 2018
Accounts payable	67,321,345	69,730,796

As at 31 December 2019, accounts payable with ageing over one year was amounted to RMB 1,354,437 thousand (31 December 2018: RMB 1,395,399 thousand), which were mainly trade payables for raw material. The payment has not yet been finalized.

(19) Advances from customers

	31 December 2019	31 December 2018
Advances from customers	103,398	57,971

(a) As at 31 December 2019, advances from customers with ageing over one year and a carrying amount of RMB 8,494 thousand (as at 31 December 2018: 477 thousand) ,were mainly advances for goods, which were unsettled as business transactions were not completed.

(20) Employee benefits payable

	31 December 2019	31 December 2018
Short-term employee benefits payable (a)	4,893,918	4,304,910
Defined contribution plans payable (b)	79,255	77,263
	4,973,173	4,382,173

(a) Short-term employee benefits

	31 December 2018	Increase in the current year	Decrease in the current year	Differences on Foreign currency translation	31 December 2019
Wages and salaries, bonus, allowances and subsidies	4,138,109	17,752,227	(17,248,571)	6,271	4,648,036
Staff welfare	13,384	183,077	(175,123)	15	21,353
Social security contributions	26,126	558,860	(552,937)	-	32,049
ncluding: Medical insurance	15,074	487,939	(484,895)	-	18,118
Work injury insurance	5,422	24,397	(23,714)	-	6,105
Maternity insurance	5,630	46,524	(44,328)	-	7,826
Housing funds	23,111	358,905	(348,761)	46	33,301
Labour union funds and employee education funds	51,688	250,169	(197,865)	8	104,000
Overseas social security	52,492	192,234	(189,672)	125	55,179
	4,304,910	19,295,472	(18,712,929)	6,465	4,893,918

(b) Defined contribution plans

	31 December 2018	Increase in the current year	Decrease in the current year	Differences on foreign currency translation	31 December 2019
Basic pensions	51,733	992,715	(998,705)	-	45,743
Unemployment insurance	2,369	37,600	(33,412)	-	6,557
Overseas pensions	23,161	148,295	(144,561)	60	26,955
	77,263	1,178,610	(1,176,678)	60	79,255

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(21) Taxes payable

	31 December 2019	31 December 2018
Enterprise income tax payable	1,812,028	2,669,285
VAT payable	248,566	234,480
City maintenance and construction tax payable	133,135	38,491
Educational surcharge payable	92,716	27,156
Individual income tax payable	10,935	10,378
Others	24,893	100,136
	2,322,273	3,079,926

(22) Other payables

	31 December 2019	31 December 2018
Combination cost payable of Business Restructuring(i)(Note 8(5))	4,591,396	7,331,228
Payables to related parties (Note 8(5))	3,245,035	16,120,360
Repurchase obligation of restricted stocks (Note 5(47))	941,396	-
Rentals payable	494,527	516,345
Guarantees	481,257	423,092
Maintenance and repair fee payable	326,247	520,811
Construction and equipment expenses payable	228,241	439,962
Royalty fee payable	155,772	129,291
Advances received/paid on half	151,189	128,958
Mould fee payable	96,425	97,474
Dividends payable to restricted stocks	19,245	-
Interest payable to related parties (Note 8(5))	16,755	16,524
Interest payable of short-term borrowings	—	160,887
Others	1,848,335	2,012,523
	12,595,820	27,897,455

As at 31 December 2019, other payables with ageing over one year of RMB 6,121,103 thousand were mainly combination cost payable of Restructuring Businesses and related party payables (31 December 2018: RMB 8,706,123 thousand, mainly combination cost payable of Restructuring Businesses and related party payables).

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(22) Other payables (Cont'd)

(i) Combination cost payable of Business Restructuring

According to the Reconstructing Plan, the Company's Reconstructing Assets acquired by means of cash payment include certain internal and external equities and operating assets related to internal and external Restructuring Business (primarily including production and operation equipment, moulds, inventories, etc.).

As at 31 December 2017 (restructuring completion date), according to the Reconstructing Plan and the signed equity and asset transfer agreement, the combination consideration recognised and to be paid to Hon Hai Precision and its subsidiaries (including taxes) was totally RMB 22,954,739 thousand, and the combination consideration equivalent to RMB 22,001,858 thousand (excluding taxes) was deducted against shareholders' equity in accordance with the requirements of business combination under common control. As at 31 December 2019, the combination cost of the Restructuring Businesses paid by the Group was amounted to RMB 18,363,343 thousand, while the balance of the combination cost payable of Restructuring Business was amounted to RMB 4,591,396 thousand.

(23) Other current liabilities

	31 December 2019	31 December 2018
Short-term notes and bills payable (i)	209,320	179,079
Product warranties expected to be settled within one year (Note 5(25))	173,239	167,267
Others	2,755	847
	385,314	347,193

(i) On 5 December 2019, the Group's subsidiaries issued short-term notes and bills at par value of TWD 100,000 thousand (equivalent to RMB 23,258 thousand) at discount. The issuing price was RMB 9995.92/RMB 10 thousand. The term of the short-term notes and bills was 30 days and the interest rate was 0.938%. The short-term notes and bills were repaid upon maturity in January 2020.

On 6 December 2019, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 93,031 thousand) at discount. The issuing price was RMB 9995.92/RMB 10 thousand. The term of the short-term notes and bills was 29 days and the interest rate was 0.938%. The short-term notes and bills were repaid upon maturity in January 2020.

On 23 December 2019, the Group's subsidiaries issued short-term notes and bills at par value of TWD 400,000 thousand (equivalent to RMB 93,031 thousand) at discount. The issuing price was RMB 9995.92/RMB 10 thousand. The term of the short-term notes and bills was 22 days and the interest rate was 0.938%. The short-term notes and bills were repaid upon maturity in January 2020.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(24) Deferred income

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Government grants	6,983	19,594	(7,773)	18,804

Government grant project	31 December 2018	Grants addition in the current year	Amount recognised in other income in the current year (Note 5(40))	31 December 2019	Assets related/ Income related
Subsidy for research and development	2,476	17,625	(5,753)	14,348	Assets related
Funds for technology renovation discount	4,507	1,969	(2,020)	4,456	Assets related
	6,983	19,594	(7,773)	18,804	

(25) Provisions

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Product warranties	341,816	244,798	(223,877)	362,737
Less: Provisions expected to be paid within one year (Note 5(23))	(167,267)			(173,239)
	174,549			189,498

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(26) Share capital

		Movements in the current year (Note 1)					
	31 December 2018	Shares newly issued (ii)	Bonus share	Transfer from reserves	Others	Sub-total	31 December 2019
Ordinary shares denominated in RMB	19,695,300	159,532	-	-	-	159,532	19,854,832

		Movements in the current year					
	31 December 2017	Shares newly issued (ii)	Bonus share	Transfer from reserves	Others	Sub-total	31 December 2018
Ordinary shares denominated in RMB	17,725,770	1,969,530	-	-	-	1,969,530	19,695,300

(i) Pursuant to the approval of CSRC in the *Reply on Approving the Initial Public Offering of Foxconn Industrial Internet Co., Ltd.* (Zheng Jian Xu Ke [2018] No.815) on 11 May 2018, the Company was authorised to issue 1,969,530,023 RMB ordinary shares to the public. The issuing price was RMB 13.77 per share and raised funds totalled RMB 27,120,428 thousand. After deducting issuance costs, the net raised fund amounted to RMB 26,716,439 thousand, of which RMB 1,969,530 thousand and RMB 24,746,909 thousand were recognised in share capital and capital surplus, respectively. The increment of share capital by public offering of stocks was verified by PricewaterhouseCoopers Zhong Tian LLP, with a capital verification report of PwC ZT Yan Zi (2018) No. 0163) issued.

(ii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meetings of the Board of Directors for the approval of the grant plan on 30 April 2019, granting 149,183,352 restricted RMB ordinary shares to 3,893 incentive targets, with the granting price of RMB 6.03 per share. The Company received share contributions amounting to RMB 899,576 thousand in total, with the share capital increased by RMB 149,184 thousand and the capital surplus increased by RMB 750,392 thousand (Note 5(27)). The change in share capital has been verified by PricewaterhouseCoopers Zhong Tian LLP, with the capital verification report of PwC ZT (2019) No. 0282 issued.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(26) Share capital (Cont'd)

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 11 September 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant 11,255,180 restricted ordinary shares (A shares) to 396 restricted stock incentive targets at a granting price of RMB 5.901 per share. The Company actually received share contributions amounting to RMB 61,065 thousand in total from 364 subscribers, with the share capital increased by RMB 10,348 thousand and the capital surplus increased by RMB 50,717 thousand. The change in share capital has been verified by PricewaterhouseCoopers Zhong Tian LLP, with the capital verification report of PwC ZT (2019) No. 0577 issued.

(27) Capital Surplus

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Capital premium				
- Shares newly issued (Note 5(26))	24,746,909	801,109	-	25,548,018
Other capital surplus				
- Others (Note 5(10) and Note 5(47))	375,050	769,181	-	1,144,231
	25,121,959	1,570,290	-	26,692,249

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Capital premium	-	24,746,909	-	24,746,909
Other capital surplus				
- Others	-	375,050	-	375,050
	-	25,121,959	-	25,121,959

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(28) Surplus reserve

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	289,183	451,031	-	740,214

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Statutory surplus reserve	-	289,183	-	289,183

In accordance with the *Company Law* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution at the Board of Directors, the Company appropriated 10% of undistributed profits, amounting to RMB 451,031 thousand in 2019 (2018: RMB 289,183 thousand) to the statutory surplus reserve.

