



# 南京三寶科技股份有限公司 NANJING SAMPLE TECHNOLOGY CO.,LTD.\*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
Stock code : 1708



Annual Report 2019

\* for identification purpose only

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)  
Mr. Zhu Xiang  
(Chief Executive Officer)  
Ms. Yu Hui (Vice President)

## NON-EXECUTIVE DIRECTOR

Mr. Chang Yong  
(Vice Chairman)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanhui  
Mr. Gao Lihui  
Mr. Niu Zhongjie

## SUPERVISORS

Mr. Qiu Xiang Yang  
Mr. Dai Jian Jun  
Mr. Zou Tao

## COMPANY SECRETARY

Ms. Wong Lai Yuk

## AUDIT COMMITTEE

Mr. Gao Lihui (Chairman)  
Mr. Hu Hanhui  
Mr. Niu Zhongjie

## REMUNERATION COMMITTEE

Mr. Hu Hanhui (Chairman)  
Mr. Zhu Xiang  
Mr. Gao Lihui

## NOMINATION COMMITTEE

Mr. Hu Hanhui (Chairman)  
Mr. Niu Zhongjie  
Mr. Yu Hui

## STRATEGIC COMMITTEE

Mr. Sha Min (Chairman)  
Mr. Zhu Xiang  
Ms. Yu Hui

## AUTHORISED REPRESENTATIVES

Mr. Zhu Xiang  
Ms. Wong Lai Yuk

## AUDITOR

Da Hua Certified Public  
Accountants (Special General  
Partnership)  
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Wuxi City,  
Jiangsu Province,  
the People's Republic of China

## PRINCIPAL BANKERS

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of China Limited  
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the People's Republic of China

## HONG KONG H SHARES REGISTRAR AND TRANSFER OFFICE

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Wanchai,  
Hong Kong

## LEGAL ADVISER

Cheung & Choy  
Suite 3804-05, 38/F.,  
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18 Harbour Road, Wanchai,  
Hong Kong

## REGISTERED OFFICE

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Qixia District, Nanjing City,  
the People's Republic of China

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre  
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Central,  
Central, Hong Kong

## STOCK CODE

1708

## Chairman's Statement



Mr. Sha Min Chairman



*To all shareholders:*

*On behalf of the board of directors (the “Board”) of Nanjing Sample Technology Company Limited (the “Company”), I hereby present the annual report of the Company (with its subsidiaries, referred to collectively as the “Group”) for the year ended 31 December 2019 (the “period under review”) for your review and consideration.*



# Chairman's Statement

## RESULTS

For the 2019 financial year, total operating income of the Group and the profit attributable to shareholders of the parent company were respectively RMB1,487,129,114.80 and RMB107,023,458.97 (corresponding figures for the year ended 31 December 2018 were RMB1,834,487,601.95 and RMB195,992,114.49), representing respective decreases of 18.93% and 45.39%. The reduced total operating income was mainly caused by a decline in system integration and intelligent terminal sales resulting from a decrease in successful project bids in 2019 by the Company. The decrease in profit attributable to shareholders of the parent company was mainly due to decreased income from principal businesses and an increase in financial expenses.

## DIVIDEND

In light of the global economic impact of the COVID-19 pandemic and the consequent emergence of multiple market risks, maintaining sufficient liquidity is of paramount importance to the Group's long-term development. As a result, the Board decided not to propose distribution of a final dividend for the year ended 31 December 2019.

## REVIEW OF BUSINESS AND OPERATIONS

The Group's strategic goals for 2019 were to discover valued customers and continue to create value for customers by focusing on a new supply chain and organisational reform, and maintaining the steady development of smart city, intelligent logistics and intelligent transportation. The Company continued to make operational and investment decisions, and perform human resource and administrative services with a focus on its strategic goals. In respect to these strategic goals and under the leadership of the Board, in 2019 the Company achieved outstanding results in aspects such as expressway integration services and intelligent customs logistics, internal organisation was strengthened with improved user satisfaction.

### **Focusing on principal business, strengthening the organisation, growing with customers**

In 2019, the Group proactively implemented organisational evolution to strengthen its core business, allocated sufficient resources and utilised the required energy, attention, manpower and financial resources to its core business to develop the main business operation with fine craftsmanship. At the same time, the Group also improved its customer service and paid attention to the evaluation from core customers of the value created by the Company, with an aim to breaking internal and external boundaries of the Company to retain customers and satisfy their requirements with its best efforts.

## Chairman's Statement

The "Implementation Plan for Reform of Toll Expressway System: Cancellation of Expressway Toll Stations at Provincial Borders" (《深化收費公路制度改革取消高速公路省界收費站實施方案》) issued by the PRC's State Council in May 2019 calls for further reform of the toll expressway system – such as accelerated cancellation of expressway toll stations at provincial boundaries and allowing toll collection with non-stop passage of vehicles – to support the decisions and planning of the Party Central Committee and State Council. Following the principle of "combination of immediate and long-term measures, close coordination and thorough planning, scientific design, orderly advancement to maintain safety and stability, improved efficiency and cost reduction", the government aimed to cancel all expressway toll stations at provincial borders by the end of 2019 with a clear technological roadmap and expedited construction. During the period under review, the Group completed the construction of multiple new key projects related to the above by seizing opportunities created by favourable policies. Though facing difficulties such as tight construction periods of only four to six months, high construction risk (construction plans need to consider changes in traffic flow, as 95% of the construction is situated in open road sections of high traffic volume) and complex software debugging, the project team ensured that all new expressway systems undertaken by the Group were launched on time and were stable in operation. As a result, positive feedback was received from owners and customers.

With more than 20 years of experience in customs logistics, the Group has always placed high priority on meeting regulatory customs requirements. By research on existing application scenarios and close examination of the critical points and challenges of logistics management by on-site regulatory departments, extension and expansion from customs clearance to full-chain entry and exit, and with the aid of modern technology, a series of problems such as insufficient human resources, unsatisfactory informatisation, regulatory loopholes, etc. were solved. Exploration of innovative regulatory models on the application of internet-of-things and multi-system data interconnection can achieve intelligent identification and management. With the construction of relevant informatisation system, the intelligent logistics monitoring standards of on-site customs clearance can be improved.

During the period under review, the Group assisted Nantong Customs to implement a Smart Eye Access electronic virtual fence, a new regulatory model for logistics automation, visualisation and controllability. The Smart Eye Access customs clearance operational model further led to the realisation of an intelligent development of logistics monitoring. The same system's online operation enabled intelligent divergence of vehicles entering the main checkpoint of special supervision areas. As a result, non-regulated vehicles are no longer required to bypass customs gate stations, and many non-declared goods in the Nantong Comprehensive Protection Zone can be directly inspected and released, greatly reducing the time needed for customs clearance.

# Chairman's Statement

## Promoting external exchange and cooperation and further strengthening brand influence

During the period under review, the Group participated in the Jiangsu Software Industry Talent Development Conference hosted by the Jiangsu Software Industry Talent Development Foundation. The Group conducted extensive in-depth exchanges on Jiangsu software talent development and industry trends, and discussed the issues and trends concerning talent retention in the course of business expansion. The Group won the “Jiangsu Software Talent Public Welfare Contribution Award” and was unanimously re-elected as the third director unit of the Jiangsu Software Industry Talent Development Foundation. It was not only an acknowledgement from the Jiangsu Provincial Department of Industry and Information Technology and the Foundation of the Group's software industry technology, its building of talent pool and influence in the industry, but indicated a high level of trust and recognition of relevant units and companies in nurturing software talent and encouraging innovation.

During the period under review, the Office of the Joint Meeting of Jiangsu Province for Advancement of Enterprise R&D Institution Formation issued its “Implementation Plan for High-Quality Enhancement of Enterprise R&D Institutions”, and the Group joined the cultivation plan for first-class enterprise R&D institutions in the PRC. Under the Implementation Plan, Jiangsu Province will cultivate domestic and overseas enterprise R&D institutions, facilitate the continuous overall improvement of enterprise R&D institutions across the province, lead the formation of a group of influential and innovative domestic and overseas enterprise leaders, and bring key industries to the mid-to-high end of the global value chain in three years' time. The Company regards its inclusion in the cultivation plan as a recognition of its potential in technological innovation by all sections of society.

During the period under review, the Group was invited to attend forums and events including the 9th Industry Upgrade Forum of Free Trade Zone and Special Area, the 10th Emerging Industry Incubation Forum of Free Trade Zone and Customs Special Area hosted by China Customs Press, the Nanchang Customs Science and Technology Week, the Nanjing Customs Science and Technology Week with the theme of “New Era, New Customs, New Technology, New Journey” and other forums and activities. The Group's products making use of modern new technologies such as smart checkpoint customs clearance system, mobile logistics, integrated electronic lock application, RFID intelligent monitoring system of confiscated properties, and virtual electronic fence monitoring model are all catered for the regulatory requirements of customs and have been widely applied in customs operation.

## Prospects

Transportation is fundamental to the national economy and an essential driver of its economic development. In September 2019, the 19th National Congress of the Communist Party of China issued its strategy for building a strong national transportation system with the “Outline for Building China's Strength in Transportation” (《交通強國建設綱要》) with the approval of the Party Central Committee and the State Council. The Outline identified transportation's “pioneering” role in the course of economic development which demands a moderately outpaced mindset in planning and construction. The focus of transportation development will shift from speed and scale to quality and efficiency, from individual to integrated mode, and from reliance on tradition to emphasis on innovation. As such, a safe, convenient, efficient, green and economical modern integrated transportation system can be built. With first-class facilities, first-class technologies, first-class management and first-class services, a strong nation with world leading and reliable transportation network will be created.

## Chairman's Statement

Our country is moving from a major transportation nation to a powerful transportation nation, with the development of intelligent transportation proceeding smoothly. The further integration of intelligent transportation and other new technologies will result in new products with significant social and economic benefits and great future market potential.

In the future, technical innovation will serve as the core driving force of Sample Technology as it leverages on the in-depth integration of Internet + internet-of-things technologies through its “technology + market” development model. It will continue to provide customers with advanced intelligent service of “smart hardware + platform system + data service” in intelligent transportation, customs logistics, intelligent city and other industrial fields.

At the same time, the Company will focus on internet-of-things solutions, increase strategic business planning and investment, expand its customer base, develop new products, enrich its scope of business, and thus increase the quality and technological value of business revenue. In response to market demand, the Company will integrate ecological resources, conduct technological and strategic R&D, strengthen company-level strategic innovation mechanisms, foster organisational synergies and achieve new breakthroughs. In the field of intelligent transportation, the Group will progress on its expansion of the intelligent water treatment market, plan for highway supervision business, and strive to achieve breakthroughs in the roadside internet-of-vehicles market. In the field of smart customs logistics, the Group will intensify its focus on video streaming technology, its R&D investment in systems for container number identification, container inspection, empty container identification, railway and cross-border express systems. It will synchronise the marketisation and standardisation of new products and transform from project-based to product-based business while expanding the development scale of new market segments including the experimental integration of cross-border e-commerce.

### **Maintaining its long-term business plan, evolving the organisation, cultivating technological capabilities**

In 2020, the Group will implement an organisational evolution of its long-term businesses, continue to optimise and adjust its internal organisation with an approach to “simple, efficient, responsive, and flexible” organisational structure. The Group will optimise its assets, focus on main business segments, and increase the input of resources into its core business. The Group will also strengthen the coordination between business departments in the areas of market resources, product technology, etc. to effectively, quickly and economically enhance the scale and competitiveness of existing businesses.

In 2020, the Group will focus on improving the technological capabilities of its front-line work teams and will nurture a core team that is quick to learn, eager to innovate, and willing to take responsibility. As a result, product and solution development capabilities may improve and marketing and customer service work can be more thoroughly effected.

# Chairman's Statement

## The impacts and opportunities of COVID-19

In response to the COVID-19 pandemic beginning in late 2019, the PRC implemented a series of stringent measures including large-scale quarantine and travel restrictions. The continuing pandemic has inflicted tremendous trauma on the nation and its people. The unprecedented controls and prolonged work suspensions have deeply impacted many industries and enterprises.

The situation also poses a challenge to the operation of the Company. In the midst of the pandemic, the Group and its employees have opted to continue to serve their customers without interruption, while taking measures to provide extra health and safety protection and prevent a wider spread of the epidemic. In April 2020, Sample Technology was included in the "List of Key Secured Enterprises for the Prevention and Control of Novel Coronavirus Pneumonia Epidemic", a recognition from all levels of government of the Group's full utilisation of internet-of-things and business expertise for epidemic prevention and control.

The Group will maintain its strategic strength and continue to move forward while staying true to its belief in providing customers with value, helping customers to create value, providing services that exceed expectations, pursuing high-quality development, and earning long-term returns for shareholders.

On behalf of Sample Technology, I extend my deep gratitude to our customers, suppliers and shareholders for their unfailing support and faith. I will lead all staff members to continue driving our innovative development and take our Group to new heights of performance.

By Order of the Board

**Sha Min**

*Chairman*

Nanjing, China

30 May 2020

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Total Operating Income

Total operating income of the Group for the year ended 31 December 2019 was approximately RMB1,487,129,114.80, representing a decrease of approximately 18.93% over last year. The decrease was mainly due to the decrease in the Group's bidding projects in 2019 resulted in decrease in income from the system integration and terminal sales.

### Gross Profit

Gross profit margin of the Group for the year ended 31 December 2019 was approximately 26.85% which is in line with that of last year.

### Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2019 was approximately RMB39,240,810.95, representing a decrease of approximately 6.32% over last year. The decrease was mainly attributable to the efforts devoted in self-media promotion which reduced the business promotion expenses to a certain extent.

### Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2019 was approximately RMB51,773,501.21, representing an decrease of approximately 18.69% over last year. The decrease was mainly due to the fact that the Company has enhanced its performance management during the Review Period and reduced management costs.

### Net Profit Attributable to Shareholders of the Parent Company

For the year ended 31 December 2019, the Group recorded a net profit attributable to the shareholders of the parent company of approximately RMB107,023,458.97, representing a decrease of 45.39% over last year. The decrease was mainly attributable to the decrease in income of principal businesses and increase in financial expenses during the Review Period.

### Other Current Assets

As at 31 December 2019, the Group's other current assets was RMB50,252,379.01, representing an increase of 57.87% as compared with that of the same period last year. The increase was mainly due to the increase of external loan of the Company for the Review Period as compared with that of the same period last year.