(29) Undistributed profits

	2019	2018
Undistributed profits at the beginning of the year	26,710,822	10,097,698
Add: Net profit attributable to shareholders of the parent company for the current year	18,606,184	16,902,307
Less: Ordinary share dividends (a)	(2,559,938)	-
Less: Appropriation to statutory surplus reserve (Note 5(28))	(451,031)	(289,183)
Add: Revocable cash dividends on restricted stocks	752	-
Undistributed profits at the end of the year	42,306,789	26,710,822

(a) Pursuant to the resolution of the shareholders' general meeting held on 14 June 2019 and the announcement on the implementation of 2018 annual interest distribution issued on 17 May 2019, the Company proposed a cash dividend to the shareholders at RMB 1.29 (tax inclusive) per 10 shares, amounting to RMB 2,559,938 thousand (tax inclusive) calculated by 19,844,483,574 issued shares on the date of share registration.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(30) Minority interests

Minority interests attributable to minority shareholders of subsidiaries

	31 December 2019	31 December 2018
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	33,314	23,515
Jincheng Hongshuo Intelligent Technology Co., Ltd.	18,141	-
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	12,674	21,967
Guangxi Fumeng Innovation Technology Co., Ltd.	3,882	4,524
	68,011	50,006

(31) Revenue and cost of sales

	2019	2018
Revenue from main operations	408,100,651	412,896,627
Revenue from other operations	596,930	2,481,070
	408,697,581	415,377,697

	2019	2018
Cost of sales from main operations	(374,032,935)	(377,641,261)
Cost of sales from other operations	(418,033)	(1,844,718)
	(374,450,968)	(379,485,979)

In 2019 and 2018, the Group's three largest customers' individual revenue accounted for more than 10% of the Group's total revenue respectively. The combined revenue of the three largest customers accounted for more than 50% of the Group's total revenue.

(a) Revenue and cost of sales from main operations

	2019		2018	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Communication and mobile network equipment	244,553,638	(217,232,881)	259,154,064	(230,463,240)
Cloud computing	162,922,637	(156,377,054)	153,223,898	(146,828,203)
Industrial Internet	624,376	(423,000)	518,665	(349,818)
	408,100,651	(374,032,935)	412,896,627	(377,641,261)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(31) Revenue and cost of sales (Cont'd)

(b) Revenue and cost of sales from other operations

	2019		2018	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Revenue from rendering of services	298,461	(240,922)	305,643	(244,301)
Sales of materials and scraps	201,395	(132,190)	1,856,573	(1,455,573)
Rental income	97,074	(44,921)	318,854	(144,844)
	596,930	(418,033)	2,481,070	(1,844,718)

(32) Taxes and surcharges

	2019	2018
City maintenance and construction tax	270,443	130,535
Educational surcharge	192,593	82,634
Stamp tax	126,296	138,888
Real estate tax	10,223	21,770
Others	42,022	82,206
	641,577	456,033

(33) Selling and distribution expenses

	2019	2018
Transportation, rental and storage expenses	1,055,891	1,042,692
Employee benefits	382,612	402,778
After-sale service fee	78,833	71,682
Packaging expenses	74,794	178,693
Others	140,772	95,283
	1,732,902	1,791,128

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(34) General and administrative expenses

	2019	2018
Employee benefits	2,336,678	3,008,689
Management service fee	354,126	406,923
Rental expenses	203,599	245,474
Depreciation and amortisation	134,492	149,672
Energy fee	72,094	65,922
Maintenance fee	55,365	67,364
Environmental expenditures	24,075	32,084
Insurance expenses	18,954	50,037
Others	321,685	325,792
	3,521,068	4,351,957

(35) Research and development expenses

	2019	2018
Employee benefits	4,458,156	4,002,104
Material consumption fee	2,428,321	2,550,645
Technical service fee	1,371,872	927,390
Depreciation and amortisation	410,245	448,953
Maintenance fee	185,193	558,815
Processing expenses	136,781	179,903
Rental expenses	121,282	101,835
Inspection fee	94,871	112,700
Others	220,459	116,534
	9,427,180	8,998,879

(36) Financial income - net

	2019	2018
Interest costs	753,125	682,611
Less: Capitalised interest	-	-
Interest expenses	753,125	682,611
Less: Interest income	(1,524,448)	(988,745)
Exchange losses - net	20,283	(29,278)
Others	15,724	11,314
	(735,316)	(324,098)

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(37) Expenses by nature

The cost of sales, selling and distribution expenses, research and development expenses and general and administrative expenses in the income statement are listed as follows by nature:

	2019	2018
Changes in inventories of finished goods and work in progress	1,096,708	(1,821,086)
Consumed raw materials, moulds, low value consumables, processing fee and other low-value consumables	351,341,647	355,841,807
Employee benefits	16,770,274	18,982,920
Research and development expenses	9,427,180	8,998,878
Depreciation and amortisation	2,335,795	3,418,966
Rental and storage expenses	1,683,270	1,810,004
Energy fee	1,514,028	1,526,710
Logistics expenses	1,253,865	1,306,554
Management service fee	853,757	937,616
Maintenance fee	814,429	1,493,356
Security service fee	219,264	365,282
Environmental expenditures	151,601	193,200
Packaging expenses	144,936	202,080
Others	1,525,364	1,371,656
	389,132,118	394,627,943

(38) Losses on/(Reversal of) credit impairment losses

	2019	2018
Reversal of bad debts of accounts receivable	(56,429)	—
Reversal of bad debts of other receivables	(13,544)	—
	(69,973)	—

(39) Asset impairment losses

	2019	2018
Losses on decline in value of inventories	483,704	683,853
Losses on impairment of long-term equity investments	18,308	-
Losses on bad debt	—	52,459
	502,012	736,312

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(40) Other income

	2019	2018	Asset related/ Income related
Supporting funds for enterprises	1,327,470	318,309	Income related
Logistics subsidies	81,706	89,800	Income related
Subsidies for export increment	70,122	26,287	Income related
Subsidies for technology renovation (Note 5(24))	7,773	4,692	Assets related
Others	119,250	54,004	Income related
	1,606,321	493,092	

(41) Investment income

	2019	2018
Investment income from disposal of derivative financial assets (liabilities)	159,293	—
Investment losses on disposal of financial assets at fair value through profit or loss	—	(421,067)
Investment income/(losses) from long-term equity investment under the equity method (Note 5(10))	2,167	(1,672)
Investment income earned during the holding period of available-for-sale financial assets	-	2,577
	161,460	(420,162)

There is no significant restriction on the repatriation of investment income of the Group.

(42) Gains on changes in fair value

	2019	2018
Foreign currency forward contract	156,692	(115)

(43) (Losses)/Gains on disposal of assets

	2019	2018
Gains on disposal of non-current assets	149,656	212,606
Including: Gains on disposal of fixed assets	149,653	111,678
Gains on disposal of intangible assets	3	100,928
Losses on disposal of non-current assets	(194,723)	(84,299)
Including: Losses on disposal of fixed assets	(194,723)	(84,299)
	(45,067)	128,307

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(44) Non-operating income and expenses

(a) Non-operating income

	2019	2018
Income from default punishment compensation	43,988	5,130
Amounts not to be paid	13,566	8,946
Others	27,614	24,024
	85,168	38,100

(b) Non-operating expenses

	2019	2018
Penalties and overdue fines	15,287	2,369
Donations	1,475	2,372
Expenses for default punishment	-	27
Others	42,539	44,474
	59,301	49,242

(45) Income tax expenses

	2019	2018
Current income tax calculated based on tax law and related regulations	2,341,007	2,898,505
Deferred income tax	185,381	265,425
	2,526,388	3,163,930

The reconciliation from the total profit presented in the consolidated income statement to the income tax expenses is listed below:

	2019	2018
Total profit	21,132,436	20,071,487
Income tax expenses calculated at applicable statutory tax rates	5,283,109	5,017,872
Effect of difference in the tax rates	(1,825,265)	(1,845,801)
Additional deduction of R&D expenditure	(987,262)	(110,555)
Income tax filing difference	(11,823)	25,901
Additional deduction of expenses of disabled staff	(5,600)	(5,111)
Costs, expenses and losses not deductible for tax purposes	73,229	81,624
Income tax expenses	2,526,388	3,163,930

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(46) Other comprehensive income

	Other comprehensive income/(loss) in the balance sheet			2019				
	31 December 2018	Attributable to the parent company - net of tax	31 December 2019	Amount incurred before income tax for the current year	Less: Previously recognised in other comprehensive income but transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders after tax
Changes in fair value of investments in other equity instruments	-	(37,760)	(37,760)	(37,760)	-	-	(37,760)	-
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	-	(307)	(307)	(307)	-	-	(307)	-
Differences on translation of foreign currency financial statements	477,370	189,441	666,811	189,441	-	-	189,441	-
	477,370	151,374	628,744	151,374	-	-	151,374	-

	Other comprehensive income/(loss) in the balance sheet			2018				
	31 December 2017	Attributable to the parent company - net of tax	31 December 2018	Amount incurred before income tax for the current year	Less: Previously recognised in other comprehensive income but transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to minority shareholders after tax
Differences on translation of foreign currency financial statements	337,591	139,779	477,370	139,779	-	-	139,779	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments

Equity-settled share-based payment

(a) Overview of restricted stock incentive plan

	2019
Outstanding restricted stocks issued at the beginning of the year (share)	253,209,656
Total restricted stocks granted in the current year (share)	159,531,677
Total restricted stocks exercised in the current year (share)	-
Total restricted stocks forfeited in the current year (share)	(11,857,050)
Outstanding restricted stocks issued at the end of the year (share)	400,884,283
Financial liabilities recognised at the end of the year	941,396
Treasury stock recognised at the end of the year	942,148
Expenses recognised for equity-settled share-based payments in the current year	712,962
Cumulative expenses recognised for equity-settled share-based payments	1,081,752

(i) As approved by the resolution of the second meeting of the first Board of Directors on 6 December 2017 and the resolution of the second extraordinary shareholders' meeting in 2017, some employees of the Group indirectly held a total of 1.4625% of 259,240,433 RMB ordinary shares issued by the Company through a number of limited partnerships on the completion date of the restructuring (31 December 2017). These RMB ordinary shares have restrictive conditions ("conditional equity instruments"), and employees can only unlock them after the expiration of the service period stipulated in the above limited partnership agreement.

At the grant date, the fair value of the above conditional equity instruments was RMB 2,143,141 thousand. The fair value was assessed by qualified professional organisations using valuation techniques. The difference between the fair value of the conditional equity instruments and the consideration paid by the employees to acquire the equity instruments is amortised over the service period of approximately 3 to 5 years from the grant date.

In 2019, expenses recognised for the above share-based payments were RMB 291,133 thousand (2018: RMB 368,790 thousand) and the amount recognised in capital surplus was RMB 291,133 thousand (2018: RMB 368,790 thousand).

(ii) In accordance with relevant provisions of the Incentive Plan (Revised Draft) and the authorisation of the first extraordinary shareholders' meeting in 2019, the Company held a meeting of the Board of Directors for the approval of the first grant plan on 30 April 2019, granted a total of 149,183,352 restricted RMB ordinary shares to 3,893 incentive objects at a granting price of RMB 6.03 per share, received share contributions amounting to RMB 899,576 thousand in total, and recognised a liability of RMB 899,576 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payment (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(ii) According to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.39.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted, The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th post lock-up period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th post lock-up period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus and minority interests accordingly.

Based on the Group's profit forecast for 2019 to 2023, the Group estimated that it could meet the performance conditions for the 1st, 2nd, 3rd, 4th and 5th post lock-up periods. Therefore, as at 31 December 2019, the Group estimated that there would be 144,159,464 shares that could be eventually unlocked. In 2019, expenses recognised for the above share-based payments were RMB 412,114 thousand and the amount recognised in capital surplus was RMB 412,114 thousand.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payment (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 11 September 2019 for the approval of *the Proposal of Granting Certain Reserved Equities to Incentive Targets of the Company's 2019 Stock Options and Restricted Stock Incentive Plan*, intending to grant a total of 11,255,180 restricted RMB ordinary shares to 396 incentive targets at a granting price of RMB 5.901 per share,. As at 25 September 2019, the actual number of subscribers was 364, and a total of 10,348,325 shares were subscribed, with a total of RMB 61,065 thousand share contributions received. The Company also recognised a liability of RMB 61,065 thousand for the obligation to repurchase the restricted stocks, as purchase of treasury stock. The portion of the employee's share price lower than the fair value of the restricted stock granted to the Japanese company constitutes share-based payment.

According to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment and other provisions, the fair value of the restricted stock granted this time was based on the closing price of the Company's stock on the grant date. After calculation, the fair value of the share-based payment for each restricted stock was RMB 9.31.

In accordance with the provisions of the restricted stock incentive plan, the service period of the shareholding employees is strictly restricted. The post lock-up periods and their schedules for the restricted stocks are presented in the table below:

Post lock-up arrangement	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the granting date of the reserved portion to the last trading day within 24 months after the granting date of the reserved portion	20%
2nd post lock-up period	From the first trading day after 24 months since the granting date of the reserved portion to the last trading day within 36 months after the granting date of the reserved portion	20%
3rd post lock-up period	From the first trading day after 36 months since the granting date of the reserved portion to the last trading day within 48 months after the granting date of the reserved portion	20%
4th post lock-up period	From the first trading day after 48 months since the granting date of the reserved portion to the last trading day within 60 months after the granting date of the reserved portion	20%
5th post lock-up period	From the first trading day after 60 months since the granting date of the reserved portion to the last trading day within 72 months after the granting date of the reserved portion	20%

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(a) Overview of restricted stock incentive plan (Cont'd)

(iii) Accordingly, the amortisation period determined by the Group of share-based payment expenses of shareholding proportion of 20%, 20%, 20%, 20% and 20% was 1 year, 2 years, 3 years, 4 years and 5 years respectively. As at each balance sheet date in the service period with a maximum of 5 years since the granting date, based on subsequent information such as the latest employee turnover rate, the achievement of performance targets, the Group made the best estimate of the number of shares expected to be unlocked, amended the number of equity instruments expected to be unlocked, and charged the corresponding employee services acquired in the current period to relevant costs or expenses at the fair value on the granting date, and adjusted capital surplus and minority interests accordingly.

Based on the profit forecast for 2019 to 2023, the Group estimated that it could meet the performance conditions for the 2nd, 3rd, 4th and 5th post lock-up periods. Therefore, as at 31 December 2019, the Group estimated that there would be 9,141,550 shares that could be eventually unlocked. In 2019, expenses recognised for the above share-based payments were RMB 9,715 thousand and the amount recognised in capital surplus was RMB 9,715 thousand.

(b) Overview of stock option plan

(i) Movements of outstanding stock options in 2019

	2019
Stock options issued at the beginning of the year	-
Stock options granted during the current year	26,420,021
Stock options exercised during the current year	-
Stock options lapsed in current year	(1,156,575)
Stock options issued at the end of the year	25,263,446

No stock options were exercised this year.

(ii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 30 April 2019 for the approval of the initial granting plan, granting a total of 25,947,021 stock options to 892 stock option incentive targets at an exercise price of RMB 12.05 per share on 30 April 2019, the granting date. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(ii) The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the granting date to the last trading day within 24 months after the granting date	20%
2nd exercise period	From the first trading day after 24 months since the granting date to the last trading day within 36 months after the granting date	20%
3rd exercise period	From the first trading day after 36 months since the granting date to the last trading day within 48 months after the granting date	20%
4th exercise period	From the first trading day after 48 months since the granting date to the last trading day within 60 months after the granting date	20%
5th exercise period	From the first trading day after 60 months since the granting date to the last trading day within 72 months after the granting date	20%

In 2019, the Group recognised expenses for share-based payment of RMB 41,120 thousand. As at each balance sheet date during the service period with a maximum of 5 years since the grant date, based on subsequent information such as the latest employee turnover rate and the achievement of performance indicators, the Group made the best estimate of the number of options that are expected to be exercised, amended the number of equity instruments expected to be exercised, and recognised the corresponding employee services acquired in the current period as relevant costs or expenses at the fair value on the grant date, and adjusted capital surplus accordingly.

Determination method for fair value of stock options at the granting date

The fair value of stock options at the granting date was estimated by using the Black-Scholes Option Pricing Model, after taking the terms and conditions for stock options into consideration. The table below shows the inputs of the model used:

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.00%-39.57%
Risk-free interest rate during the option life	2.72%-3.22%
Exercise price on the grant date (RMB/share)	12.05

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iii) Pursuant to *Incentive Plan (Revised Draft)* and the authorisation of the Company's 2019 first extraordinary general meeting, the Company held the meeting of Board of Directors on 13 September 2019 for the approval of the *Proposal of Granting Certain Remaining Reserved Equities to Incentive* Targets *of the Company's 2019 Share Options and Restricted Share Incentive Scheme*, intending to grant a total of 473,000 stock options to 74 incentive targets at a granting price of RMB 11.921 per share. The grant date was 11 September 2019. Stock options do not give the holders the right to receive dividend or vote at the shareholders' general meeting before exercise.

The service period of the outstanding stock option plan is divided into five stages:

Exercise arrangement	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the grant date of the reserved part to the last trading day within 24 months after the grant date of the reserved part	20%
2nd exercise period	From the first trading day after 24 months since the grant date of the reserved part to the last trading day within 36 months after the grant date of the reserved part	20%
3rd exercise period	From the first trading day after 36 months since the grant date of the reserved part to the last trading day within 48 months after the grant date of the reserved part	20%
4th exercise period	From the first trading day after 48 months since the grant date of the reserved part to the last trading day within 60 months after the grant date of the reserved part	20%
5th exercise period	From the first trading day after 60 months since the grant date of the reserved part to the last trading day within 72 months after the grant date of the reserved part	20%

In 2019, the Group recognised share-based expenses of RMB 266 thousand. As at each balance sheet date during the service period with a maximum of 5 years since the grant date, based on subsequent information such as the latest employee turnover rate and the achievement of performance indicators, the Group made the best estimate of the number of options that are expected to be exercised, amended the number of equity instruments expected to be exercised, and recognised the corresponding employee services acquired in the current period as relevant costs or expenses at the fair value on the grant date, and adjusted capital surplus accordingly.

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(47) Share-based payments (Cont'd)

Equity-settled share-based payments (Cont'd)

(b) Overview of stock option plan (Cont'd)

(iii) Determination method for fair value of stock options at the grant date

The fair value of the granted stock options at the grant date was estimated by using the Black Scholes Option Pricing Model, after taking the terms and conditions of stock options into consideration. The table below shows the inputs of the model used:

Estimated dividend yields (i)	0.00%
Estimated volatility of the share price	35.67%-39.73%
Risk-free interest rate during the option life	2.62%-3.03%
Exercise price on grant date (RMB / share)	11.921

(i) If the Company pays dividends or allocates shares during the period from the date of announcement of the incentive plan to the completion of exercise of the stock options by the incentive targets, the exercise price shall be adjusted downward accordingly. Therefore, the estimated dividend yields entered by the Company when calculating the fair value of stock options at the grant date is zero.