# Management Discussion and Analysis

## Long-term Equity Investments

As at 31 December 2019, the Group's long-term equity investments was RMB14,034,388.49, representing a decrease of 67.62% over the same period last year. The decrease was mainly due to the Group's disposal of equity interests in subsidiaries during the Review Period.

## Other Equity Instrument Investment

As at 31 December 2019, the Group's other equity instrument investment was RMB679,253,400, representing an increase of 198.81% over the same period last year. The increase was mainly due to the Group's acquisition of Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司) ("Nanjing Dongbang") during the Review Period, where Nanjing Dongbang externally invested RMB450,000,000 to Jianan Xuyi Equity Fund No.1 which was classified as other equity instrument investment.

## Other Receivables

As at 31 December 2019, the Group's other receivables was RMB139,362,794.66, representing a decrease of 56.66% over the same period last year. The decrease was mainly due to the recovery of guarantee deposits for a project.

## Non-current Liabilities Due Within One Year

As at 31 December 2019, the Group's non-current liabilities due within one year was RMB 356,946,404.90, representing an increase of 94.52% over the same period last year. The increase was mainly due to the increase of long-term borrowings to be due within one year.

## FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2019, the shareholders' equity of the Group was approximately RMB2,115,590,006.13. Current assets were approximately RMB2,975,609,052.58, comprising cash and bank balances of approximately RMB163,444,153.79. Non-current liabilities were approximately RMB176,107,629.41. Current liabilities were approximately RMB2,167,920,818.25, mainly comprising accounts payable and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2019, net assets per share of the Group was approximately RMB2.57 (31 December 2018: RMB2.53). The short-term borrowings of the Group were RMB680,071,088.70.

## PLEDGE OF ASSETS

As at 31 December 2019, bank deposits of RMB27,523,624.03 were pledged to the bank for projects in progress (2018: RMB36,413,835.27).

## GEARING RATIO

For the year ended 31 December 2019, gearing ratio (being sum of short-term loan, long-term loan and non-current liabilities due within 1 year less cash and cash equivalents divided by equity) of the Group was approximately 0.49 (2018: 0.38).

# Management Discussion and Analysis

## FOREIGN CURRENCY EXPOSURE

Since the Group mainly conducts its business in the PRC and most of the sales and purchases of the Group were denominated in RMB, the Group's operating results were not exposed to any foreign currency risk.

## Summary of key financial ratios

The following table sets forth the key financial ratios of the Group as of 31 December:

Key financial ratios	2019 <sup>(7)</sup>	2018 <sup>(8)</sup>
Net profit ratio (%) <sup>(1)</sup>	<b>5.65%</b>	10.61%
Return on net assets ratio (%) <sup>(2)</sup>	<b>3.88%</b>	9.26%
Return on equity ratio (%) <sup>(3)</sup>	<b>3.88%</b>	9.26%
Debt ratio (%) <sup>(4)</sup>	<b>52.56%</b>	56.75%
Current ratio <sup>(5)</sup>	<b>1.37</b>	1.65
Quick ratio <sup>(6)</sup>	<b>0.77</b>	1.11

Notes:

- (1) Net profit ratio refers to net profit divided by principle operating income
- (2) Return on net assets ratio refers to the net profit divided by net assets
- (3) Return on equity ratio refers to the net profit divided by shareholders' equity
- (4) Debt ratio refers to the total liabilities divided by total assets
- (5) Current ratio refers to total current assets divided by total current liabilities
- (6) Quick ratio refers to current assets less inventory and contract assets divided by current liabilities
- (7) The 2019 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2019
- (8) The 2018 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2018

## Net profit ratio

During the reporting period, the Group's net profit margin decreased from 10.61% in the same period of the previous year to 5.65%. The decrease was mainly attributable to the increase in financial expenses.

## Return on net assets ratio

During the reporting period, the Group's return on net assets decreased from 9.26% in the same period of the previous year to 3.88% which was mainly due to the decrease in profits during the reporting period.

## Return on equity ratio

The Group's return on equity decreased from 9.26% in the same period of last year to 3.88% which was mainly due to the decrease in profits during the reporting period.

## Debt ratio

The Group's debt ratio decreased from 56.75% of last year to 52.56% which was due to the decrease in total debts at the end of the reporting period.

# Management Discussion and Analysis

## Current ratio

The Group's current ratio decreased from 1.65 of the same period last year to 1.37 which was mainly due to the decrease in current assets during the reporting period.

## Quick ratio

The Group's quick ratio decreased from 1.11 of the same period last year to 0.77. The reason for the change in the quick ratio was same as the reason for the decrease in current ratio as abovementioned.

## SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

On 5 September 2019, Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司) ("Sample Group") as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 64.86% equity interests in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd.\* (徐州市九里公交首末站項目管理有限公司) at a consideration of RMB60,144,200.

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 46.24% equity interests in Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd.\* (徐州市杏山子公交首末站項目管理有限公司) at a consideration of RMB76,059,100.

On 24 September 2019, the abovementioned disposal has been completed with the change of registration in the Xuzhou Market Supervision and Administration Bureau. For details of the disposal, please refer to the announcement of the Company dated 5 September 2019.

On 18 September 2019, the Company and Qiushan Machinery Manufacturing Jiangsu Co., Ltd.\* (秋山機械製造江蘇有限公司) ("Qiushan Machinery") entered into an equity transfer agreement, pursuant to which, the Company agreed to purchase and Qiushan Machinery agreed to sell, 42% equity interests in Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司) ("Nanjing Dongbang") at a consideration of RMB21,000,000. On 18 September 2019, the Company and Shanghai Yanchuang Investment Management Co., Ltd.\* (上海燕創投資管理有限公司) ("Shanghai Yanchuang"), entered into an equity transfer agreement, pursuant to which, the Company agreed to purchase and Shanghai Yanchuang agreed to sell, 10% equity interests in Nanjing Dongbang at a consideration of RMB5,000,000.

On 23 September 2019, the abovementioned acquisition has been changed its registration with Market Supervision and Administration Bureau of Yuhuatai District in Nanjing. For details of this acquisition, please refer to the announcement of the Company dated 18 September 2019.

Save as disclosed above, the Group did not have any other material acquisition and disposal investment during the Review Period.

# Management Discussion and Analysis

## CAPITAL COMMITMENT

As at 31 December 2019, the Group did not have any material capital commitment.

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, total employees' remuneration of the Group was approximately RMB64,047,722.15 (2018: RMB71,451,611.05) and the number of employees was 306 (2018: 384). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

## BUSINESS REVIEW AND BUSINESS OUTLOOK

### Business development

In the expressway intelligent transportation business domain, the Group continued to optimise its business plan in the market and develop new business sectors and explore development targets based on its existing market coverage. The Group has always adhered to its customer-orientated approach, strengthened its execution, improved its refined management standards in project implementation and enhanced its competitiveness in the market. In the meantime, with cooperation to attain win-win outcome as its spirit, the Group has actively established strategic cooperation with peers among the industry and developed new market sectors and business projects.

During the reporting period, the Group effectively procured the modification and extension of Hangzhou-Nanjing Expressway (Zhejiang section), cancellation of expressway toll stations at provincial boundary and mechanical and electrical engineering project of S25 Jingyuan Huating (Ninggan boundary) Jingheyuan town-Shuanggedaliang section highway.

During the reporting period, the Group signed and completed various project contracts of cancellation of expressway toll stations at provincial boundary, such as the cancellation of expressway toll stations at provincial boundary of Hu-Ning Expressway (ETC gantry system integration), cancellation of expressway toll stations at provincial boundary of Suzhou Ring Expressway (ETC gantry system integration), and cancellation of expressway toll stations at provincial boundary of Yanjiang Expressway (ETC road modification).

## Management Discussion and Analysis

Meanwhile, the Group signed several new project contracts such as construction project of the mechanical and electrical engineering of the toll system of Hai'an-Qidong Expressway, mechanical and electrical engineering of Jilin Province Jishuang Expressway (Jian-Tonghua section) and mechanical and electrical engineering of Huadu-Dongguan Expressway and mechanical and electrical engineering of G1816 Wuhai-Maqin National Expressway Jingtai-Zhongchuan Airport section.

The Group actively commenced various construction projects and provided integrated services to clients, comprising highway monitoring systems, communication systems, toll systems and tunnel electromechanical systems. In addition to the continuous improvement of project management and data collection capability, the Group also proactively explored the application of big data analysis related to transportation in new areas and extended the intelligent transportation concept to every business segment.

In the city intelligent transport business domain, the Group strengthened its capability to fulfill its core mission of offering comprehensive solutions of city intelligent transportation. To this end, it continued to integrate elements such as data collection terminals for internet-of-things (IOT) and intelligent information management platforms, creating the basis for ecological transport services in the construction of intelligent cities.

During the reporting period, the Group proactively procured the project of the 1st stage of Intelligent traffic management system Phase II of Olympic Sports Center in Suzhou Industrial Park and commenced and completed the electromechanical integration project of the second stage of the Tianfu New District Meishan Double Creation Center (Meishan Huawei Big Data Center) project.

To support its user demand-oriented scheme, the Group conducted in-depth research on traffic model algorithms via both self-development and external cooperation. By forming teams dedicated to the big data model and software development, the Group further enhanced its understanding of the transportation sector. Meanwhile, the Group endeavored to shift its core competence from project implementation to the ability of seizing on industry demand and analyzing big data by development achievements of advanced technology.

In the customs logistic business domain, leveraging RFID core technology, the Group provided intelligent solutions such as electronic locks and smart containers, fast customs clearance systems and comprehensive logistics supervision systems for customs and free trade zones.

During the reporting period, the Group reconstructed the software system for customs integrated gate for the upgrading to proactive cloud operation and maintenance with rapid response, providing service to customers and collecting Sample gate operation and maintenance data. It developed station management system to realise full scenario business linkage of the customs platform, gate and station and collect information related to enterprises and forwarding agents for preparing the Group's development of new businesses and ensuring its sustaining advantage in intelligent customs logistics. During the reporting period, the Group secured projects such as specific information system for customs clearance base of Nanjing airport, equipment purchase and installation of the information system of bonded logistics center in Rudong Yangkou Port Economic Development Zone (A type), and modification of customs information aided management system of Fuzhou Bonded Port.

# Management Discussion and Analysis

## Research and development

During the reporting period, the Group actively participated in the work of the national internet-of-things standard working group led by China Electronics Standardization Institute of the Ministry of Industry and Information Technology. The Group led the formulation of a national standard “Internet-of-things Information Sharing Exchange Part 4: Data Interface (GBT 36478.4-2019)” which was published officially in 2019 and implemented officially on 1 March 2020. The three national standards the Group actively participated in the past several years, i.e. “Internet-of-things Information Sharing Exchange Part 1: Overall Structure (36478.1-2018)”, “Internet-of-things Information Sharing Exchange Part 2: Universal Technical Requirements (GBT3647)” and “Internet-of-things for Intelligent City Application Guide (GBT 36620-2018)” were approved in 2018 for official publication, two projects of which have been implemented on 1 January 2019, and the third one on 1 May 2019.

During the reporting period, the Group’s “2016 Provincial Industry and Information Transformation and Upgrade Project Fund” and “2017 Provincial Enterprise’s Promotion Plan for Intellectual Property Strategy” were inspected and passed by the Jiangsu Provincial Department of Industry and Information Technology and the Intellectual Property Office of Jiangsu Province. The Group also obtained approval for its “2019 Provincial Industry and Information Transformation and Upgrade Project Fund” and promoted, built and implemented government projects including NDRC’s “Internet +” and the Provincial high-value patent cultivation project of the Intellectual Property Office of Jiangsu Province.

During the reporting period, the Group was awarded the “2019 Excellent Technology Enterprise in Jiangsu”, “Jiangsu Software Talent Charity Contribution Award” and ranked as one of the “Top 50 Innovative Enterprises in Nanjing 2019”. During the reporting period, the Group attached great importance to the application and protection of intellectual property rights, filed new applications for 6 invention patents and 39 software copyrights, conducted 5 software products assessments, and was granted 1 invention patent and 1 utility model patent.

## BUSINESS OUTLOOK

### Future business development plan

In 2020, the Group will continue to focus on two core industries of intelligent transportation and intelligent logistics, adhere to the customer-orientated approach and market-demand-oriented target, focus on both technological and business model innovation, centralize its resources and use information technologies such as the internet-of-things and “internet +” as its core to build the ecological system of an intelligent city.

# Management Discussion and Analysis

Regarding the intelligent transportation domain, the Group will increase cooperation with government and enterprises within the industry, and provide professional and customized solutions for administration departments of the transportation industry by a combination of means including “optimising traffic organisation + refining transportation projects + improving scientific management measures + advance ITS technology”. On the foundation of data collected in respect of electrical and mechanical infrastructure, carrying equipment and operating trend of transportation, and of relevant government and operators, and in accordance with the demand for daily monitoring, coordination and control, dispatching and directing, alert and forecast, the Group will provide industrial services of “project interaction + operation and maintenance” to users of the transportation industry at various levels. Based on the “big data, intelligent technology, mobile internet, cloud computing” technology and incorporating a number of its own intellectual property rights, the Group will provide professional monitoring and management system, toll management system, emergency and security system and operation and maintenance system to highway administration departments, and provide all-round transport management and intelligent transport services to users at various levels.

Regarding the customs logistics domain, the Group will continue to adhere to the philosophy of “connection, development, sharing”, devote to technological innovation and promote industrial efficiency driven by technology, data and scenarios. Based on the six processes of “in custom, in warehouse, in transit, in factory, in use, and in management” of goods to guide IoT scenario modification, the Group will create all scenario service products for customs, and obtain dynamic and static data based on the scenarios to enhance management effectiveness. On the foundation of consolidating its existing businesses, the Group will pay great attention to project quality management and service standard for further enhancement of the market reputation of its customs logistics business. It will continue to strengthen its business teams, optimize the structure of integration projects and explore new areas of customs clearance logistics, laying the foundation for business transformation and upgrade in the future.