(48) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	2019	2018
Consolidated net profit attributable to ordinary shareholders of the parent company (net of cash dividends distributed to holders in the current year whose restricted shares are expected to be unlocked)	18,587,692	16,902,307
Weighted average number of ordinary shares outstanding issued by the Company	19,695,300	18,837,341
Basic earnings per share (RMB Yuan)	0.94	0.90
Including:		
- Basic earnings per share from continuing operations:	0.94	0.90
- Basic loss per share after discontinued operations:	-	-

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(48) Earnings per share (Cont'd)

(a) Basic earnings per share (Cont'd)

(i) In calculating the weighted average number of outstanding ordinary shares of the Company, the ordinary shares issued as consideration to Hon Hai Precision and its subsidiaries in business combinations involving enterprises under common control, which are deemed to have been issued at the beginning of the earliest reporting period, are included in the weighted average number of ordinary shares during the reporting period; ordinary shares issued as consideration to minority shareholders of subsidiaries in business combinations involving enterprises not under common control are included in the weighted average number of ordinary shares during the reporting period from the date of acquisition; ordinary shares issued publicly are included in the weighted average number of ordinary shares during the reporting period from the date of listing.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. The Company had granted 159,531,677 restricted RMB ordinary shares and 26,420,021 stock options to employees in 2019, which are dilutive to the consolidated net profit attributable to the ordinary shares of the parent company. Diluted earnings per share during the reporting period was RMB 0.94 (2018: RMB 0.90).

(49) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2019	2018
Interest income	1,473,439	683,656
Subsidies received	1,190,408	492,730
Compensation income	43,988	5,130
Recovery of margin on letters of guarantee	8,212	325,856
Others	186,049	24,025
	2,902,096	1,531,397

(b) Cash paid relating to other operating activities

	2019	2018
Research and development and management service expenses	3,392,226	3,545,229
Rental expenses	1,753,765	1,536,152
Energy fee	1,738,490	1,526,710
Environmental expenditures	151,601	193,200
Advances paid on behalf of others	-	158,877
Others	291,581	325,421
	7,327,663	7,285,589

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(49) Notes to the cash flow statement (Cont'd)

(c) Cash received relating to other investing activities

	2019	2018
Time deposits recovered upon maturity	11,512	50,033
Recovery of restricted cash	-	129,666
Recovery of entrusted loans	-	28,997
	11,512	208,696

(d) Cash paid relating to other investing activities

	2019	2018
Payment of restricted cash	106,229	129,666
Payment of time deposits	5,053	62,021
	111,282	191,687

(e) Cash received relating to other financing activities

	2019	2018
Recovery of restricted cash	2,133,082	4,810,607
Receipt of entrusted loans and related party borrowings	-	433,015
	2,133,082	5,243,622

(f) Cash paid relating to other financing activities

	2019	2018
Payment of restructuring cost payable	2,739,832	14,420,652
Payment of intermediary fees	-	46,669
Payment of restricted cash	-	5,950,616
Repayment of entrusted loans and related party borrowings	-	1,825,292
	2,739,832	22,243,229

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(50) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2019	2018
Net profit	18,606,048	16,907,557
Add: Asset impairment losses	502,012	736,312
Reversal of credit impairment	(69,973)	—
Depreciation and amortisation of long-term assets	2,746,040	3,867,919
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	45,067	(128,307)
Amortisation of share-based payments	754,348	-
(Gains)/Losses on changes in fair value	(156,692)	115
Financial expenses	747,206	543,597
Investment (income)/losses	(161,460)	420,162
Decrease in deferred tax assets	193,342	174,120
(Decrease)/Increase in deferred tax liabilities	(7,961)	91,305
Increase in inventories	(3,673,513)	(2,065,146)
Decrease/(Increase) in operating receivables	2,945,946	(5,367,129)
(Decrease)/Increase in operating payables	(16,031,123)	6,825,082
Net cash flows from operating activities	6,439,287	22,005,587

(b) Changes in cash

	2019	2018
Cash at the end of the year	66,571,627	60,133,266
Less: Cash at the beginning of the year	(60,133,266)	(14,185,257)
Net increase in cash	6,438,361	45,948,009

(c) Cash

	31 December 2019	31 December 2018
Cash		
Including: Cash on hand	543	783
Cash at bank that can be readily drawn on demand	66,571,084	60,132,483
Cash at the end of the year	66,571,627	60,133,266

Cash at bank that cannot be readily drawn on demand is mainly fixed deposits with the term of over three months

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(51) Monetary items denominated in foreign currency

	31 December 2019		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash at bank and on hand -			
USD	1,306,761	6.9762	9,116,227
VND	1,822,576,667	0.0003	546,773
AUD	97,186	4.8843	474,688
INR	2,482,860	0.0979	243,072
JPY	1,603,853	0.0641	102,807
TWD	173,027	0.2326	40,246
EUR	3,447	7.8155	26,937
HKD	17,281	0.8958	15,480
			10,566,230
Receivables -			
USD	10,965,599	6.9762	76,498,213
EUR	51,067	7.8155	399,113
CZK	1,143,670	0.3071	351,221
JPY	3,716,927	0.0641	238,255
KRW	16,260,833	0.0060	97,565
INR	827,804	0.0979	81,042
AUD	10,185	4.8843	49,745
TWD	134,639	0.2326	31,317
VND	35,793,333	0.0003	10,738
HKD	9,971	0.8958	8,932
			77,766,141
Short-term borrowings -			
USD	3,730,326	6.9762	26,023,498
TWD	3,349,020	0.2326	778,982
CZK	2,092,084	0.3071	642,479
EUR	1,495	7.8155	11,686
			27,456,645

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(51) Monetary items denominated in foreign currency(Cont'd)

	31 December 2019		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Payables -			
USD	8,216,414	6.9762	57,319,344
CZK	4,053,002	0.3071	1,244,677
TWD	1,538,659	0.2326	357,892
EUR	46,595	7.8155	364,163
VND	2,995,293,333	0.0003	898,588
JPY	2,208,986	0.0641	141,596
HKD	57,384	0.8958	51,405
INR	349,775	0.0979	34,243
			60,411,908

	31 December 2018		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Cash and cash equivalents -			
USD	2,263,822	6.8632	15,537,063
HKD	88,850	0.8762	77,850
EUR	8,488	7.8473	66,608
JPY	2,062,940	0.0619	127,696
TWD	44,364	0.2234	9,911
AUD	89,353	4.8250	431,128
INR	873,367	0.0989	85,590
VND	141,460,000	0.0003	42,438
			16,378,284
Receivables -			
USD	11,758,702	6.8632	80,702,324
JPY	1,637,447	0.0619	101,358
EUR	86,213	7.8473	676,539
HKD	2,824	0.8762	2,474
TWD	433,460	0.2234	96,835
AUD	17,975	4.8250	86,729
INR	1,868,796	0.0989	183,142
VND	9,006,667	0.0003	2,702
			81,852,103

(All amounts in RMB thousand unless otherwise stated)

5 Notes to the consolidated financial statements (Cont'd)

(51) Monetary items denominated in foreign currency(Cont'd)

	31 December 2018		
	Balances denominated in foreign currencies	Exchange rate	Balances denominated in RMB
Short-term borrowings -			
USD	2,455,242	6.8632	16,850,820
CZK	1,702,081	0.3042	517,773
EUR	7,672	7.8473	60,205
TWD	4,258,809	0.2234	951,418
			18,380,216
Payables -			
USD	10,199,010	6.8632	69,997,845
JPY	882,262	0.0619	54,612
HKD	40,607	0.8762	35,580
EUR	55,313	7.8473	434,058
TWD	386,038	0.2234	86,241
INR	323,806	0.0989	31,733
VND	2,159,786,667	0.0003	647,936
			71,288,005

The above monetary items denominated in foreign currency refer to all currencies other than RMB (the scope of which is different from the foreign currency items in Note 12(1)(a)).

(All amounts in RMB thousand unless otherwise stated)

6 Changes of the scope of consolidation

In 2019, the Group established the following major subsidiaries:

Name of entity	Way of acquisition	Date of incorporation	Capital contributions
Flow Vision Technology Company	Establishment	18 April 2019	RMB 1,200,000
Fu Jia Zhichuang (Shenzhen) Technology Co., Ltd.	Establishment	25 April 2019	RMB 1,180,000
FII USA Inc	Establishment	2 May 2019	USD 6,000,000
Fu Ji Yun (Shenzhen) Technology Co., Ltd.	Establishment	10 May 2019	RMB 1,000,000
System Integration (Haining) Electronics Co., Ltd.	Establishment	3 June 2019	RMB 300,000,000 (no actual capital contribution)
Zhengzhou Fulian Intelligent Workshop Co., Ltd.	Establishment	11 June 2019	RMB 10,000,000 (no actual capital contribution)
Lankao Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Establishment	21 June 2019	RMB 50,000,000 (no actual capital contribution)
ICSA, Inc.	Establishment	25 June 2019	USD 100,000 (no actual capital contribution)
Taiyuan Fulian Intelligent Workshop Co., Ltd.	Establishment	8 July 2019	RMB 10,000,000 (no actual capital contribution)
Beijing Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Establishment	8 July 2019	RMB 50,000,000 (no actual capital contribution)
Jincheng Hongshuo Intelligent Technology Co., Ltd.	Establishment	29 September 2019	RMB 38,600,000
Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.	Establishment	9 October 2019	RMB 5,000,000
Jincheng Hongzhi Nano Optical-mechanical-electrical Institute Co., Ltd.	Establishment	15 October 2019	RMB 400,000
Jincheng Foxconn intelligent manufacturing institute Co., Ltd.	Establishment	23 October 2019	RMB 51,000,000
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	Establishment	9 December 2019	RMB 50,000,000 (no actual capital contribution)
Foxconn Data Technology Co., Ltd.	Establishment	12 December 2019	RMB 50,000,000 (no actual capital contribution)
Fuyu Precision Component Co., Ltd.	Establishment	20 December 2019	VND 980,000,000,000
Hengyang Foxconn Industrial Internet Consulting Co., Ltd.	Establishment	31 December 2019	RMB 51,000,000 (no actual capital contribution)

In 2019, the Group had no other significant changes in the scope of consolidation.