## Research and development planning

In 2020, the Group will continue to rely on the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, carry out prospective and industrial common technology R&D related to the core industries, strengthen cooperation with relevant companies, universities and colleges and R&D institutes, consolidate the R&D strengths of all parties, focus on the needs for exploring core business sectors of the Company, conduct R&D of new technologies and products; make planning on the intelligent city ecosystem of the Company, make good use of the industry status and influences of the national engineering center, expand resource cooperation in the industries or related domains, and through cooperation with external parties, establish complementary advantages by uniting partners of the ecosystem; enhance the competitiveness of the products and services of the Company, raise the entry barrier of the industry and protect the development strategies of the internet-of-things business of the Company through core technologies, accumulation of intellectual property rights and upgrade and iteration of core products.

# Biographical Details of Directors, Supervisors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Sha Min (沙敏)**, aged 55, a senior engineer and senior economist, received postgraduate education, is an executive Director and Chairman and the chairman of the strategic committee of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. He joined the Company in December 1997 and was first appointed as an executive Director and Chairman in December 1999. He is currently the president of China RFID Association, a committee member of the 12th Chinese People's Political Consultative Conference of Jiangsu Province, vice-chairman of Federation of Industry and Commerce of Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing, vice president of Nanjing Software Industry Association, vice-chairman of Nanjing Enterprises Association, president of Jiangsu Badminton Association and President of Nanjing Alumni Association of Southeast University etc. Mr. Sha is currently a non-executive director of Jiangsu NandaSoft Technology Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 8045). Mr. Sha currently holds directorship in Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd. (南京物聯網研究院發展有限公司), the subsidiary of the Company.

**Mr. Zhu Xiang (朱翔)**, aged 43, a senior economist and a member of China Democratic League, received postgraduate education, is an executive Director and president and a member of the remuneration committee and strategic committee of the Company. He obtained a MBA degree from Nanjing University in June 2006. He joined Hainan Airlines Company Limited as assistant to secretary of the board of directors from July 2000 to February 2002. He worked for strategic development department of 江蘇金盛投資置業集團 as head of investment and assistant to manager from March 2002 to October 2002. He joined the Company in March 2003 and was appointed as executive Director and president in May 2014, and successively served as manager of the Company's investment department, secretary of the board of directors, vice president and president. Mr. Zhu also currently holds the position as the chairman of the board of directors of Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司), a subsidiary of the Company, and holds directorships in Jiangsu Intellitrans Company Ltd., Sample Technology (H.K.) Co., Ltd. and Federal International Enterprise Limited, as well as serves as a director and general manager of Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd..

**Ms. Yu Hui (于暉)**, aged 43, holds a bachelor degree and is studying the EMBA of Shanghai Advanced Finance Institute. She is an executive Director and vice president and a member of the nomination committee and strategic committee of the Company. Ms. Yu served in the Chinese People's Liberation Army from 1994 to 2003. From 2003 to 2012, she worked for the Enterprise Division of Nanjing Industry and Commerce Bureau. She joined the Company in 2012 as General Manager of the Strategic Promotion Center. Ms. Yu has served as Vice President of the Company since March 2017.

# Biographical Details of Directors, Supervisors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Chang Yong (常勇)**, aged 53, a senior economist, received postgraduate education, is a non-executive Director and vice chairman of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from July 1990 to September 1992. He worked as a manager of Nanjing Kentucky Fried Chicken Company Limited from September 1992 to March 1993. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive director and president of the Company in December 1997, then became the vice-president of the Company from May 2014 to May 2019. Mr. Chang also currently holds the position as the chairman of the board of directors of Jiangsu Intellitrans Company Limited and Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd. respectively, both of which are the subsidiaries of the Company, and holds directorships in Jiangsu Ruifu Intelligent Tech. Co., Limited and Nanjing City Intelligent Transportation Co., Ltd..

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hu Hanhui (胡漢輝)**, aged 63, professor and instructor of doctorate students, is an independent non-executive Director, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company. He had served as the Associate Head of Department of Management Science and Engineering in Nanjing Institute of Technology, the Deputy Director of the Technology Research Institution and the president of the University's Union in Southeast University, a part-time researcher of the Humanities and Social Science Research Institution of Education Department in Dongbei University of Finance and Economics, a member of Professional Committee in China Development Bank and a member of the "Expert Group of Basic Requirements on Entrepreneurship Education in High Schools" in Ministry of Education. Currently, Mr. Hu has served as the Director of the Research Institution of Entrepreneur Group Economics and Industrial Organization of School of Economics and Management in Southeast University and an independent director of Nanjing Textiles Import & Export Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600250). Mr. Hu was appointed as an independent non-executive Director of the Company in May 2016.

**Mr. Gao Lihui (高立輝)**, aged 56, received doctoral education, is a senior economist and an independent non-executive Director and a member of the audit committee and the nomination committee of the Company. Mr. Gao holds a diploma from The Business School of Yangzhou University in the PRC, a master degree in Business Administration from The School of Business and Economics of Maastricht University in the Netherlands and a doctoral degree in management from The School of Business of Nanjing University. Mr. Gao worked at Jiangsu Branch of Bank of China from 1991 to 1992 and was mainly responsible for the management of foreign exchange, finance and Japanese Yen sub-ledgers. He served as General Ledger Accountant of Jiangsu Branch of Bank of China from 1992 to 1995 and was responsible for the management of foreign exchange and finance. In addition, Mr. Gao had been appointed as the deputy manager of the Gulou branch of Bank of Nanjing, the manager of Danfeng Street branch of Bank of Nanjing and the general manager of the Business department of HengFeng Bank. Mr. Gao was appointed as an independent non-executive Director of the Company in May 2017.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Niu Zhongjie (牛鐘潔)**, aged 52, is an independent non-executive Director and a member of the audit committee and nomination committee of the Company. Mr. Niu obtained a bachelor degree in business administration from Northeast Missouri State University in May 1994. He also obtained a master degree in business administration from the University of Hong Kong in December 1999. Mr. Niu has worked with various financial institutions and has extensive experience in equity capital markets. He served as a director of Vision Finance Asset Management Limited from February 2008 to January 2015. He has been the director of Vision Finance International Company Limited since September 2007 to present, and has also been the responsible officer of the company to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities since November 2007. Furthermore, he has been the responsible officer for type 4 (advising on securities) and type 9 (asset management) regulated activities of Vision Finance Asset Management Limited since December 2008 and July 2010, respectively. Mr. Niu previously served as an executive director of Beijing Sports and Entertainment Industry Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1803), from April 2015 to 7 November 2018. He has served as an independent non-executive director of Gold-Finance Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1462) from February 2016 to 25 May 2019. Mr. Niu has served as an independent non-executive director of Peiport Holdings Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2885) since December 2018. Mr. Niu was appointed as an independent non-executive Director of the Company in May 2019.

### SUPERVISORS

**Mr. Qiu Xiang Yang (仇向洋)**, aged 64, received doctoral education, is a supervisor of the Company. Mr. Qiu was an EMBA graduate. He is now the president of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From February 1991 to June 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate strategic management and industrial development. He was first appointed as a supervisor of the Company in August 2007. He is currently an independent director of ArcherMind Technology (Nanjing) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300598), Neoglory Prosperity Inc.\* (a company listed on the Shenzhen Stock Exchange, stock code: 002147), Tianjin Tai Da Limited\* (a company listed on the Shenzhen Stock Exchange, stock Code: 000652) and Nanjing Kangni Mechanical & Electrical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code 603111).

**Mr. Dai Jian Jun (戴建軍)**, aged 50, a practising lawyer, is a supervisor of the Company. He was educated in Jiangsu Police Institute from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a practicing lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003. Mr. Dai is currently an independent director of Nanjing Canatal Data-Centre Environmental Tech. Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603912) and a supervisor of Nanjing Heyuxin Real Estate Co., Ltd.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zou Tao (鄒濤)**, aged 50, received doctoral education and is a senior engineer. Mr. Zou graduated from the Xidian University in 1996 with a Master degree in Computer Device and Equipment Professional and graduated from the Nanjing University in 1999 with a Doctor degree in Computer Application Professional. He worked as the head of the development department of Fujitsu Nanda Software Technology, Co., Ltd from July 1999 to August 2003. In 2003, he departed to Japan and worked as project officer in the SOFTWISE Corporation in Japan. He joined Research Institution of the Company in 2011, and acted as Associate Dean of the Research Institution and deputy director of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center. He is currently a member of the state IOT basic standard working group and a member of Jiangsu software engineering standardization technical committee. Mr. Zou was appointed as a supervisor of the Company in May 2016.

### SENIOR MANAGEMENT

**Mr. Li Chengyang (李成陽)**, aged 41, holds a bachelor degree and is a non-practicing member of Chinese Certified Public Accountant Association and the financial director of the Company. Mr. Li graduated from Hefei University of Technology in 2002 with a bachelor's degree in accounting. He served as a financial accountant of China Railway 24th Bureau Group Fujian Railway Construction Co., Ltd from August 2002 to December 2005, deputy financial manager (hosting) of Zhong Dian Environmental Protection Limited\* from March 2006 to December 2008, and assistant to the general manager of Jiangsu China Satellite Navigation and Communications Co., Ltd. from February 2009 to October 2013. Mr. Li joined the Company in November 2013 and successively served as a financial manager and financial director. Mr. Li served as the financial director since May 2019. Mr. Li is currently a supervisor of Xuzhou Sample Intelligent Technology Development Co., Ltd.\*, a subsidiary of the Company, and the director of Nanjing Intelligent Urban Constructive Investment Co., Ltd.

**Mr. Xie Jinliang (解金亮)**, aged 43, received postgraduate master education, acted as secretary to the board of directors of the Company. Mr. Xie graduated from the Sino-Dutch International Business Center of Nanjing University in 2018 and was an EMBA graduate. From March 2002 to April 2007, he worked for Qingdao Technology Property Right Exchange, and has served successively as project manager, department manager and assistant president. From May 2007 to January 2013, he worked for Jiangsu Kanion Pharmaceutical Co., Ltd, and has served successively as investment consultant, manager of the securities department and representative of securities affairs. He joined the Company in February 2013 and successively served as investment manager, general manager of the securities department and secretary to the board of directors. Mr. Xie has served as the secretary to the board of directors of the Company since May 2014. Mr. Xie is also currently a supervisor of Nanjing Sample Logistic Company Ltd.\*.

# Report of the Directors

The Board present the annual report and audited financial statements for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of visual identification and RFID technologies based full solutions to intelligent transportation, customs logistics and other application areas.

## BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2019 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 8 and "Management Discussion and Analysis" on pages 9 to 16. An analysis of the Group's performance during the year ended 31 December 2019 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 248. In addition, the risks in relation to financial instruments of the Group can be referred in note IX to the financial statements on pages 213 to 217.

## Key risks and uncertainties affecting the Company

In recent years, the continuous and steady growth in the macro economy and fixed asset investment in China has provided a favourable environment for the development of the IOT industry. As the downstream customers of the Company mainly concentrate in industries such as road and transportation, custom logistics and city construction, the Company's operating results are more closely related to the State's policy orientation for investment in such sectors. In the future, if there is a sustaining slowdown in the growth of the macro economy and fixed asset investment in China or the government's policy orientation changes, investment in the informatization and intelligent development of the downstream industries may decrease which will have an adverse effect on the Company's results. Therefore, the Group faces the risks of a slowdown in the growth of the macro economy and fixed asset investment and change in industry policy of China. In addition, the Company is also subject to the risk of significant change in customers, risk in technology R&D, management risk, market competition risk, etc.

In view of the above risks, while fully capitalising on the current favourable policy environment, the Group will closely follow the policy orientation and actively develop new business in line with the policy directions; continue to emphasize on and actively drive market development on the basis of establishing long-term friendly cooperation relationship with key customers; continue to strengthen investment in technology R&D, reinforce protection and daily management of its core technologies, strictly implement the confidentiality system for its technology, and enhance the incentive system for R&D; further improve and strictly implement various internal control systems, and attach importance to the introduction and nurturing of outstanding management talents; and consolidate and fully leverage on its advantages to achieve quality improvements in both operating income and technology. Through such measures, the Company aims to mitigate the impact of the above risks.

# Report of the Directors

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with legal and regulatory requirements and the risks of violating relevant regulations. The Group has allocated system and human resources to ensure continuous compliance with laws, rules and regulations, and maintains a good working relationship with regulatory authorities through effective communication. In addition, relevant employees and operating units will also pay attention to any changes in applicable laws, rules and regulations from time to time. In order to protect the intellectual property rights of the Group, the Group has registered its domain name and has registered or applied for trademarks, patents, software copyrights in various categories in China and took all appropriate actions to safeguard its intellectual property rights. During the period under review, the board of directors is not aware of any incident of non-compliance of relevant laws and regulations that had a material impact on the company.

## MAJOR RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employee is one of the its most valued assets. The Group aims at maintaining a caring environment for its employees and values their personal development. The Group provides a harmonious and safe workplace, promotes diversity in its employees, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, to improve their performance and self-fulfilment in their positions.

The Group maintains good relationship with its customers and suppliers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand so as to provide customers with quality services and product experience. The Group also maintains constant communication with its suppliers to actively and effectively strengthen the working relationship, which helps ensure their timely delivery according to specification, and in turn, ensure the stability of the Group's business.

## RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2019 are set out on pages 52 to 247 of this annual report.

The Board decided not to propose distribution of a final dividend (2018: RMB0.1 per share) for the year ended 31 December 2019.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the Note VI (Note 15) to the financial statements.

## INVESTMENT PROPERTY

The company owns an office park at No. 10 Maqun Avenue, Qixia District, Nanjing City, the People's Republic of China. The area of the land is approximately 118 mu. on which it has office buildings with floor area of approximately 39,000 square meters, of which about 30,500 square meters belongs to investment property for rental purpose. The remaining part is self-used by the Company.

# Report of the Directors

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this annual report were:

### Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Ms. Yu Hui (*Vice President*) (appointed on 27 May 2019)

Mr. Chang Yong (*Vice Chairman*) (resigned on the expiry of term on 27 May 2019)

### Non-executive Directors

Mr. Chang Yong (*Vice Chairman*) (appointed on 27 May 2019)

Mr. Ma Jun (resigned on the expiry of term on 27 May 2019)

### Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie (appointed on 27 May 2019)

Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)

### Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Zou Tao

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2021 and the further renewal of a term of 3 years shall be subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

Save as disclosed above, no Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment, other than statutory compensation.

## INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS

Save as disclosed below, as at 31 December 2019, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

# Report of the Directors

## Long Positions in Shares

Name of Director	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min (Note 1)	3,375,000	Beneficial owner	0.43%
	Domestic Shares		
	397,821,000	Interest of controlled corporation	50.77%
Chang Yong (Note 2)	4,310,000		
	H Shares		
	397,821,000	Interest of controlled corporation	50.77%

### Notes:

- (1) Mr. Sha Min ("**Mr. Sha**") directly holds 3,375,000 Domestic Shares and is indirectly interested in 60.40% of equity interest of Jiangsu Sample Holding Limited\* (江蘇三寶控股有限公司) ("**Jiangsu Sample**") which in turn owns the entire equity interest in Nanjing Sample Technology Group Company Limited ("**Sample Group**") which in turn owns directly 397,821,000 Domestic Shares and owns indirectly 4,310,000 H Shares. Under the SFO, Mr. Sha is deemed to be interested in all 401,196,000 Domestic Shares and 4,310,000 H Shares. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 401,196,000 Domestic Shares and 4,310,000 H Shares in which Mr. Sha is interested.

Sample Group directly holds 397,821,000 Domestic Shares, representing approximately 50.22% of the issued share capital of the Company and Sample Group owns indirectly 4,310,000 H Shares, representing approximately 0.54% of the issued share capital of the Company and Sample Group is owned as to 100% by Jiangsu Sample which in turn is held as to 60.40% by Tibet Zhuo Xin Venture Capital Management Co., Ltd.\* (西藏卓鑫創業投資管理有限責任公司) ("**Tibet Zhuo Xin**"). Tibet Zhuo Xin is owned as to 90% by Shanghai Jiaxin Enterprise Management Center (limited partnership)\* (上海佳鑫企業管理中心有限合夥) ("**Shanghai Jiaxin**") which in turn is beneficially owned as to 99% and 1% by Mr. Sha and his spouse, Du Yu (杜予). Under the SFO, Mr. Sha is deemed to be interested in the entire equity interest in each of Sample Group, Jiangsu Sample, Tibet Zhuo Xin and Shanghai Jiaxin.

- (2) Mr. Chang Yong ("**Mr. Chang**"), is indirectly interested in 38.96% of equity interest of Jiangsu Sample which in turn owns the entire equity interest in Sample Group which in turn owns directly 397,821,000 Domestic Shares and owns indirectly 4,310,000 H Shares. Under the SFO, Mr. Chang is deemed to be interested in all 397,821,000 Domestic Shares and 4,310,000 H Shares.

Sample Group, directly holds 397,821,000 Domestic Shares, representing approximately 50.22% of the issued share capital of the Company and Sample Group owns indirectly 4,310,000 H Shares, representing approximately 0.54% of the issued share capital of the Company and Sample Group is owned as to 100% by Jiangsu Sample which in turn is held as to 38.96% by Tibet Zhuo Cai Venture Capital Management Co., Ltd.\* (西藏卓財創業投資管理有限責任公司) ("**Tibet Zhuo Cai**"). Tibet Zhuo Cai is owned as to 90% by Shanghai Lianqi Enterprise Management Center (limited partnership)\* (上海聯啟企業管理中心有限合夥) ("**Shanghai Lianqi**") which in turn is beneficially owned as to 99% by Mr. Chang. Under the SFO, Mr. Chang is deemed to be interested in the entire equity interest in each of Sample Group and Jiangsu Sample.

# Report of the Directors

## SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2019, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Beneficial owner Interest of controlled corporation	50.77%
Jiangsu Sample Holding Limited* ("Jiangsu Sample") (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Tibet Zhuo Xin Venture Capital Management Co., Ltd.* (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Tibet Zhuo Cai Venture Capital Management Co., Ltd.* (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Shanghai Jiaxin Enterprise Management Center (limited partnership)* (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Shanghai Lianqi Enterprise Management Center (limited partnership)* (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%

# Report of the Directors

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Active Gold Holding Limited (Note 2)	123,862,500 Domestic Shares	Beneficial owner	15.64%
Jian Ying Sample High Growth Investment Fund (Note 2)	123,862,500 Domestic Shares	Interest of controlled corporation	15.64%
Pengda Value Fund SPC (acting for and on behalf of DTC SP) (Note 3)	45,961,364 H Shares	Beneficial owner	5.80%
Cinda Asset Management (Cayman) Limited (Note 3)	45,961,364 H Shares	Interest of controlled corporation	5.80%
Cinda International Holdings Limited (Note 3)	45,961,364 H Shares	Interest of controlled corporation	5.80%
Cinda Securities Co., Ltd (Note 4)	45,961,364 H Shares	Interest of controlled corporation	5.80%

Notes:

- (1) Sample Group directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares. As such, Sample Group is the substantial and the single largest shareholder of the Company. Sample Group is 100% held by Jiangsu Sample which in turn is held by Tibet Zhuo Xin and Tibet Zhuo Cai as to 60.40% and 38.96% equity interests respectively. Tibet Zhuo Xin is in turn held by Shanghai Jiaxin and Nanjing Juge Enterprise Management Center (limited partnership)\* (南京聚格企業管理中心(有限合夥)) (“**Nanjing Juge**”) as to 90% and 10% equity interests respectively. Mr. Sha, the Chairman of the Company and his spouse, Du Yu (杜予), respectively held 99% and 1% in each of Shanghai Jiaxin and Nanjing Juge. On the other hand, Tibet Zhuo Cai is in turn held by Shanghai Lianqi and Nanjing Runge Enterprise Management Center (limited partnership)\* (南京潤格企業管理中心(有限合夥)) (“**Nanjing Runge**”) as to 90% and 10% equity interests respectively. Mr. Chang, the Vice Chairman of the Company, held 99% in each of Shanghai Lianqi and Nanjing Runge.
- (2) Active Gold Holding Limited is indirectly wholly owned by Jian Ying Sample High Growth Investment Fund.
- (3) Pengda Value Fund SPC(acting for and on behalf of DTC SP), directly owns 45,961,364 H Shares, is 100% owned by Cinda Asset Management (Cayman) Limited which in turn is 100% owned by Cinda (BVI) Limited which in turn is 100% owned by Cinda International Holdings Limited.
- (4) On 5 June 2019, upon the completion of the equity restructuring, Cinda Securities Co., Ltd. (“**Cinda Securities**”) held 63% of equity interest in Cinda International Holdings Limited. Details can be referred to Cinda International Holdings Limited’s announcement dated 6 June 2019.

# Report of the Directors

## DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2019, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2019, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

## SHARE OPTION SCHEME

A share option scheme ("Share Option Scheme") was conditionally adopted by a resolution of the shareholders of the Company on 24 April 2004. On 30 December 2011, the shareholders of the Company had resolved by a special resolution to terminate the Share Option Scheme. No option has been granted under the Share Option Scheme since its adoption.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

On 31 December 2018, the Company (as the lessor) and Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司) ("Sample Group") (as the lessee) entered into the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules), and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 64.86% equity interests in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd.\* (徐州市九里公交首末站項目管理有限公司) ("**Xuzhou Jiuli**") at a consideration of RMB60,144,200 (the "Xuzhou Jiuli Agreement").

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 46.24% equity interests in Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd.\* (徐州市杏山子公交首末站項目管理有限公司) ("**Xuzhou Xingshanzi**") at a consideration of RMB76,059,100 (the "Xuzhou Xingshanzi Agreement").

Each of Mr. Sha Min, the chairman of the Board, an executive Director and a de facto controller of the Company, and Mr. Chang Yong, the vice chairman of the Board and a non-executive Director, are respectively interested in 60.40% and 38.96% of equity interest in Jiangsu Sample Holding Limited\* (江蘇三寶控股有限公司) which in turn owns the entire equity interest in Sample Group, a controlling shareholder of the Company. Therefore, each of Mr. Sha and Mr. Chang is considered to have a material interest in the above-mentioned transactions.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

# Report of the Directors

## PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Group. At no time during the year ended 31 December 2019 and up to the date of this report, was or is there any permitted indemnity provision being in force for the benefit of any of the directors of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

### Five Largest Customers

Turnover to the Group's five largest customers accounted for 26.41% (2018: 42.95%) of the total sales for the year and sales to the largest customer included therein amounted to 7.95% (2018: 11.10%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

### Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 29.32% (2018: 27.82%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 9.24% (2018: 10.04%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

## EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, supervisors and employees and the five highest individuals of the Group are set out in Note VI (Note 53) to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 248 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note VI (Note 33) to the financial statements. As at 31 December 2019, the Company had issued an aggregate of 229,500,000 H shares and an aggregate of 562,558,500 domestic shares.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

# Report of the Directors

## RESERVES

Details of the movements of reserves of the Group during the year are set out on page 67 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the Group's reserves available for distribution amounted to RMB1,011,075,961.59 (2018: RMB990,758,260.44).

## INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the People's Republic of China ("PRC"). A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of annual final dividend to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of annual final dividend to natural persons whose names are registered on the H shares register of members of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2019.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## EQUITY-LINKED AGREEMENTS

As at 31 December 2019, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

## COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has other conflicts of interests with the Group.

# Report of the Directors

## AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference. The primary duties of the audit committee are to supervise the financial reporting process, risk management and internal control of the Company and to provide comments to the Board in relation to the preparing of annual report and accounts and interim report of the Company.

The audit committee comprises three independent non-executive Directors, namely Mr. Gao Lihui (the chairman of the audit committee), Mr. Hu Hanhui and Mr. Niu Zhongjie. The audit committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Niu Zhongjie a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

## UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors and supervisors for the year ended 31 December 2019 are set out below:

- 1) On 27 May 2019, Ms. Yu Hui was appointed as an executive Director, vice president and a member of the nomination committee and strategic committee of the Company.
- 2) On 27 May 2019, Mr. Chang Yong was appointed as a non-executive Director and ceased to be an executive Director, vice president, a member of the nomination committee and strategic committee of the Company.
- 3) On 27 May 2019, Mr. Niu Zhongjie was appointed as an independent non-executive Director and a member of the audit committee and nomination committee of the Company.
- 4) On 27 May 2019, Mr. Gao Lihui was appointed as the chairman of the audit committee and a member of remuneration committee of the Company, and ceased to be a member of the nomination committee.
- 5) On 27 May 2019, Mr. Ma Jun resigned as a non-executive Director of the Company on the expiry of term.
- 6) On 27 May 2019, Mr. Shum Shing Kei resigned as an independent non-executive Director of the Company on the expiry of term and ceased to be the chairman of the audit committee and a member of the remuneration committee of the Company.
- 7) On 11 June 2019, Mr. Zhu Xiang resigned as the chairman of the board of Nanjing Sample Chain Information Technology Co., Ltd.
- 8) On 21 April 2020, Mr. Dai Jian Jun was appointed as a supervisor of Nanjing Heyuxin Real Estate Co., Ltd. and resigned as a director of Nanjing Heyuxin Real Estate Co., Ltd.

# Report of the Directors

- 9) Mr. Qiu Xiang Yang resigned as a professor of the economics and management college of Southeast University due to retirement. On 27 November 2019, Mr. Qiu Xiang Yang was appointed as an independent director of ArcherMind Technology (Nanjing) Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300598). On 12 December 2019, Mr. Qiu Xiang Yang resigned as an independent director of Zhong Dian Environmental Protection Limited\* (listed on Shenzhen Stock Exchange, stock code: 300172).

Save as disclosed above and elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2019.

## EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

## RETIREMENT FUND OBLIGATION

The Group makes monthly contribution to certain defined contribution plan, pension schemes operated by Chinese provincial and municipal governments. The relevant provincial and municipal governments promised to fulfil the benefit obligations pursuant to these retirement schemes for all existing and future retired employees. Apart from these contributions, the Group has no other retirement benefit obligations. Contributions to these pension scheme is paid when incurs.

## CONNECTED TRANSACTIONS

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 64.86% equity interests in Xuzhou Jiuli at a consideration of RMB60,144,200 (the "Xuzhou Jiuli Agreement").

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 46.24% equity interests in Xuzhou Xingshanzi at a consideration of RMB76,059,100 (the "Xuzhou Xingshanzi Agreement").

Each of Mr. Sha Min, the chairman of the Board, an executive Director and a de facto controller of the Company, and Mr. Chang Yong, the vice chairman of the Board and a non-executive Director, are respectively interested in 60.40% and 38.96% of equity interest in Jiangsu Sample Holding Limited\* (江蘇三寶控股有限公司) which in turn owns the entire equity interest in Sample Group, a controlling shareholder of the Company. Therefore, Sample Group, Mr. Sha and Mr. Chang are deemed to be connected persons in the above-mentioned transactions.

# Report of the Directors

## CONTINUING CONNECTED TRANSACTIONS

On 31 December 2018, the Company (as the lessor) and Sample Group (as the lessee) entered into the Property Leasing Framework Agreement, pursuant to which the Company agreed to lease their lawfully owned properties to Sample Group and its associates, and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. The annual caps for the rent to be paid to the Company by Sample Group and its associates for each of the three years from 2019 to 2021 is RMB8,000,000. Details have been disclosed in the announcement dated 31 December 2018. The actual rental paid to the Company by Sample Group and its associates for the year ended 31 December 2019 was RMB2,271,694.32.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions (a) were entered in the ordinary and usual course of business of the Group; (b) were entered on normal commercial terms or better; and (c) were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole and such transactions have been carried out in accordance with the transaction agreements.

The auditor of the Company has reviewed the above continuing connected transactions and provided a letter to the Company confirming that in respect of the above continuing connected transactions (1) nothing has come to the auditor's attention that causes it to believe that the transaction has not been approved by the Board; (2) nothing has come to the auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (3) nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (4) nothing has come to the auditor's attention that causes it to believe that the transactions have exceeded the annual cap.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2019 are set out in Note XI to the financial statements of this annual report. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for the transactions described in the section headed "Connected Transactions" and "Continuing Connected Transactions" in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

# Report of the Directors

## CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions contained in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance (“ESG”) Report within three months after publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

## AUDITORS

Da Hua Certified Public Accountants (Special General Partnership) (“Da Hua”) was appointed as the auditors of the Company in place of BDO China Shu Lun Pan Certified Public Accountants LLP (“Shu Lun Pan”) immediately following the termination of Shun Lun Pan as auditors of the Company on 27 December 2019 and to hold office until the date of the next annual general meeting. The consolidated financial report of the Group for the year ended 31 December 2019 has been audited by Da Hua. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Da Hua as the auditors of the Company and to authorise the Directors to fix their remuneration.