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities

(1) Interests in subsidiaries

(a) Constitution of the Group as at 31 December 2019

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Ambit Microsystem (Shanghai) Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
JiZhun Precision Industrial (Huizhou) Co., Ltd.	Huizhou, China	Huizhou, China	Precision tool	100%		Business combination involving enterprises under common control
Ingrasys Info-Tech Corp.	Beijing, China	Beijing, China	Servers	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	Jiyuan, China	Jiyuan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Focus PC Enterprises Limited	Hong Kong, China	Hong Kong, China	Holding platform company	100%		Business combination involving enterprises under common control
System Integration Electronics (Hangzhou) Co., Ltd.	Hangzhou, China	Hangzhou, China	Network equipment	100%		Business combination involving enterprises under common control
Nanning Fugui Precision Industrial Co., Ltd.	Nanning, China	Nanning, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Amworld Microsystems (Shanghai) Co., Ltd.	Shanghai, China	Shanghai, China	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment	100%		Business combination involving enterprises under common control
Dongguan Fuyi Precision Industrial Co.,Ltd.	Dongguan, China	Dongguan, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Henan Yuzhan Precision Technology Co., Ltd.	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Jincheng Futaihua Precision Electronic Co., Ltd.	Jincheng, China	Jincheng, China	High-precision mechanical components for communication network equipment and robot	100%		Business combination involving enterprises under common control
Futaihua Precision Electronics (Zhengzhou) Co., Ltd.	Zhengzhou, China	Zhengzhou, China	High-precision mechanical components for communication network equipment	100%		Business combination involving enterprises under common control
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers, storage equipment, cloud computing high-precision mechanical components	100%		Business combination involving enterprises under common control
Shenzhen Fugui Precision Industrial Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for network equipment, telecommunication equipment and telecom network equipment, servers and storage equipment	100%		Newly established
Chengdu Zhunren Technology Co., Ltd.	Chengdu, China	Chengdu, China	Precision tool		100%	Business combination involving enterprises under common control
Jincheng Hongren Technology Co., Ltd.	Jincheng, China	Jincheng, China	Precision tool		100%	Business combination involving enterprises under common control
Zhangzhou HongRen Cutting Tools Co.,Ltd.	Zhengzhou, China	Zhengzhou, China	Precision tool		100%	Business combination involving enterprises under common control
Jizhun Precision (Hong Kong) Co., Ltd.	Hong Kong, China	Hong Kong, China	Precision tool		100%	Business combination involving enterprises under common control
Shenzhenshi Yuzhan Precision Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	High-precision mechanical components for communication network equipment and industrial robot		100%	Business combination involving enterprises under common control
Langfang Yuzhan Technology Co., Ltd.	Langfang, China	Langfang, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2019 (Cont'd)

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
(Continued)				Direct	Indirect	
Foxconn Precision International Limited (Former name "Star Vision Precision International Limited")	Hong Kong, China	Hong Kong, China	High-precision mechanical components for communication network equipment		100%	Business combination involving enterprises under common control
Qianhai Yuzhan (Shenzhen) Consulting Management Co., Ltd.	Shenzhen, China	Shenzhen, China	Business consulting and marketing planning		100%	Business combination involving enterprises under common control
Hongfujin Precision Electronics (Guiyang) Co., Ltd.	Guiyang, China	Guiyang, China	Servers and storage equipment		80%	Business combination involving enterprises under common control
Baichang Technology Service (Tianjin) Co., Ltd.	Tianjin, China	Tianjin, China	Servers and storage equipment		100%	Business combination involving enterprises under common control
Fuhuake Precision Industrial (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Communication network equipment		64.2%	Business combination involving enterprises under common control
Shanxi Yuding Precision Technology Co., Ltd.	Taiyuan, China	Taiyuan, China	High-precision mechanical components for communication network equipment	44.5%	55.5%	Business combination involving enterprises under common control
Chongqing Fugui Electronics Co., Ltd.	Chongqing, China	Chongqing, China	Network equipment		100%	Business combination involving enterprises under common control
Guangxi Fumeng Innovation Technology Co., Ltd.	Nanning, China	Nanning, China	Communication network equipment		51%	Business combination involving enterprises under common control
Hebi Yuzhan Precision Technology Co., Ltd.	Hebi, China	Hebi, China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Wuhan Yuzhan Precision Technology Co., Ltd.	Wuhan , China	Wuhan , China	High-precision mechanical components for communication network equipment		100%	Newly established by subsidiaries
Cloud Network Technology Singapore Pte. Ltd.	Singapore	Singapore	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Rich Excel International Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Glory Star Investments Limited	Samoa	Samoa	Holding platform company		100%	Business combination involving enterprises under common control
Ingrasys (Singapore) Pte. Ltd.	Singapore	Singapore	Servers and storage equipment		100%	Business combination involving enterprises under common control
Cloud Network Technology Kft	Hungary	Hungary	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Funing Precision Component Co., Ltd.	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control
Fuhong Precision Component (Bac Giang) Limited	Vietnam	Vietnam	Network equipment		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2019 (Cont'd)

Subsidiaries (Continued)	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Mega Well Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
Foxconn Technology (India) Private Limited	India	India	High-precision mechanical components for communication network equipment		99.9994%	Business combination involving enterprises under common control
Ingrasys Technology Korea, Inc.	Korea	Korea	Servers and storage equipment		100%	Business combination involving enterprises under common control
Yuzhan Precision Technology Japan Co., Ltd.	Japan	Japan	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Foxconn Industrial Internet (Japan) Co., Ltd. (Former name "Jizhun Precision Japan Co., Ltd.")	Japan	Japan	Precision tool		100%	Business combination involving enterprises under common control
AMB Logistics Limited	Virgin Islands	Virgin Islands	Trade		100%	Business combination involving enterprises under common control
Profit New Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
IPL International Limited	Samoa	Samoa	Trade		100%	Business combination involving enterprises under common control
Cloud Network Technology (Samoa) Limited	Samoa	Samoa	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NWE Technology Inc.	United States	United States	Rendering of management service		100%	Business combination involving enterprises under common control
Scientific Atlanta de Mexico S. de R.L de C.V.	Mexico	Mexico	Network equipment		99.9667%	Business combination involving enterprises under common control
Foxconn Technology CZ s.r.o.	Czech Republic	Czech Republic	Servers and storage equipment		100%	Business combination involving enterprises under common control
Foxconn CZ s.r.o.	Czech Republic	Czech Republic	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
NSG Technology Inc.	United States	United States	Network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology USA Inc.	United States	United States	Servers and storage equipment		100%	Business combination involving enterprises under common control
PCE Paragon Solutions (USA) Inc.	United States	United States	Rendering of management and IT services		100%	Business combination involving enterprises under common control
Foxconn Assembly LLC	United States	United States	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control

(To be continued)

(All amounts in RMB thousand unless otherwise stated)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2019 (Cont'd)

Subsidiaries (Continued)	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
NWEA LLC	United States	United States	Network equipment		100%	Business combination involving enterprises under common control
Cloud Network Technology USA Inc.	United States	United States	Servers, storage equipment and network equipment		100%	Business combination involving enterprises under common control
Ingrasys Technology Co., Ltd.	Taiwan, China	Taiwan, China	Servers, storage equipment and cloud computing		100%	Business combination involving enterprises under common control
Shenzhen Jingjiang Yunchuang Technology Co., Ltd	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Fulian Intelligence Workshop (Shenzhen) Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool		100%	Newly established by subsidiaries
Likom De Mexico De C.V-Mexico	Mexico	Mexico	Servers, storage equipment and network equipment		99.99998%	Business combination involving enterprise not under common control
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	Shenzhen, China	Shenzhen, China	Precision tool	80.81%		Newly established
Flow Vision Technology Company	Shenzhen, China	Shenzhen, China	Network equipment and servers		60%	Newly established by subsidiaries
Fu Jia Zhichuang (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment	100%		Newly established
Fu Ji Yun (Shenzhen) Technology Co., Ltd.	Shenzhen, China	Shenzhen, China	Servers, storage equipment and network equipment		100%	Newly established by subsidiaries
System Integration(Haining) Electronics Co., Ltd.	Haining, China	Haining, China	Network equipment and servers	100%		Newly established
Zhengzhou Fulian Intelligent Workshop Co., Ltd.	Zhengzhou, China	Zhengzhou, China	Software development and Internet information service		100%	Newly established by subsidiaries
Lankao Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Lankao, China	Lankao, China	Network equipment		100%	Newly established by subsidiaries
FII USA Inc.	United States	United States	Software development and cloud computing		100%	Newly established by subsidiaries
ICSA, Inc.	United States	United States	Software development and cloud computing		100%	Newly established by subsidiaries
Taiyuan Fulian Intelligent Workshop Co., Ltd.	Taiyuan, China	Taiyuan, China	Software development and data service		100%	Newly established by subsidiaries
Beijing Yuzhan Intelligent Manufacturing Technology Co., Ltd.	Beijing, China	Beijing, China	Technology development and technical consulting		100%	Newly established by subsidiaries
Jincheng Hongshuo Intelligent Technology Co., Ltd.	Jincheng, China	Jincheng, China	Construction machinery and mining equipment		51%	Newly established by subsidiaries
Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.	Shenzhen, China	Shenzhen, China	Management consulting and education equipment	100%		Newly established

(To be continued)

7 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Constitution of the Group as at 31 December 2019 (Cont'd)

Subsidiaries (Continued)	Place of major business	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Jincheng Hongzhi Nano Optical-mechanical-electrical Institute Co., Ltd.	Jincheng, China	Jincheng, China	Technology development and technical consulting		80%	Newly established by subsidiaries
Jincheng Foxconn Intelligent Manufacturing Institute Co., Ltd.	Jincheng, China	Jincheng, China	Technical consulting		51%	Newly established by subsidiaries
Foxconn Intelligent Manufacturing (Fujian) Digital Technology Co., Ltd.	Fuzhou, China	Fuzhou, China	Technology development and technical consulting	100%		Newly established
Foxconn Data Science Co., Ltd	Hangzhou, China	Hangzhou, China	Technology development and technical consulting	100%		Newly established
Fuyu Precision Component Co., Ltd.	Vietnam	Vietnam	High-precision mechanical components for network equipment, telecommunication equipment and communication network equipment		100%	Newly established by subsidiaries
HengYang Foxconn Industrial Internet Consulting Co., Ltd.	Hengyang, China	Hengyang, China	Information system and technical development	51%		Newly established

(b) Subsidiaries with significant minority interests

In 2019, the Group had no subsidiaries with significant minority interests.