On behalf of the Board

**Sha Min**

*Chairman*

Nanjing, the PRC  
30 May 2020

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability. During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2019.

## BOARD OF DIRECTORS AND BOARD MEETINGS

The Directors of the Company during the year were as follows:

### Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Ms. Yu Hui (*Vice President*) (appointed on 27 May 2019)

Mr. Chang Yong (*Vice Chairman*) (resigned on the expiry of term on 27 May 2019)

### Non-executive Directors

Mr. Chang Yong (*Vice Chairman*) (appointed on 27 May 2019)

Mr. Ma Jun (resigned on the expiry of term on 27 May 2019)

### Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie (appointed on 27 May 2019)

Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)

Each of the Directors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2021 and at which time the further renewal for another terms of three years shall be subject to the approval of the shareholders at the annual general meeting of the Company.

# Corporate Governance Report

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control, risk management and monitoring the performance of the senior management. The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 17 to 20 of this annual report. The Board of Directors held at least one full Board meeting half-yearly. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The roles of the Chairman and the Chief Executive Officer are segregated. Such segregation helps to reinforce their independence and accountability. The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that good corporate governance practices and procedures are established and that it acts in the best interests of the Group and the Company's shareholders as a whole and that the Board meetings are planned and conducted effectively. On the other hand, the Chief Executive Officer is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming fully accountability to the Board for all the Group's operations.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent. Independent Non-Executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision.

Apart from its statutory responsibilities, the Board of Directors approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board schedules at least two meetings a year at approximately half-yearly intervals and will be met as necessary.

During the year ended 31 December 2019, the Board held eleven meetings, two of which were regular meetings.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 15 days is given for a regular Board meeting to give all Directors an opportunity to attend. All Directors are provided with relevant materials relating to the matters brought before the meetings at least three days in advance.

## **SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS**

During the year, the Company convened one annual general meeting and one extraordinary general meeting. The Company convened and held the shareholders' general meetings strictly in compliance with the regulations and requirements of the articles of association of the Company and the rules governing the procedures of the shareholders' general meeting of the Company, which ensured all of the Company's shareholders, especially the minority shareholders, could enjoy equal rights and fully exercise their voting rights.

# Corporate Governance Report

## THE ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND SHAREHOLDERS' GENERAL MEETINGS

The Board has convened eleven plenary Board meetings and two shareholders' general meetings for the year ended 31 December 2019. The attendance of the Directors at the meetings was as follows:

Name of Directors	Board meeting	General meeting
<b>Executive Directors</b>		
Mr. Sha Min ( <i>Chairman</i> )	11/11	2/2
Mr. Zhu Xiang ( <i>Chief Executive Officer</i> )	11/11	2/2
Ms. Yu Hui ( <i>Vice President</i> ) (appointed on 27 May 2019)	7/11	1/2
Mr. Chang Yong ( <i>Vice Chairman</i> ) (resigned on the expiry of term on 27 May 2019)	4/11	1/2
<b>Non-executive Directors</b>		
Mr. Chang Yong ( <i>Vice Chairman</i> ) (appointed on 27 May 2019)	7/11	1/2
Mr. Ma Jun (resigned on the expiry of term on 27 May 2019)	4/11	1/2
<b>Independent Non-executive Directors</b>		
Mr. Hu Hanhui	4/11	1/2
Mr. Gao Lihui	11/11	2/2
Mr. Niu Zhongjie (appointed on 27 May 2019)	11/11	2/2
Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)	7/11	1/2

Apart from the above regular board meetings held during the year, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive detailed agenda for decision prior to each board meeting.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by each Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2019 is recorded in the table below.

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending external seminars/ programmes
<b>Executive Directors</b>		
Mr. Sha Min	√	√
Mr. Zhu Xiang	√	√
Ms. Yu Hui ( <i>Vice President</i> ) (appointed on 27 May 2019)	√	√
Mr. Chang Yong ( <i>Vice Chairman</i> ) (resigned on the expiry of term on 27 May 2019)	√	√
<b>Non-executive Directors</b>		
Mr. Chang Yong ( <i>Vice Chairman</i> ) (appointed on 27 May 2019)	√	√
Mr. Ma Jun (resigned on the expiry of term on 27 May 2019)	√	√

# Corporate Governance Report

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending external seminars/ programmes
<b>Independent Non-executive Directors</b>		
Mr. Hu Hanhui	√	√
Mr. Gao Lihui	√	√
Mr. Niu Zhongjie (appointed on 27 May 2019)	√	√
Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)	√	√

## NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS

Subject to the election by shareholders of the Company in the general meeting, the selection and nomination of a director are determined by the Board. The Board's nomination procedures of a new director are: 1) collecting the candidate recommendation letter, or seeking and identifying by itself (or by agencies) the qualified candidates; 2) examining the qualifications of the prospective candidates, and determining the final director candidates at Board meeting; 3) proposing the final candidate to the general meeting of shareholders of the Company for election through ordinary resolution.

The nomination committee of the Company searches for the director candidates, compiles written reports, convenes the meeting of the nomination committee and conducts examination of the qualification of the initial candidates and makes recommendations to the Board regarding candidates for filling in vacancies on the Board.

The criteria for prospective candidates for nomination is: 1) the skills, knowledge and working experiences to carry out the duties of a director; 2) compliance of the qualifications set out in the Articles, the Company Law of the PRC and the Listing Rules for acting as a director and, where applicable, qualifications to act as an independent non-executive director. The new director will be provided with the information prepared by the Company on the regulatory rules and the Company's internal rules as well as the information about the Company's background and business from the management.

The Board is responsible for reviewing its structure, size, composition and its diversity regularly and making any changes to complement the Company's corporate strategy. During the Reporting Period, the Board has reviewed its board diversity policy and concluded that its existing structure, size, composition and diversity are appropriate.

According to the Articles, the terms of office of the directors (including non-executive directors) shall be three years and the directors shall be eligible for re-election upon expiry of the said term.

## REMUNERATION COMMITTEE

The Company's remuneration committee has been approved in the board meeting on 10 November 2005. The terms of references setting out the remuneration committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The remuneration committee currently consists of two independent non-executive Directors, namely Mr. Hu Hanhui (chairman of remuneration committee), Mr. Gao Lihui and one executive Director, namely Mr. Zhu Xiang.

The role and function of the remuneration committee included determining the policy for the remuneration of directors, making recommendation to the board of the specific remuneration packages of all executive

# Corporate Governance Report

Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, making recommendations to the board of the remuneration of non-executive Directors, assessing performance of executive directors and approving the terms of executive directors' service contracts. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

Two meetings were held during the year by the remuneration committee to review the directors, supervisors and senior management's remuneration proposals.

Details of the attendance of the remuneration committee meetings are as follows:

	<b>Number of attendance</b>
Mr. Hu Hanhui	2/2
Mr. Gao Lihui (appointed on 27 May 2019)	1/2
Mr. Zhu Xiang	2/2
Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)	1/2

No Director or any of his/her associates is involved in deciding his/her own remuneration at the meeting of the remuneration committee.

## **NOMINATION COMMITTEE**

The Company's nomination committee was approved and established in the board meeting held on 25 August 2007. The terms of references setting out the nomination committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The nomination committee currently consists of two independent non-executive Directors, namely Mr. Hu Hanhui (chairman of nomination committee), Mr. Niu Zhongjie and one executive Director, namely Ms. Yu Hui.

Building a diverse culture is important to the success of the Company. Educational background and age diversity in addition to meritocracy are areas of focus for the Company's employee base. The same diversity principle is also applied to the composition of the Board to enhance the effectiveness of the Board and its corporate governance standard (the "**Diversity Policy**").

The nomination committee has been delegated the authority to review and assess the diversity of the Board and its skills and experience by way of consideration of a number of factors, including but not limited to, ethnicity, gender, age, cultural and educational background, and professional experience. The committee will give due consideration to the Diversity Policy when identifying and selecting suitably qualified candidates. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board.

The nomination committee is responsible for developing measurable objectives to implement the Diversity Principle and for monitoring progress towards the achievement of these objectives.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis, to determine the policy, procedures and criteria of nomination of directors and where necessary, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession plan for Directors.

Three meetings were held during the year by the nomination committee to review and consider (i) the recommendation of the re-election of Directors and appointment of new Directors based on the diversity criteria as well as independence requirements for election of independent non-executive directors; and (ii) the recommendation of candidates for senior management.

# Corporate Governance Report

Details of the attendance of the nomination committee meeting are as follows:

	<b>Number of attendance</b>
Mr. Hu Hanhui	3/3
Mr. Niu Zhongjie (appointed on 27 May 2019)	1/3
Ms. Yu Hui (appointed on 27 May 2019)	1/3
Mr. Gao Lihui (resigned on the expiry of term on 27 May 2019)	2/3
Mr. Chang Yong (resigned on the expiry of term on 27 May 2019)	2/3

## **AUDIT COMMITTEE**

The Company established an audit committee on 27 August 2003. The terms of references setting out the audit committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The audit committee currently consists of three independent non-executive Directors, namely Mr. Gao Lihui (the chairman of the audit committee), Mr. Hu Hanhui and Mr. Niu Zhongjie.

The primary duties of the audit committee are to provide an independent review and supervision of financial reporting, and examines the effectiveness of the risk management and internal controls of the Group and ensuring the external auditor are independent and the effectiveness of the audit process. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls and financial reporting.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possess appropriate professional qualifications or accounting or related financial management expertise. Mr. Niu Zhongjie is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The audit committee held three meetings during the year. Details of the attendance of the audit committee meetings are as follows:

	<b>Number of attendance</b>
Mr. Hu Hanhui	3/3
Mr. Gao Lihui	3/3
Mr. Niu Zhongjie (appointed on 27 May 2019)	2/3
Mr. Shum Shing Kei (resigned on the expiry of term on 27 May 2019)	1/3

# Corporate Governance Report

During the year, the Group's annual audited results for the year ended 31 December 2018 and the unaudited interim results for the six months ended 30 June 2019 have been reviewed by the audit committee. Besides, the audit committee also reviewed the Group's annual audited results for the year ended 31 December 2019 with a recommendation to the Board for approval. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. During the year, the audit committee has reviewed the matters related to the change of the Company's auditor for the year 2019. The original audit team of the Company was transferred to Da Hua Certified Public Accountants (Special General Partnership). Da Hua Certified Public Accountants (Special General Partnership) has the qualification of securities and futures practice, and provides audit service for listed companies in Hong Kong. It has extensive audit experience, which can provide real and fair audit service for the Company to meets the requirements of annual financial audit of the Company.

No member of the audit committee is a former partner of the existing auditing firm of the Company during the two years after he/she ceases to be a partner of the auditing firm.

## STRATEGIC COMMITTEE

The Company established a strategic committee on 18 October 2011. The strategic committee currently consists of three executive Directors, namely Mr. Sha Min (the chairman of the strategic committee), Mr. Zhu Xiang and Ms. Yu Hui.

The primary duties of the strategic committee are to study and make recommendations on the Company's long-term development strategic planning, the Company's major investment and financing plans, the Company's major capital operations and asset management projects, and other major issues affecting the Company's development.

The strategic committee held one meeting during the year to review the report on the Company's overall strategic development goals for 2019:

	<b>Number of attendance</b>
Mr. Sha Min	1/1
Mr. Zhu Xiang	1/1
Ms. Yu Hui (appointed on 27 May 2019)	0/1
Mr. Chang Yong (resigned on the expiry of term on 27 May 2019)	1/1

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2019 were performed by Da Hua Certified Public Accountants (Special General Partnership). The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditors during the year ended 31 December 2019 are set out below:

	2019 RMB'000	2018 RMB'000
<b>Services rendered</b>		
Audit services		
– BDO China Shu Lun Pan Certified Public Accountants LLP	–	1,000
– Da Hua Certified Public Accountants LLP	<b>1,000</b>	
Non-audit services	–	–
	<b>1,000</b>	1,000

## CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- (d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

## FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on pages 46 to 51 of this annual report.

## COMPANY SECRETARY

The Company Secretary of the Company is Ms. Wong Lai Yuk, a member of The Hong Kong Institute of Chartered Secretaries. Ms. Wong has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

# Corporate Governance Report

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for assessing and determining the nature and extent of the risks they are willing to take in achieving the Group's strategic objectives and ensuring that the Group is responsible for maintaining a sound and effective risk management and internal control system and reviewing its effectiveness. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control system and is responsible for the risk management and internal control system, including financial monitoring, operation monitoring, compliance monitoring and risk management monitoring to protect the interests of shareholders.

Risk management and internal control system aim to manage the risk in the process of achieving the Group's strategic objectives rather than to completely eliminate it, and provide reasonable protection rather than absolute guarantee.

The Group has an internal audit functional department and directly reports to the audit committee on the risk management and internal control of the Company under the support and cooperation of other departments. The internal audit manager reports to the chief executive officer and chief financial officer on the day-to-day administrative work. The audit committee reports to the Board of any significant matters. The internal audit functional department regularly conducts internal control assessments to determine the risks that may affect the Group's business, including major operations, financial processes and data security.

The Board conducted a risk assessment based on a number of different factors and conducted continuous review to determine the status of monitoring and effectiveness of risk management of the Group. As at the end of the reporting period, the Company had no significant monitoring errors causing any unforeseen consequences or emergencies. Also, no matter was found that would cast significant impact on the Company's financial status.