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions

(1) Information of the controlling shareholder

(a) General information of the controlling shareholder

	Place of registration	Nature of business
China Galaxy	Hong Kong, China	Investment holding

China Galaxy is indirectly wholly owned by Hon Hai Precision.

(b) Paid-in capital and changes in paid-in capital of the controlling shareholder

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
China Galaxy	HKD 31,195,357 thousand	HKD 1,067,893 thousand	-	HKD 32,263,250 thousand

(c) The percentages of shareholding and voting rights in the Company held by Hon Hai Precision

	31 December 2019		31 December 2018	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Hon Hai Precision	84.119%	84.119%	84.801%	84.801%

(2) Information of the subsidiaries

The general information and other related information of the subsidiaries are set out in Note 7.

(3) Information of other related parties

During the reporting period, the related parties that involve in related party transactions but do not control/are not controlled by the Company include the subsidiaries of China Galaxy, joint ventures and associates of China Galaxy, shareholders holding over 5% equity of the Company, joint ventures and associates of the Group, subsidiaries of Hon Hai Precision, joint ventures and associates of Hon Hai Precision and other related parties.

Other related parties include legal persons or other organisations that are directly or indirectly controlled by the related natural persons, or of which the directors or senior managers are the related natural persons. The related natural persons include natural persons who indirectly hold more than 5% equity of the Company and their close family members, the directors, supervisors and senior managers of the Company, the directors, supervisors and senior managers of the controlling shareholders of the Company and the directors, supervisors and senior managers of Hon Hai Precision.

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions

(a) Purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2019	2018
Hon Hai Precision and its subsidiaries	Purchase of goods	Negotiated pricing	7,855,334	7,228,059
Joint ventures and associates of Hon Hai Precision	Purchase of goods	Negotiated pricing	5,521,856	6,563,377
Hon Hai Precision and its subsidiaries	Receipt of services	Negotiated pricing	4,078,899	2,887,280
Subsidiaries of China Galaxy	Purchase of goods	Negotiated pricing	2,578,433	3,794,250
Shareholders holding over 5% equity of the Company	Purchase of goods	Negotiated pricing	507,028	902,222
Subsidiaries of China Galaxy	Receipt of services	Negotiated pricing	445,680	526,047
Joint ventures and associates of China Galaxy	Purchase of goods	Negotiated pricing	427,162	760,714
Hon Hai Precision and its subsidiaries	Purchase of equipment	Negotiated pricing	239,185	821,101
Other related parties	Purchase of goods	Negotiated pricing	210,647	166,491
Shareholders holding over 5% equity of the Company	Receipt of services	Negotiated pricing	127,529	119,936
Subsidiaries of China Galaxy	Purchase of equipment	Negotiated pricing	56,919	99,265
Joint ventures and associates of Hon Hai Precision	Receipt of services	Negotiated pricing	41,826	7,565
Shareholders holding over 5% equity of the Company	Purchase of equipment	Negotiated pricing	21,956	35,502
Joint ventures and associates of China Galaxy	Receipt of services	Negotiated pricing	16,697	190
Joint ventures and associates of Hon Hai Precision	Purchase of equipment	Negotiated pricing	12,962	55,767
Joint ventures and associates of China Galaxy	Purchase of equipment	Negotiated pricing	210	5,308
Joint ventures and associates of the Group	Purchase of equipment	Negotiated pricing	-	1,917
			22,142,323	23,974,991

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(a) Purchase and sales of goods, and rendering and receipt of services (Cont'd)

Sales of goods and rendering of services:

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2019	2018
Hon Hai Precision and its subsidiaries	Sales of goods	Negotiated pricing	3,332,035	3,626,571
Joint ventures and associates of Hon Hai Precision	Sales of goods	Negotiated pricing	577,484	1,111,181
Hon Hai Precision and its subsidiaries	Rendering of services	Negotiated pricing	395,537	422,982
Subsidiaries of China Galaxy	Sales of goods	Negotiated pricing	372,007	501,302
Shareholders holding over 5% equity of the Company	Sales of goods	Negotiated pricing	129,075	144,988
Subsidiaries of China Galaxy	Rendering of services	Negotiated pricing	72,433	26,305
Shareholders holding over 5% equity of the Company	Rendering of services	Negotiated pricing	36,750	305
Joint ventures and associates of Hon Hai Precision	Rendering of services	Negotiated pricing	31,197	83,009
Joint ventures and associates of China Galaxy	Rendering of services	Negotiated pricing	11,851	3
Joint ventures and associates of China Galaxy	Sales of goods	Negotiated pricing	5,845	15,487
			4,964,214	5,932,133

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(b) Leases

The lease income recognised by the Group as the lessor in the current year:

Name of the lessee	Type of the leased assets	2019	2018
Subsidiaries of China Galaxy	Buildings	35,127	57,726
Hon Hai Precision and its subsidiaries	Equipment	29,349	18,786
Hon Hai Precision and its subsidiaries	Buildings	22,832	7,705
Joint ventures and associates of Hon Hai Precision	Buildings	312	9
Subsidiaries of China Galaxy	Equipment	203	48
Joint ventures and associates of China Galaxy	Equipment	66	-
		87,889	84,274

The Group as the lessee:

Name of the lessee	Type of the leased assets	2019	2018
Subsidiaries of China Galaxy	Buildings	150,776	198,613
Shareholders holding over 5% equity of the Company	Buildings	147,906	121,090
Joint ventures and associates of China Galaxy	Buildings	135,473	-
Hon Hai Precision and its subsidiaries	Buildings	124,072	25,726
Hon Hai Precision and its subsidiaries	Equipment	12,298	106
Subsidiaries of China Galaxy	Equipment	1,907	177
Shareholders holding over 5% equity of the Company	Equipment	674	918
Joint ventures and associates of Hon Hai Precision	Buildings	389	-
		573,495	346,630

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(c) Money lending

Borrow -	2019	2018
Subsidiaries of China Galaxy	-	300,000
Hon Hai Precision and its subsidiaries	-	133,015
	-	433,015

Lend -	2019	2018
China Galaxy and its subsidiaries	-	1,000,000
Hon Hai Precision and its subsidiaries	-	825,292
	-	1,825,292

Withdraw -	2019	2018
Hon Hai Precision and its subsidiaries	-	28,997

(d) Interest expense

Interest income	2019	2018
Joint ventures and associates of Hon Hai Precision	-	39

Interest expenses	2019	2018
Subsidiaries of China Galaxy	-	27,638
Hon Hai Precision and its subsidiaries	-	11,309
	-	38,947

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(e) Transfer of assets

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2019	2018
Subsidiaries of China Galaxy	Purchase of fixed assets	Negotiated pricing	116,031	28,454
Hon Hai Precision and its subsidiaries	Purchase of fixed assets	Negotiated pricing	103,337	45,123
Joint ventures and associates of Hon Hai Precision	Purchase of fixed assets	Negotiated pricing	38,106	16,804
Shareholders holding over 5% equity of the Company	Purchase of fixed assets	Negotiated pricing	8,798	27,502
Joint ventures and associates of China Galaxy	Purchase of fixed assets	Negotiated pricing	268	989
			266,540	118,872

Related parties	Nature of related party transactions	Pricing policies for related party transactions	2019	2018
Subsidiaries of China Galaxy	Disposal of fixed assets	Negotiated pricing	58,319	91,107
Hon Hai Precision and its subsidiaries	Disposal of fixed assets	Negotiated pricing	27,578	15,893
Joint ventures and associates of Hon Hai Precision	Disposal of fixed assets	Negotiated pricing	9,282	114
Shareholders holding over 5% equity of the Company	Disposal of fixed assets	Negotiated pricing	94	514
			95,273	107,628

(f) Remuneration of key management

	2019	2018
Remuneration of key management	49,830	47,533

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(4) Related party transactions (Cont'd)

(g) Payments by the Group on behalf of related parties

	2019	2018
Subsidiaries of China Galaxy	-	258,973
Shareholders holding over 5% equity of the Company	-	95,355
Hon Hai Precision and its subsidiaries	-	78,759
Joint ventures and associates of China Galaxy	-	20,055
Joint ventures and associates of Hon Hai Precision	-	3,327
	-	456,469

(h) Payments by the related parties on behalf of the Group

	2019	2018
Joint ventures and associates of Hon Hai Precision	33,755	-
Subsidiaries of China Galaxy	20,491	-
Hon Hai Precision and its subsidiaries	15,498	45,665,217
Shareholders holding over 5% equity of the Company	2,237	-
	71,981	45,665,217

(i) Amounts collected by related parties on behalf of the Group

	2019	2018
Hon Hai Precision and its subsidiaries	-	47,877,445

(j) Trademark fees

	2019	2018
Hon Hai Precision and its subsidiaries	2,500	2,500

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties

Receivables from related parties:

		31 December 2019 Ending balance	31 December 2019 Provision for bad debts	31 December 2018 Ending balance	31 December 2018 Provision for bad debts
Accounts receivable	Hon Hai Precision and its subsidiaries	1,398,381	(16,094)	1,982,854	(19,829)
	Joint ventures and associates of Hon Hai Precision	438,090	(4,381)	707,209	(7,072)
	Subsidiaries of China Galaxy	322,702	(3,347)	402,148	(12,204)
	Shareholders holding over 5% equity of the Company	28,856	(289)	34,916	(349)
	Joint ventures and associates of China Galaxy	502	(5)	605	(6)
		2,188,531	(24,116)	3,127,732	(39,460)

		31 December 2019 Ending balance	31 December 2019 Provision for bad debts	31 December 2018 Ending balance	31 December 2018 Provision for bad debts
Other receivables	Hon Hai Precision and its subsidiaries	60,287	(603)	630,173	(6,302)
	Joint ventures and associates of Hon Hai Precision	20,953	(210)	3,046	(30)
	Subsidiaries of China Galaxy	1,861	(19)	28,095	(281)
	Joint ventures and associates of China Galaxy	1,415	(14)	3,695	(37)
	Shareholders holding over 5% equity of the Company	33	-	6	-
		84,549	(846)	665,015	(6,650)

		31 December 2019	31 December 2018
Advances to suppliers	Hon Hai Precision and its subsidiaries	5,378	5,304
	Subsidiaries of China Galaxy	149	149
	Shareholders holding over 5% equity of the Company	44	44
		5,571	5,497

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Receivables from and payables to related parties (Cont'd)

Payables to related parties

		31 December 2019	31 December 2018
Accounts payable	Hon Hai Precision and its subsidiaries	5,079,541	5,779,207
	Joint ventures and associates of Hon Hai Precision	2,750,217	2,898,795
	Shareholders holding over 5% equity of the Company	1,674,582	2,079,642
	Subsidiaries of China Galaxy	1,148,104	4,431,243
	Joint ventures and associates of China Galaxy	232,344	715,124
	Other related parties	32,346	26,984
		10,917,134	15,930,995

		31 December 2019	31 December 2018
Accounts payable	Hon Hai Precision and its subsidiaries	3,766,434	16,108,826
	Shareholders holding over 5% equity of the Company	3,488,328	4,974,091
	Subsidiaries of China Galaxy	244,637	1,747,128
	Joint ventures and associates of China Galaxy	201,286	488,413
	Joint ventures and associates of Hon Hai Precision	152,501	149,654
		7,853,186	23,468,112

		31 December 2019	31 December 2018
Advances from customers	Hon Hai Precision and its subsidiaries	6,929	2,772
	Subsidiaries of China Galaxy	110	-
		7,039	2,772

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties

The commitments in relation to related parties contracted for by the Group but not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

(i) Leases

Lessor		31 December 2019	31 December 2018
Subsidiaries of China Galaxy	Lease - Lessor		
	Within 1 year	140,535	227,442
	1 to 2 years	26,073	228,628
	2 to 3 years	1,556	20,572
	Over 3 years	-	1,556
		168,164	478,198

Lessor		31 December 2019	31 December 2018
Hon Hai Precision and its subsidiaries	Lease - Lessor		
	Within 1 year	55,025	31,162
	1 to 2 years	30,012	21,731
	2 to 3 years	24,266	14,321
	Over 3 years	73,825	11,934
		183,128	79,148

Lessor		31 December 2019	31 December 2018
Shareholders holding over 5% equity of the Company	Lease - Lessor		
	Within 1 year	169,761	94,614
	1 to 2 years	72,936	89,052
	2 to 3 years	48,241	52,614
		-	43,421
		290,938	279,701

Lessee		31 December 2019	31 December 2018
Subsidiaries of China Galaxy	Lease - Lessee		
	Within 1 year	26,688	26,688
	1 to 2 years	26,688	26,688
	2 to 3 years	5,526	26,688
	Over 3 years	-	5,526
		58,902	85,590

(All amounts in RMB thousand unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(6) Commitments in relation to related parties (Cont'd)

(i) Leases (Cont'd)

Lessee		31 December 2019	31 December 2018
Hon Hai Precision and its subsidiaries	Lease - Lessee		
	Within 1 year	3,831	13,038
	1 to 2 years	231	3,663
	2 to 3 years	-	231
		4,062	16,932

(ii) Trademark use rights

		31 December 2019	31 December 2018
Hon Hai Precision and its subsidiaries	Within 1 year	2,500	2,500
	1 to 2 years	2,500	2,500
	2 to 3 years	2,500	2,500
	Over 3 years	12,500	15,000
		20,000	22,500

(iii) Capital commitments

	31 December 2019	31 December 2018
Subsidiaries of China Galaxy	31,741	4,693
Hon Hai Precision and its subsidiaries	3,208	125,710
Shareholders holding over 5% equity of the Company	621	801
Joint ventures and associates of China Galaxy	-	5,362
	35,570	136,566

9 Contingencies

(1) Contingent liabilities arising from significant pending litigation or arbitration and the financial impact

The Group has no contingent liabilities arising from significant pending litigation or arbitration that are subject to disclosure.

(2) Contingent liabilities arising from debt guarantees on behalf of other companies and the financial impact

The Group has no contingent liabilities arising from debt guarantees on behalf of other companies.

(All amounts in RMB thousand unless otherwise stated)

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2019	31 December 2018
Machinery and equipment	51,492	190,405

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2019	31 December 2018
Within 1 year	1,118,999	891,894
1 to 2 years	816,399	857,941
2 to 3 years	518,730	588,403
Over 3 years	656,847	967,690
	3,110,975	3,305,928

11 Events after the balance sheet date

(1) After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in the beginning of 2020, a series of precautionary and control measures have been and continued to be implemented across the world. The Spring Festival holiday was extended nationwide, and resumption of work was further postponed in some regions after the festival. Certain control measures had been taken over people travel and traffic, and special group of people were under quarantine. Hygiene and epidemic prevention requirements for factories and offices were raised, while various measures were taken for keeping social distance. With certain effect on the Group’s economic activities from COVID-19, the Group will pay close attention to the development of COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which these financial statements were authorised for issue, the relevant effect is under evaluation.

(2) Statement of dividend distribution

According to the resolution of the Board of Directors on 29 March 2020, the Company distributed cash dividends of RMB 2 (pre-tax) to all shareholders for every 10 shares on the basis of the total share capital recognised on the equity registration date when 2019 profit distribution scheme was implemented. As at 31 December 2019, the total share capital of the Company was 19,854,832 thousand shares, on which, cash dividends of RMB 3,970,966 thousand (pre-tax) were proposed to be distributed but were not recognised as liabilities in the financial statements.

(All amounts in RMB thousand unless otherwise stated)

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China, Hong Kong and Singapore. A majority of the operational activities carried out in Mainland China are denominated in RMB, a majority of the operational activities carried out in Hong Kong are denominated in USD or HKD, and a majority of the operational activities carried out in Singapore are denominated in USD. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions that are not denominated in recording currency. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions that are not denominated in recording currency to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk (Note 5 (2)).

As at 31 December 2019 and 31 December 2018, the financial assets and financial liabilities held by the companies of the Group in Mainland China, not denominated in recording currency, were expressed in RMB as follows:

	31 December 2019			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	2,617,798	8,575	11,214	2,637,587
Accounts receivable	2,140,063	-	158	2,140,221
Other receivables	488,749	-	1,520	490,269
	5,246,610	8,575	12,892	5,268,077
Financial liabilities not denominated in recording currency -				
Short-term borrowings	13,267,744	-	6,218	13,273,962
Accounts payable	13,879,521	7,030	31,203	13,917,754
Other payables	737,339	11,168	80,115	828,622
	27,884,604	18,198	117,536	28,020,338

(All amounts in RMB thousand unless otherwise stated)

12 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2018			
	USD	HKD	Other non-recording currencies	Total
Financial assets not denominated in recording currency -				
Cash at bank and on hand	4,857,947	19,066	5,635	4,882,648
Accounts receivable	1,812,507	-	1,103	1,813,610
Other receivables	1,181,754	-	-	1,181,754
	7,852,208	19,066	6,738	7,878,012
Financial liabilities not denominated in recording currency -				
Short-term borrowings	5,889,868	-	-	5,889,868
Accounts payable	19,928,069	16,534	38,406	19,983,009
Other payables	465,496	8,710	29,448	503,654
	26,283,433	25,244	67,854	26,376,531

As at 31 December 2019, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB 732,705 thousand higher/lower for the financial assets and liabilities dominated in USD held by the Company whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit would have been approximately RMB 343 thousand higher/lower for the financial assets and liabilities dominated in HKD.

As at 31 December 2018, if the RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB 631,334 thousand higher/lower for the financial assets and liabilities dominated in USD held by the Company whose recording currency is RMB; if the RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit would have been approximately RMB 221 thousand higher/lower for the financial assets and liabilities dominated in HKD.

12 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the reporting period, the Group did not enter into any interest rate swap agreements.