The following are the main procedures for the Board to continuously monitor the effectiveness of the Company's risk management and internal control systems:

- Establish an internal control and risk management implementation team and improve the organizational structure so that the powers and responsibilities of monitoring level are clearly defined;
- Organize working meetings for internal control and risk management standard, promote the norms of internal control amongst staff and enhance staff awareness of the importance and necessity of internal control system;
- Analyze internal control deficiencies, risk identification and evaluation, and test the effectiveness of internal control according to the enterprise risk management model by collecting and sorting the daily workflow and internal control system of various departments, business and financial modules of the company;
- Develop risks lists at the corporate level, process level, information system level, identify problems in internal control and risk management in a timely manner, and strive to minimize its impact through continuous improvement of corporate governance and proactive management;
- Establish a comprehensive accounting system to provide management with financial and operational performance indicators, as well as financial information for reporting and disclosure, to maintain complete accounting records and to ensure reliable use of financial data on business and announcements to avoid serious errors, losses or fraud;

# Corporate Governance Report

- Internal audit functions will make analysis and independent assessment of the adequacy and effectiveness of the company's risk management and internal control systems. The responsible person of internal audit reports to the audit committee on any questions found during its day-to-day work, including major internal control deficiencies (if any);
- The audit committee reviews the annual audited report submitted by the external auditor to the management of the Group (including an explanatory letter about the audit to the management);
- Establish a set of guidelines and procedures for handling and posting inside information to enable timely processing and publication of inside information.

Establish a reporting policy to encourage employees on confidential basis to report to management of any possible misconduct on any matter regarding the Group. The Group will keep confidential all information received and protect the identity and interests of whistleblowers. During the year, the Board authorised the audit committee to review the work of the internal audit functional departments and the external auditors, review the regular reports on risk management and regulatory compliance that prepared by the management, and review the adequacy and effectiveness of the Group's risk management and internal control systems. During the review, the audit committee also assessed and considered the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and its training plans and budget. The Board considers that the Group's risk management and internal control systems for the year ended 31 December 2019 were effective and adequate and were in compliance with corporate governance requirements.

## **DIVIDEND POLICY**

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board in consideration of, amongst others, the factors including (i) the actual and expected financial performance of the Company; (ii) the undistributed profits and distributable reserves of the Company; (iii) the level of debt-to-equity ratio, return on equity and relevant financial commitments of the Group; (iv) the Group's expected working capital requirements and future expansion plans; (v) the general economic conditions of the Group and other internal and external factors that may affect the business or financial performance and condition of the Group.

## **COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at <http://www.samples.com.cn>, where information of the Group's business developments and operations, financial information and other information are available for public access.

Shareholders are provided with contact details of the Company, such as fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

# Corporate Governance Report

Code provision A.6.7 stipulates that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding 3% (inclusive) or more of the total voting shares of the Company shall have the right to propose new motions to be included in the agenda of the Company's annual general meeting. The Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the general meetings. In addition, two or more shareholders holding more than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting or class meeting by sending a written requisition to the Board. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: No. 10 Maqun Avenue, Qixia District, Nanjing, City  
The People's Republic of China  
Fax: (8625) 8435 6718  
Email: irm@samples.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.samples.com.cn>) immediately after the relevant general meetings.

## CHANGE IN CONSTITUTIONAL DOCUMENT

During the period under review, in view of the Reply on the Adjustment of the Provisions Applicable to the Notice Period for the Holding of Shareholders' General Meeting for Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函(2019)97號)) issued by the State Council on 22 October 2019, the requirements on the notice period for convening a shareholders' general meeting, shareholders' rights to make proposals and the procedures for convening general meeting of joint stock limited companies incorporated in the PRC and listed overseas are requested to equally apply the relevant provision of the Company Law of the People's Republic of China (《中華人民共和國公司法》), as Articles 20 to 22 stipulated in the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) are no longer applicable, the shareholders of the Company approved the amendment of the Company's Articles of Association, details of which was disclosed in the Company's circular dated 29 November 2019. Save as disclosed, there has been no significant change in the Company's Articles of Association during the year ended 31 December 2019.

# Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2019 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

During the year under review, the supervisory committee performed supervisory duties faithfully in an active, pragmatic and prudent manner, and provided reasonable recommendations and opinions to the Board in respect of the operation and development plans of the Company. It also strictly and effectively supervised the Company's management in formulating significant policies and making decisions to ensure that they were in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of the shareholders.

The supervisory committee has carefully reviewed the Company's annual report, audited by Da Hua Certified Public Accountants (Special General Partnership), to be proposed by the Board and agreed that it truly and fully reflects the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, Chief Executive Officer and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, Chief Executive Officer, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee

**Qiu Xiang Yang**

*Chairman*

Nanjing, the PRC  
30 May 2020

# Auditor's Report

DaHuaShenZi [2020] no. 0010746

## To all shareholders of Nanjing Sample Technology Company Limited:

### 1. OPINION

We have audited the financial statements of Nanjing Sample Technology Company Limited (the "Sample Technology Company"), which comprise its and consolidated balance sheets as at 31 December 2019, and its and consolidated income statements, its and consolidated cash flow statements, its and consolidated statements of change in equity for the year then ended, and notes to the financial statements.

In our opinion, the attached financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a true and fair view of the Sample Technology Company's and consolidated financial position as at 31 December 2019, and of its and consolidated financial performance and cash flows for the year then ended.

### 2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Sample Technology Company in accordance with the China Standards on Auditing's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We determine that the following matters are key audit matters that need to be communicated in the audit report:

1. Recognition of income
2. Recoverability of accounts receivable and contract assets

## **(1) Recognition of income**

### **1. Description of the matter**

As stated in Note (VI) 38 to the financial statements, the income of system integration projects of the Sample Technology Company for 2019 amounted to RMB835,303,273.00, representing 56.17% of the total income. According to Note IV/(XXIX) to the financial statements attached thereunder, the income of the Company's system integration project was recognized according to the performance progress (percentage of completion method), which is mainly based on the ratio of the cumulative actual cost incurred to the estimated total cost (input method) as the basis for confirming the completion progress. We are concerned that the recognition basis of performance progress by the input method may be different from the actual completion progress (output method) which may cause the risk that the amount of income not recognized in the appropriate period.

### **2. Audit response**

The key auditing procedures we implemented for recognition of income include:

- (1) to understand, evaluate and test the relevant internal control of recognition of income of the Sample Technology Company;
- (2) to understand and evaluate the revenue recognition policy of the Sample Technology Company;
- (3) to inspect the progress of construction project on site, query the owner or construction personnel, compare with the record and evaluate the reasonableness of the completion schedule;
- (4) to obtain the completion progress report issued by the third party such as the owner or the inspector;
- (5) to check equipment receipts and labor bills and other relevant information;
- (6) to test the accuracy of contract costs incurred; perform cut-off tests to check that contract costs have been recorded in the appropriate accounting period;
- (7) to check the accuracy of income calculation for system integration projects confirmed on the basis of completion percentage (calculated based on the estimated total cost and actual cost incurred);

# Auditor's Report

- (8) to implement the confirmation procedure;
- (9) to make site visits to view the project and interview so as to understand the project progress.

Based on the audit work we have performed, in our opinion, recognition of income is in accordance with the Sample Technology Company's accounting policies.

## (2) Recoverability of accounts receivable and contract assets

### 1. Description of the matter

As stated in Note (VI) 3 and Note (VI) 8 to the financial statements of Sample Technology Company, as at 31 December 2019, the balance of accounts receivable of the Sample Technology Company was RMB1,296,531,239.84, and the provision for bad debts was RMB182,456,209.90. The balance of contract assets was RMB1,211,884,152.11 and the provision for impairment was RMB62,694,544.22. The book value at the end of the period was relatively high. If the accounts receivable and the contract assets cannot be recovered on time or cannot be recovered, the bad debts will have a significant impact on the financial statements. Therefore, we determine that the recoverability of accounts receivable and contract assets is a key audit matter.

### 2. Audit response

The key auditing procedures we implemented for recoverability of accounts receivable and contract assets include:

- (1) to understand, evaluate and test the internal control of the Sample Technology Company relating to the bad debts provision for accounts receivable and impairment provision for contract assets;
- (2) to obtain the bad debt policy of the Sample Technology Company and compare it with the public information of the comparable companies in the same industry;
- (3) to review the aging of accounts receivable and contract assets, and the proportion of bad debts provision and impairment provision;
- (4) to obtain customer basic information and analyze customer nature and its credit status;
- (5) to implement the confirmation procedure for the closing balance;
- (6) to check the payment status after the period, and evaluate the reasonableness of the provision for bad debts and provision for impairment of contract assets.

Based on the audit work we have performed, in our opinion, recoverability of accounts receivable and contract assets is in accordance with the Sample Technology Company's accounting policies.

## 4. OTHER INFORMATION

The management of the Sample Technology Company (the "Management") are responsible for the other information. The other information comprises the information included in the 2019 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## 5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management of the Sample Technology Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and to enable such internal control to be fairly reflected, designed, exercised and maintained as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management are responsible for assessing the Sample Technology Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using going concern assumption unless the Management either intend to liquidate the Sample Technology Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sample Technology Company's financial reporting process.

# Auditor's Report

## 6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but it is not for the purpose of expressing an opinion on the effectiveness of internal control.
3. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
4. conclude on the appropriateness of the Management's use of the going concern basis of assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sample Technology Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required in our auditor's report to draw the attention of the reporting user to the related disclosures in these financial statements or, if such disclosures are inadequate, we should issue qualified 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 Sample Technology Company to cease to continue as a going concern.
5. evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in the Sample Technology Company in order to express opinions on the financial statements. We are responsible for guiding, supervising and executing the audits of the group and we take full responsibility for the audit opinions.

## Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants  
(Special General Partnership)

Chinese Certified Public Accountant: Zhao Huanqi  
(Project partner)

Chinese Certified Public Accountant: Feng Jianli

Beijing, China

30 May 2020

# Consolidated Balance Sheet

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

<b>ASSETS</b>	Note VI	<b>31 December 2019</b>	31 December 2018
Current assets:			
Cash at bank and on hand	Note 1	<b>163,444,153.79</b>	532,958,036.92
Held-for-trading financial assets		-	-
Derivative financial assets		-	-
Notes receivable	Note 2	<b>576,000.00</b>	257,915,095.36
Accounts receivable	Note 3	<b>1,114,075,029.94</b>	837,139,367.60
Receivable financing	Note 4	<b>1,220,000.00</b>	1,535,180.00
Prepayments	Note 5	<b>206,861,485.08</b>	424,735,769.16
Other receivables	Note 6	<b>139,362,794.66</b>	321,587,484.36
Inventories	Note 7	<b>150,627,602.21</b>	116,839,463.12
Contract assets	Note 8	<b>1,149,189,607.89</b>	1,074,867,660.48
Held-for-sale assets		-	-
Non-current assets due within one year	Note 9	-	57,483,115.26
Other current assets	Note 10	<b>50,252,379.01</b>	31,831,942.89
<b>Total current assets</b>		<b><u>2,975,609,052.58</u></b>	<b><u>3,656,893,115.15</u></b>

# Consolidated Balance Sheet

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

<b>ASSETS</b>	Note VI	<b>31 December 2019</b>	31 December 2018
<b>Non-current assets:</b>			
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investments	Note 11	<b>14,034,388.49</b>	43,343,934.94
Other equity instruments investment	Note 12	<b>679,253,400.00</b>	227,319,415.64
Other non-current financial assets	Note 13	<b>125,359,255.07</b>	134,623,072.37
Investment property	Note 14	<b>230,602,600.00</b>	227,503,300.00
Fixed assets	Note 15	<b>294,887,205.17</b>	376,964,307.99
Construction in progress	Note 16	<b>3,424,335.80</b>	6,534,672.42
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		–	–
Intangible assets	Note 17	<b>11,173,166.61</b>	10,842,557.61
Development expenditures		–	–
Goodwill	Note 18	<b>526,438.04</b>	–
Long-term deferred expenses	Note 19	<b>2,182,783.12</b>	4,195,163.46
Deferred income tax assets	Note 20	<b>49,419,949.36</b>	48,646,186.13
Other non-current assets	Note 21	<b>73,145,879.55</b>	74,825,893.61
<b>Total non-current assets</b>		<b><u>1,484,009,401.21</u></b>	<u>1,154,798,504.17</u>
<b>TOTAL ASSETS</b>		<b><u>4,459,618,453.79</u></b>	<u>4,811,691,619.32</u>

# Consolidated Balance Sheet

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	Note VI	<b>31 December 2019</b>	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings	Note 22	<b>680,071,088.70</b>	640,884,809.47
Held-for-trading financial liabilities		-	-
Derivative financial liabilities		-	-
Notes payable	Note 23	<b>6,593,170.50</b>	28,756,738.41
Accounts payable	Note 24	<b>898,959,973.99</b>	1,068,563,578.78
Advances from customers		-	-
Contract liabilities	Note 25	<b>131,652,689.48</b>	92,499,959.57
Payroll payables	Note 26	<b>4,804,999.97</b>	10,242,978.09
Taxes payable	Note 27	<b>26,958,471.76</b>	36,820,446.28
Other payables	Note 28	<b>36,026,989.45</b>	63,775,516.04
Held-for-sale liabilities		-	-
Non-current liabilities due within one year	Note 29	<b>356,946,404.90</b>	183,496,961.64
Other current liabilities	Note 30	<b>25,907,029.50</b>	87,291,565.13
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,167,920,818.25</b>	2,212,332,553.41
		<hr/> <hr/>	<hr/> <hr/>

# Consolidated Balance Sheet

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	Note VI	<b>31 December 2019</b>	31 December 2018
<b>Non-current liabilities:</b>			
Long-term borrowings	Note 31	<b>136,512,056.75</b>	472,250,000.00
Bonds payables		-	-
Including: preferred shares		-	-
perpetual bond		-	-
Lease liabilities		-	-
Long-term payables		-	-
Long-term payroll payables		-	-
Estimated liabilities		-	-
Deferred income	Note 32	<b>27,140,354.72</b>	34,318,829.09
Deferred income tax liabilities	Note 20	<b>12,455,217.94</b>	11,798,478.85
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>176,107,629.41</b>	518,367,307.94
<b>Total liabilities</b>		<b>2,344,028,447.66</b>	2,730,699,861.35
<b>Owners' equity:</b>			
Share capital	Note 33	<b>792,058,500.00</b>	792,058,500.00
Other equity instruments		-	-
Including: preferred shares		-	-
perpetual bond		-	-
Capital reserves	Note 34	<b>103,269,821.12</b>	96,793,749.50
Less: treasury stocks		-	-
Other comprehensive income	Note 35	<b>28,782,888.30</b>	29,501,087.49
Special reserves		-	-
Surplus reserves	Note 36	<b>104,128,024.15</b>	96,626,439.01
Undistributed profits	Note 37	<b>1,011,075,961.59</b>	990,758,260.44
Total owners' equity attributable to the parent company		<b>2,039,315,195.16</b>	2,005,738,036.44
Minority interest		<b>76,274,810.97</b>	75,253,721.53
<b>Total owners' equity</b>		<b>2,115,590,006.13</b>	2,080,991,757.97
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>4,459,618,453.79</b>	4,811,691,619.32