A majority of the Group's borrowings are fixed-rate borrowings. The Group has no significant floating-rate borrowings, no significant interest-bearing debts such as bonds payable, and thus has no significant interest rate risk.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivable, accounts receivable, other receivables, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2019, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

(All amounts in RMB thousand unless otherwise stated)

12 Financial instrument and risk (Cont'd)

(3) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	28,413,284	-	-	-	28,413,284
Accounts payable	67,321,345	-	-	-	67,321,345
Other payables	12,595,820	-	-	-	12,595,820
Other current liabilities	212,220	-	-	-	212,220
	108,542,669	-	-	-	108,542,669

	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	22,585,141	-	-	-	22,585,141
Accounts payable	69,730,796	-	-	-	69,730,796
Other payables	27,897,455	-	-	-	27,897,455
Other current liabilities	179,986	-	-	-	179,986
	120,393,378	-	-	-	120,393,378

13 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2019, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial instruments	-	157,110	-	157,110
Investments in other equity instruments	-	-	16,928	16,928
	-	157,110	16,928	174,038

(All amounts in RMB thousand unless otherwise stated)

13 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

As at 31 December 2018, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities - Derivative financial instruments	-	117	-	117

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the year ended 31 December 2019.

The changes in Level 3 financial assets are analysed below:

	Investments in other equity instruments
31 December 2018	-
Changes in accounting policies	40,760
1 January 2019	40,760
Purchases	13,405
Changes in fair value	(37,760)
Differences on translation of foreign currency financial statements	523
31 December 2019	16,928

	Other current assets Available-for-sale financial assets due within one year
1 January 2018	700,000
Total gains or losses for the current year	
Gain or loss included in profit or loss	2,727
Sell	(702,727)
31 December 2018	-

(2) Assets measured at fair value on a non-recurring basis

The Group holds no assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, short-term borrowings and payables, which are not measured at fair value. The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

(All amounts in RMB thousand unless otherwise stated)

14 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2019 and 31 December 2018, the Group's gearing ratio was as follows:

	31 December 2019	31 December 2018
Gearing ratio	57%	64%

15 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2019	31 December 2018
Accounts receivable	50,626	15,952
Less: Provision for bad debts	(507)	(159)
	50,119	15,793

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	50,626	15,952

(b) As at 31 December 2019, the five largest accounts receivable aggregated by debtor were mainly management service fees receivable from related parties, and were summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance of account receivable
Total amounts of the five largest accounts receivable	36,867	(369)	72.82%

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts

	31 December 2019	31 December 2018
Provision for bad debts of accounts receivable	(507)	(159)

For accounts receivable, the Company recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

(i) Accounts receivable for which the related provision for bad debts is made on the grouping basis are analysed as follows:

Grouping - accounts receivable:

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	50,626	1%	507

(ii) In 2019, the provision for bad debts was accrued by RMB 348 thousand, and there is no significant amount of recovery or reversal.

(iii) No accounts receivable were written off in 2019.

(2) Other receivables

	31 December 2019	31 December 2018
Dividends receivable	2,500,000	2,500,000
Principal and interest of entrusted loans of subsidiaries	-	2,304,437
Interest receivable from cash at bank	-	78,362
Others	154	48
	2,500,154	4,882,847
Less: Provision for bad debts	-	-
	2,500,154	4,882,847

(a) The ageing of other receivables is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	2,500,154	4,882,847

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in ending balance statements

As at 31 December 2019, the Company did not have any other receivables at Stage 2 and Stage 3. Other receivables at Stage 1 are analysed as follows:

(i) As at 31 December 2019, all other receivables for which the related provision for bad debts was provided on the grouping basis were at Stage 1 and analysed as follows:

	31 December 2019		
	Ending balance	Loss provision	
	Amount	Amount	% of total balance
Theageing group of dividends receivable			
Within 1 year	2,500,000	-	0%
Theageing group of other receivables			
Within 1 year	154	-	0%
	2,500,154		0%

(c) In 2019, the company has no provision for bad debts accrued or reversed (2018: Nil)

(d) In 2019, no other receivables were written off (2018: Nil).

(e) As at 31 December 2019, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Other receivables 1	Dividends receivable	850,000	Within 1 year	34%	-
Other receivables 2	Dividends receivable	600,000	Within 1 year	24%	-
Other receivables 3	Dividends receivable	550,000	Within 1 year	22%	-
Other receivables 4	Dividends receivable	300,000	Within 1 year	12%	-
Other receivables 5	Dividends receivable	200,000	Within 1 year	8%	-
		2,500,000		100%	-

(f) As at 31 December 2019, the Company did not recognise government grants at amounts receivable (31 December 2018: Nil)

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments

	31 December 2019	31 December 2018
Subsidiaries (a)	37,549,961	36,302,879
Less: Provision for impairment of long-term equity investments	-	-
	37,549,961	36,302,879

(a) Subsidiaries

	31 December 2018	Movements for the current year: Increase in investment	Decrease in investment	Accrual of provision for impairment	Others	31 December 2019	Provision for impairment at the end of the year	Cash dividends declared in the current year
Futaihua Precision Electronics (Zhengzhou) Co., Ltd.	9,865,290	-	-	-	45,158	9,910,448	-	1,350,000
Futaihua Precision Electronics (Jiyuan) Co., Ltd.	8,599,346	-	-	-	16,210	8,615,556	-	350,000
Nanning Fugui Precision Industrial Co., Ltd.	3,228,347	450,000	-	-	17,268	3,695,615	-	150,000
Ambit Microsystem (Shanghai) Co.,Ltd.	2,352,023	-	-	-	10,088	2,362,111	-	-
JiZhun Precision Industrial (Huizhou) Co., Ltd.	1,772,286	-	-	-	64,381	1,836,667	-	-
Hongfujin Precision Electronics (Tianjin) Co., Ltd.	1,896,939	-	-	-	17,143	1,914,082	-	100,000
Henan Yuzhan Precision Technology Co., Ltd.	3,670,738	-	-	-	249,007	3,919,745	-	1,750,000
Jincheng Futaihua Precision Electronics Co., Ltd.	1,496,010	-	-	-	13,405	1,509,415	-	300,000
Shanxi Yuding Precision Technology Co., Ltd.	1,187,793	-	-	-	69,029	1,256,822	-	-
System Integration Electronics (Hangzhou) Co., Ltd.	387,343	-	-	-	1,663	389,006	-	-
Amworld Microsystems (Shanghai) Co., Ltd.	155,256	-	-	-	-	155,256	-	-
Ingrasys Info-Tech Corp.	27,072	-	-	-	-	27,072	-	-
Focus PC Enterprises Limited	213,404	-	-	-	177,288	390,692	-	-
Shenzhen Fugui Precision Industrial Co., Ltd.	1,440,945	-	-	-	50,262	1,491,207	-	-
Dongguan Fuyi Precision Industrial Co.,Ltd.	10,087	-	-	-	-	10,087	-	-
Fujia Zhichuang (Shenzhen) Technology Co., Ltd.	-	1,180	-	-	-	1,180	-	-
Shenzhen Industrial Internet Foshan Smart Manufacture Valley Co., Ltd. (Former Name "Shenzhen Foxconn Industrial Internet Consulting Co., Ltd.")	-	5,000	-	-	-	5,000	-	-
Shenzhen Fu Lian Intelligent Manufacturing Industry Innovation Centre Co., Ltd.	-	60,000	-	-	-	60,000	-	-
	36,302,879	516,180	-	-	730,902	37,549,961	-	4,000,000

(All amounts in RMB thousand unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales

	2019	2018
Revenue from main operations	109,764	49,130

	2019	2018
Cost of sales from main operations	57,665	27,967

(a) Revenue and cost of sales from main operations

	2019		2018	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Rendering of services	109,764	57,665	49,130	27,967

(5) Investment income

	2019	2018
Income from long-term equity investments under cost method	4,000,000	2,620,000
Interest income from entrusted loans	131,670	4,186
	4,131,670	2,624,186

FOXCONN INDUSTRIAL INTERNET CO., LTD.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB thousand unless otherwise stated)
[English translation for reference only]

I Statement of non-recurring profit or loss

	2019	2018
Gains/(Losses) on disposal of non-current assets		
Government grants recognised in profit or loss for the current period	(45,067)	128,307
Gains/(Losses) on disposal of non-current assets	1,606,321	493,092
Expense charged for use of funds from non-financial enterprises which is included in profit or loss for the current period	-	39
Gains or losses arising from changes in fair value of financial assets and financial liabilities held for trading, derivative financial assets and derivative financial liabilities, and investment income from disposal of financial assets and financial liabilities held for trading, derivative financial assets, derivative financial liabilities, other debt investments, other non-current financial assets and other equity instrument investments, except for the effective hedging activities related to the Group's ordinary activities	315,985	(418,605)
Reversal of provision for impairment of receivables and contract assets tested for impairment on an individual basis	1,258	5,051
Non-operating income other than aforesaid items	25,867	(11,142)
	1,904,364	196,742
Effect of income tax	(279,907)	(16,701)
Effect of minority interests (net of tax)	(3,151)	(956)
	1,621,306	179,085

(i) Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No. 1 - Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the Company's normal course of business, also from transactions and events that even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

(All amounts in RMB thousand unless otherwise stated)

II Return on net assets and earnings per share

	Weighted average return on net assets (%)	
	2019	2018
Net profit attributable to shareholders of the Company	23.04%	33.66%
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss	21.03%	33.31%

	Earnings per share	
	Basic earnings per share	Diluted earnings per share
	2019	2019
Net profit attributable to ordinary shareholders of the Company (RMB Yuan)	0.94	0.94
Net profit attributable to shareholders of the Company, net of non-recurring profit or loss	0.86	0.86

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