Page 52 to page 247 of the financial statements were signed by the following person in charge:

**Sha Min**  
Director

**Zhu Xiang**  
Director

**Sha Min**  
Legal representative

**Li Cheng Yang**  
Person in charge of  
accounting function

**Li Cheng Yang**  
Person in charge of  
accounting department

# Balance Sheet of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

<b>ASSETS</b>	Note XV	<b>31 December 2019</b>	31 December 2018
<b>Current assets:</b>			
Cash at bank and on hand		<b>24,326,946.00</b>	216,574,419.29
Held-for-trading financial assets		-	-
Derivative financial assets		-	-
Notes receivable		<b>100,576,000.00</b>	258,750,275.36
Accounts receivable	Note 1	<b>630,358,597.13</b>	421,629,685.74
Receivable financing		<b>100,000.00</b>	-
Prepayments		<b>106,694,899.79</b>	438,881,761.42
Other receivables	Note 2	<b>88,325,785.54</b>	156,654,737.12
Inventories		<b>112,272,114.11</b>	79,513,649.04
Contract assets		<b>45,470,818.44</b>	11,509,767.25
Held-for-sale assets		-	-
Non-current assets due within one year		-	-
Other current assets		<b>89,714.10</b>	-
<b>Total current assets</b>		<b><u>1,108,214,875.11</u></b>	<b><u>1,583,514,295.22</u></b>
<b>Non-current assets:</b>			
Debt investment		-	-
Other debt investment		-	-
Long-term receivables		-	-
Long-term equity investments	Note 3	<b>946,530,323.86</b>	440,049,583.57
Other equity instruments investment		<b>221,544,600.00</b>	223,050,081.64
Other non-current financial assets		<b>111,712,855.07</b>	109,912,730.26
Investment property		<b>230,602,600.00</b>	227,503,300.00
Fixed assets		<b>142,096,999.48</b>	167,466,827.06
Construction in progress		<b>215,678.49</b>	-
Productive biological assets		-	-
Oil and gas assets		-	-
Right-of-use assets		-	-
Intangible assets		<b>12,490,216.45</b>	11,921,200.44
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses		-	-
Deferred income tax assets		<b>14,902,990.54</b>	13,622,019.81
Other non-current assets		<b>63,898,388.10</b>	63,223,353.93
<b>Total non-current assets</b>		<b><u>1,743,994,651.99</u></b>	<b><u>1,256,749,096.71</u></b>
<b>TOTAL ASSETS</b>		<b><u>2,852,209,527.10</u></b>	<b><u>2,840,263,391.93</u></b>

# Balance Sheet of the Parent Company

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XV	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings		368,337,213.70	524,571,527.22
Held-for-trading financial liabilities		-	-
Derivative financial liabilities		-	-
Notes payable		100,598,870.50	45,486,396.16
Accounts payable		205,021,876.45	90,764,607.59
Advances from customers		-	-
Contract liabilities		86,912,915.88	55,484,882.48
Payroll payables		2,624,151.49	5,678,464.54
Taxes payable		6,969,817.78	10,447,850.13
Other payables		319,379,718.35	82,426,472.94
Held-for-sale liabilities		-	-
Non-current liabilities due within one year		345,317,666.66	182,670,000.00
Other current liabilities		11,218,903.96	80,440,828.20
<b>Total current liabilities</b>		<b>1,446,381,134.77</b>	<b>1,077,971,029.26</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		127,610,000.00	472,250,000.00
Bonds payables		-	-
Including: preferred shares		-	-
perpetual bond		-	-
Lease liabilities		-	-
Long-term payables		-	-
Long-term payroll payables		-	-
Estimated liabilities		-	-
Deferred income		24,202,575.22	30,623,382.92
Deferred income tax liabilities		11,899,527.33	11,055,200.27
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>163,712,102.55</b>	<b>513,928,583.19</b>
<b>Total liabilities</b>		<b>1,610,093,237.32</b>	<b>1,591,899,612.45</b>

# Balance Sheet of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	Note XV	<b>31 December 2019</b>	31 December 2018
<b>Shareholders' equity:</b>			
Share capital		<b>792,058,500.00</b>	792,058,500.00
Other equity instruments		-	-
Including: preferred shares		-	-
perpetual bond		-	-
Capital reserves		<b>100,649,699.68</b>	100,649,699.68
Less: treasury stocks		-	-
Other comprehensive income		<b>32,794,514.86</b>	34,852,005.91
Special reserves		-	-
Surplus reserves		<b>104,128,024.15</b>	96,626,439.01
Undistributed profits		<b>212,485,551.09</b>	224,177,134.88
<b>Total owners' equity</b>		<b>1,242,116,289.78</b>	1,248,363,779.48
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,852,209,527.10</b>	2,840,263,391.93

Page 52 to page 247 of the financial statements were signed by the following person in charge:

**Sha Min**  
Director

**Zhu Xiang**  
Director

**Sha Min**  
Legal representative

**Li Cheng Yang**  
Person in charge of  
accounting function

**Li Cheng Yang**  
Person in charge of  
accounting department

# Consolidated Income Statement

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note VI	2019	2018
<b>I. Total operating income</b>	Note 38	<b>1,487,129,114.80</b>	1,834,487,601.95
Less: Operating income	Note 38	<b>1,087,821,112.21</b>	1,318,439,374.75
Taxes and surcharges	Note 39	<b>5,903,146.59</b>	7,634,498.43
Selling and distribution expenses	Note 40	<b>39,240,810.95</b>	41,886,685.67
Administrative expenses	Note 41	<b>51,773,501.21</b>	63,670,452.74
Research & development expenses	Note 42	<b>66,827,257.85</b>	83,519,378.44
Financial expenses	Note 43	<b>67,838,828.28</b>	57,991,496.21
Including: Interest expenses		<b>68,798,047.07</b>	58,767,621.16
Interest income		<b>3,361,466.47</b>	8,097,068.42
Add: Other income	Note 44	<b>13,094,118.16</b>	8,467,340.30
Investment income	Note 45	<b>-5,385,066.67</b>	961,306.91
Including: Investment income from associates and joint ventures		<b>-7,616,321.07</b>	-4,420,731.52
Gain on derecognition of financial assets measured at amortized cost		<b>-</b>	-
Income from net exposure to hedging			
Gain on fair value change	Note 46	<b>7,932,904.53</b>	8,767,392.27
Credit impairment losses	Note 47	<b>-56,469,888.08</b>	-46,362,563.43
Asset impairment losses	Note 48	<b>-20,060,805.42</b>	-3,805,844.66
Income on disposal of assets	Note 49	<b>1,331,128.22</b>	62,859.80
<b>II. Operating profit</b>		<b>108,166,848.45</b>	229,436,206.90
Add: Non-operating income	Note 50	<b>214,484.63</b>	3,237,224.95
Less: Non-operating expenses	Note 51	<b>194,478.34</b>	3,034,972.86
<b>III. Total profit</b>		<b>108,186,854.74</b>	229,638,458.99
Less: Income tax expenses	Note 54	<b>25,999,536.81</b>	36,942,240.30
<b>IV. Net profit</b>		<b>82,187,317.93</b>	192,696,218.69
Including: Net profit realized by the acquiree before the business combinations involving entities under common control		<b>-</b>	-
(I) Classified by business continuity		<b>-</b>	-
Net profit from the continuing operations		<b>82,187,317.93</b>	192,696,218.69
Net profit from the discontinued operations		<b>-</b>	-
(II) Classified by ownership		<b>-</b>	-
Net profit attributable to the owner of parent company		<b>107,023,458.97</b>	195,992,114.49
Minority shareholder gains and losses		<b>-24,836,141.04</b>	-3,295,895.80

# Consolidated Income Statement

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note VI	2019	2018
<b>V. Net other comprehensive income, net of tax</b>		<b>-716,521.87</b>	2,709,406.73
Net other comprehensive income attributable to the owners of parent company, net of tax		<b>-716,521.87</b>	2,709,406.73
(I) Other comprehensive income that will not be reclassified to profit or loss		<b>-1,966,919.39</b>	-56,853.24
1. Changes of re-measurement of defined benefit plans		-	-
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		-	-56,853.24
3. Changes in fair value of other equity instruments investment		<b>-1,966,919.39</b>	-
4. Changes in fair value of the company's own credit risk		-	-
5. Other		-	-
(II) Other comprehensive income that will be reclassified to profit and loss		<b>1,250,397.52</b>	2,766,259.97
1. Other comprehensive income under equity method that can be reclassified into profit and loss		-	-
2. Changes in fair value of other debt investments		-	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Credit impairment provisions for other debt investment		-	-
5. Reserves for cash flows hedges		-	-
6. Converted difference in foreign currency statements		<b>1,250,397.52</b>	2,766,259.97
7. Investment income from a package disposal of subsidiaries before the loss of control		-	-
8. Conversion of other assets to investment property measured by fair value model		-	-
9. Other		-	-
<b>VI. Total comprehensive income</b>		<b>81,470,796.06</b>	195,405,625.42
Total comprehensive income attributable to the owner of parent company		<b>106,306,937.10</b>	198,701,521.22
Total comprehensive income attributable to minority shareholders		<b>-24,836,141.04</b>	-3,295,895.80
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)		<b>0.14</b>	0.25
(2) Diluted earnings per share (RMB/share)		<b>0.14</b>	0.25

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

# Income Statement of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2019	2018
<b>I. Operating income</b>	Note 4	<b>612,222,839.36</b>	782,602,553.17
Less: Operating cost	Note 4	<b>457,677,644.94</b>	599,159,449.90
Taxes and surcharges		<b>4,657,234.18</b>	4,182,738.65
Selling and distribution expenses		<b>19,861,906.28</b>	18,133,052.82
Administrative expenses		<b>37,821,627.83</b>	40,160,099.63
Research & development expenses		<b>20,710,992.73</b>	29,322,327.72
Financial expenses		<b>56,893,122.60</b>	46,822,349.90
Including: Interest expenses		<b>56,805,313.82</b>	45,542,284.78
Interest income		<b>1,334,992.01</b>	5,263,523.21
Add: Other income		<b>10,279,894.75</b>	3,862,390.70
Investment income	Note 5	<b>51,641,766.60</b>	93,235,386.21
Including: Investment income from associates and joint ventures		<b>-1,871,834.34</b>	-3,757,402.34
Gain on derecognition of financial assets measured at amortized cost		—	—
Income from net exposure to hedging		—	—
Gain on fair value change		<b>8,049,424.81</b>	7,304,132.55
Credit impairment losses		<b>-6,681,745.23</b>	-30,052,066.53
Asset impairment losses		<b>-227,818.59</b>	-232,875.28
Income on disposal of assets		<b>1,326,117.88</b>	—
<b>II. Operating profit</b>		<b>78,987,951.02</b>	118,939,502.20
Add: Non-operating income		<b>0.15</b>	2,936,701.47
Less: Non-operating expenses		<b>42,455.54</b>	3,005,386.15
<b>III. Total profit</b>		<b>78,945,495.63</b>	118,870,817.52
Less: Income tax expenses		<b>3,929,644.28</b>	4,779,627.01
<b>IV. Net profit</b>		<b>—</b>	—
(I) Net profit from the continuing operations		<b>75,015,851.35</b>	114,091,190.51
(II) Net profit from the discontinued operations		<b>75,015,851.35</b>	114,091,190.51

# Income Statement of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2019	2018
<b>V. Net other comprehensive income, net of tax</b>		<b>-2,057,491.05</b>	-57,258.90
(I) Other comprehensive income that will not be reclassified to profit or loss		<b>-2,057,491.05</b>	-57,258.90
1. Changes of re-measurement of defined benefit plans		-	-
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		-	-57,258.90
3. Changes in fair value of other equity instruments investment		<b>-2,057,491.05</b>	-
4. Changes in fair value of the company's own credit risk		-	-
5. Other		-	-
(II) Other comprehensive income that will be reclassified to profit and loss		-	-
1. Other comprehensive income under equity method that can be reclassified into profit and loss		-	-
2. Changes in fair value of other debt investments		-	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Credit impairment provisions for other debt investment		-	-
5. Reserves for cash flows hedges		-	-
6. Converted difference in foreign currency statements		-	-
7. Investment income from a package disposal of subsidiaries before the loss of control		-	-
8. Conversion of other assets to investment property measured by fair value model		-	-
9. Other		-	-
<b>VI. Total comprehensive income</b>		<b>72,958,360.30</b>	114,033,931.61

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

# Consolidated Cash Flow Statement

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note VI	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		<b>1,487,010,811.43</b>	1,439,477,031.80
Refund of taxes and surcharges		<b>2,060,569.83</b>	2,231,966.39
Cash received relating to other operating activities	Note 56.1	<b>220,039,662.72</b>	176,643,397.60
Sub-total of cash inflows from operating activities		<b>1,709,111,043.98</b>	1,618,352,395.79
Cash paid for goods and services		<b>1,303,994,608.09</b>	1,852,172,678.99
Cash paid to and on behalf of employees		<b>69,434,786.43</b>	67,622,484.96
Payments of tax charges		<b>50,541,583.81</b>	85,000,915.76
Cash paid relating to other operating activities	Note 56.2	<b>75,327,375.50</b>	97,894,148.78
Sub-total of cash outflows from operating activities		<b>1,499,298,353.83</b>	2,102,690,228.49
<b>Net cash flows from operating activities</b>		<b>209,812,690.15</b>	-484,337,832.70
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		<b>183,224,651.02</b>	1,026,001.00
Cash received from returns on investments		<b>813,400.00</b>	68,200.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>372,330.33</b>	66,534.89
Net cash received from disposal of subsidiaries and other operating entities		-	-
Cash received relating to other investing activities	Note 56.3	<b>781,663.67</b>	725,781.50
Sub-total of cash inflows from investing activities		<b>185,192,045.02</b>	1,886,517.39
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>1,382,273.54</b>	107,885,651.53
Cash paid to acquire investments		<b>61,767,841.56</b>	354,261,068.31
Net cash paid to acquire subsidiaries and other operating entities		<b>12,452,932.92</b>	-
Cash paid relating to other investing activities	Note 56.4	-	870,895.03
Sub-total of cash outflows from investing activities		<b>75,603,048.02</b>	463,017,614.87
<b>Net cash flows from investing activities</b>		<b>109,588,997.00</b>	-461,131,097.48

# Consolidated Cash Flow Statement

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note VI	2019	2018
<b>III. Cash flows from financing activities:</b>		–	–
Cash received from capital contributions		–	–
Including: Cash received from investment by minority shareholders of subsidiaries		–	–
Cash received from borrowings		<b>954,265,648.58</b>	1,557,411,860.88
Cash received relating to other financing activities	Note 56.5	<b>1,500,000.00</b>	–
Sub-total of cash inflows from financing activities		<b>955,765,648.58</b>	1,557,411,860.88
Cash repayments of borrowings		<b>1,077,690,103.59</b>	694,401,860.88
Cash payments for interest expenses and distribution of dividends or profits		<b>146,701,026.08</b>	139,149,454.52
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		–	–
Cash paid relating to other financing activities	Note 56.6	<b>411,478,400.00</b>	9,316,592.60
Sub-total of cash outflows from financing activities		<b>1,635,869,529.67</b>	842,867,908.00
<b>Net cash flows from financing activities</b>		<b>-680,103,881.09</b>	714,543,952.88
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>78,522.05</b>	1,384,924.75
<b>V. Net increase in cash and cash equivalents</b>		<b>-360,623,671.89</b>	-229,540,052.55
Add: Cash and cash equivalents at beginning of period		<b>496,544,201.65</b>	726,084,254.20
<b>VI. Cash and cash equivalent at end of period</b>		<b>135,920,529.76</b>	496,544,201.65

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

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		620,273,484.20	521,140,913.57
Refund of taxes and surcharges		2,060,569.83	461,612.33
Cash received relating to other operating activities		45,425,404.22	12,127,269.98
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		667,759,458.25	533,729,795.88
		<hr/>	<hr/>
Cash paid for goods and services		126,879,122.58	1,137,009,410.01
Cash paid to and on behalf of employees		40,193,306.39	32,785,058.99
Payments of taxes and surcharges		22,093,201.23	27,869,826.34
Cash paid relating to other operating activities		32,598,967.39	70,092,625.60
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		221,764,597.59	1,267,756,920.94
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		<b>445,994,860.66</b>	<b>-734,027,125.06</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		142,981,853.83	60,000,001.00
Cash received from returns on investments		50,813,400.00	100,068,200.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		342,254.80	—
Net cash received from disposal of subsidiaries and other operating entities		—	—
Cash received relating to other investing activities		—	—
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		194,137,508.63	160,068,201.00
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		3,289,367.64	54,592,834.65
Cash paid to acquire investments		588,244,341.56	307,150,000.00
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities		—	—
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		591,533,709.20	361,742,834.65
		<hr/>	<hr/>
<b>Net cash flows from investing activities</b>		<b>-397,396,200.57</b>	<b>-201,674,633.65</b>
		<hr/> <hr/>	<hr/> <hr/>

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2019	2018
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		—	—
Cash received from borrowings		<b>562,925,000.00</b>	1,355,490,000.00
Cash received relating to other investing activities		<b>241,205,142.46</b>	137,708,157.85
Sub-total of cash inflows from financing activities		<b>804,130,142.46</b>	1,493,198,157.85
Cash repayments of borrowings		<b>899,869,833.34</b>	459,480,000.00
Cash payments for interest expenses and distribution of dividends or profits		<b>136,759,854.05</b>	126,082,328.70
Cash paid relating to other financing activities		<b>281,195.89</b>	8,716,015.00
Sub-total of cash outflows from financing activities		<b>1,036,910,883.28</b>	594,278,343.70
<b>Net cash flows from financing activities</b>		<b>-232,780,740.82</b>	898,919,814.15
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>—</b>	<b>—</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-184,182,080.73</b>	-36,781,944.56
Add: Cash and cash equivalents at beginning of period		<b>204,018,346.73</b>	240,800,291.29
<b>VI. Cash and cash equivalent at end of period</b>		<b>19,836,266.00</b>	204,018,346.73

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

2019										
Owners' equity attributable to the parent company										
ITEMS	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interest	Total owners' equity
1. Closing balance of prior year	792,058,500.00	-	96,793,746.50	-	29,501,087.49	-	96,626,439.01	990,758,260.44	75,253,721.53	2,080,991,757.97
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	792,058,500.00	-	96,793,746.50	-	29,501,087.49	-	96,626,439.01	990,758,260.44	75,253,721.53	2,080,991,757.97
3. Changes during the year	-	-	6,476,071.62	-	-718,199.19	-	7,501,585.14	20,317,701.15	1,021,089.44	34,598,248.16
(i) Total comprehensive income	-	-	-	-	-718,199.19	-	-	107,023,458.97	-24,836,141.04	81,470,796.06
(ii) Owners' contribution and capital reduction	-	-	-	-	-716,521.87	-	-	-	25,857,230.48	25,857,230.48
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-	25,857,230.48	25,857,230.48
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-
(iii) Profit appropriation	-	-	-	-	-	-	7,501,585.14	-86,707,435.14	-	-79,205,850.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	7,501,585.14	-7,501,585.14	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-79,205,850.00	-	-79,205,850.00
3. Others	-	-	-	-	-	-	-	-	-	-

ITEMS

1. Closing balance of prior year

Add: Change of accounting policy

Correction of accounting errors for prior period

Business combination under common control

Other

2. Opening balance of current year

3. Changes during the year

(i) Total comprehensive income

(ii) Owners' contribution and capital reduction

1. Ordinary shares contribution by owners

2. Capital invested by other equity instrument holders

3. Share payment included in the owner's equity

4. Other

(iii) Profit appropriation

1. Appropriation to surplus reserves

2. Distribution to shareholders

3. Others

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2019 Owners' equity attributable to the parent company							Total owners' equity			
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profits	Minority interest	
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	6,476,071.62	-	-1,877.32	-	-	1,877.32	-	-	6,476,071.62
<b>IV. Closing balance of current period</b>	<b>792,058,500.00</b>	<b>-</b>	<b>103,269,821.12</b>	<b>-</b>	<b>28,762,888.30</b>	<b>-</b>	<b>104,128,024.15</b>	<b>1,011,075,961.59</b>	<b>76,274,810.97</b>	<b>-</b>	<b>2,115,590,006.13</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

2018  
Owners' equity attributable to the parent company

ITEMS	Share capital	Other equity instruments	Capital reserve	Less:			Surplus reserve	Special reserve	Undistributed profits	Minority interest	Total owners' equity
				Treasury stock	Other comprehensive income	Other					
<b>I. Closing balance of prior year</b>	316,823,400.00	-	444,930,544.69	-	27,277,917.91	-	84,701,819.19	1,076,559,118.85	134,053,658.42	2,084,346,459.06	
Add: Change of accounting policy	-	-	75,500.85	-	-486,237.15	-	515,500.77	-32,766,303.85	-179,180.93	-32,840,720.31	
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	
<b>II. Opening balance of current year</b>	316,823,400.00	-	445,006,045.54	-	26,791,680.76	-	85,217,319.96	1,043,792,815.00	133,874,477.49	2,051,505,738.75	
<b>III. Changes during the year</b>	475,235,100.00	-	-348,212,296.04	-	2,709,406.73	-	11,409,119.05	-53,034,554.56	-58,620,755.96	29,486,019.22	
(I) Total comprehensive income	-	-	-	-	2,709,406.73	-	-	195,992,114.49	-3,295,885.80	195,405,625.42	
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	-	-	-55,324,860.16	-55,324,860.16	
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-	-55,324,860.16	-55,324,860.16	
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	
4. Other	-	-	-	-	-	-	-	-	-	-	
(III) Profit appropriation	-	-	-	-	-	-	11,409,119.05	-90,614,969.05	-	-79,205,850.00	
1. Appropriation to surplus reserves	-	-	-	-	-	-	11,409,119.05	-11,409,119.05	-	-	
2. Distribution to shareholders	-	-	-	-	-	-	-	-79,205,850.00	-	-79,205,850.00	
3. Others	-	-	-	-	-	-	-	-	-	-	

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

2018

Owners' equity attributable to the parent company

ITEMS	Share capital	Other equity instruments	Capital reserve	Less:			Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interest	Total owners' equity
				Treasury stock	Capital reserve	Other comprehensive income						
(IV) Internal transfer of owners' equity	475,235,100.00	-	-316,823,400.00	-	-	-	-	-	-168,411,700.00	-	-	-
1. Capital reserves transferred to share capital	316,823,400.00	-	-316,823,400.00	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Other	168,411,700.00	-	-	-	-	-	-	-	-168,411,700.00	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-31,388,896.04	-	-	-	-	-	-	-	-	-31,388,896.04
<b>IV. Closing balance of current period</b>	<b>792,058,600.00</b>	<b>-</b>	<b>96,733,749.50</b>	<b>-</b>	<b>29,501,087.49</b>	<b>-</b>	<b>96,626,439.01</b>	<b>990,758,260.44</b>	<b>75,253,721.53</b>	<b>2,080,991,757.97</b>		

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

# Statement of Changes in Equity of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2019							Total owners' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profits
<b>I. Closing balance of prior year</b>	792,058,500.00	-	100,649,699.68	-	34,852,065.91	-	96,626,439.01	224,177,134.88	1,248,363,779.48
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>II. Opening balance of current year</b>	792,058,500.00	-	100,649,699.68	-	34,852,065.91	-	96,626,439.01	224,177,134.88	1,248,363,779.48
<b>III. Changes during the year</b>	-	-	-	-	-2,057,491.05	-	7,501,585.14	-11,691,583.79	-6,247,489.70
(i) Total comprehensive income	-	-	-	-	-2,057,491.05	-	-	75,015,851.35	72,958,360.30
(ii) Owners' contribution by shareholders	-	-	-	-	-	-	-	-	-
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-
(iii) Profit appropriation	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	7,501,585.14	-86,707,435.14	-79,205,850.00
2. Distribution to shareholders	-	-	-	-	-	-	7,501,585.14	-7,501,585.14	-
3. Others	-	-	-	-	-	-	-	-79,205,850.00	-79,205,850.00

# Statement of Changes in Equity of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2019						Total owners' equity		
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profits
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive transferring to retained earnings	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV. Closing balance of current period</b>	<b>792,058,500.00</b>	<b>-</b>	<b>100,649,899.68</b>	<b>-</b>	<b>32,794,514.86</b>	<b>-</b>	<b>104,128,024.15</b>	<b>212,485,551.09</b>	<b>1,242,116,289.78</b>

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

# Statement of Changes in Equity of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2018							Total owners' equity	
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve		Unappropriated profits
<b>I. Closing balance of prior year</b>	316,823,400.00	-	417,473,099.68	-	35,342,451.12	-	84,701,819.19	354,473,105.44	1,208,813,876.43
Add: Change of accounting policy	-	-	-	-	-433,186.31	-	515,500.77	4,639,506.98	4,721,821.44
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>II. Opening balance of current year</b>	316,823,400.00	-	417,473,099.68	-	34,909,264.81	-	85,217,319.96	369,112,613.42	1,213,535,697.87
<b>III. Changes during the year</b>	475,235,100.00	-	-316,823,400.00	-	-57,259.90	-	11,409,119.05	-134,935,478.54	34,828,081.61
(I) Total comprehensive income	-	-	-	-	-57,259.90	-	-	114,091,190.51	114,033,931.61
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	-	-	-
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	-	11,409,119.05	-90,614,989.05	-79,205,860.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	11,409,119.05	-11,409,119.05	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-79,205,860.00	-79,205,860.00
3. Others	-	-	-	-	-	-	-	-	-

# Statement of Changes in Equity of the Parent Company

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2018						Total owners' equity		
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profits
(IV) Internal transfer of owners' equity	475,235,100.00	-	-316,823,400.00	-	-	-	-	-158,411,700.00	-
1. Capital reserves transferred to share capital	316,823,400.00	-	-316,823,400.00	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	-	-	-
6. Other	158,411,700.00	-	-	-	-	-	-	-158,411,700.00	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV. Closing balance of current period</b>	<b>792,058,500.00</b>	<b>-</b>	<b>100,649,699.68</b>	<b>-</b>	<b>34,852,005.91</b>	<b>-</b>	<b>96,626,439.01</b>	<b>224,177,134.88</b>	<b>1,248,363,779.48</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION OF THE COMPANY

### (I) Place of registration, type of organization and address of headquarter

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited\*) (the “Company”) was established in the People’s Republic of China (the “PRC”) and was approved to be reorganised into a joint stock limited company on 28 December 2000.

The shares of the Company were listed on the GEM (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 June 2004. On 22 November 2010, the Company’s H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the “Main Board”).

The Unified social credit code of the Company is 91320100726074332B and the legal representative of the Company is Sha Min.

After years of issuing bonus share, placing new shares, increasing share capital and issuing new shares, as of 31 December 2019, the Company had issued an aggregate of 792,058,500 shares, with a registered capital of RMB792,058,500. The address of the registered office of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City. The address of the headquarters of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City. The parent company of the Company is Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司) (“Sample Group”), and the ultimate controller of the Group is Sha Min.

### (II) Business nature and major activities of the Company

The Company engages in: information technology application (IT application) service industry. Scope of business of the Group: design and installation of computer networks and industrial automation engineering; development, manufacture and testing of electronic products, electronic computer, sale of self-production products and system integration; electronic computer technology consulting and information services; technology testing of electronic products and technical services; computer software development; design, construction and maintenance of security engineering; research and development of ITS-based basic information collection technology and equipment (excluding commodities under the special control of the State and projects with special approval). (For projects that require approval under law, business can be carried out after the approval by the relevant departments).

### (III) Approval of the financial statements

These financial statements were approved by all the Directors of the Company on 30 May 2020.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 15 subsidiaries were consolidated in the consolidated financial statements, which were:

Name of Subsidiary	Type of Subsidiary	Tier	Shareholding Percentage (%)	Percentage of Voting Rights (%)
Jiangsu Intellitrans Company Ltd.* (江蘇智運科技發展有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Nanjing Sample Logistic Company Ltd.* (南京三寶物流科技有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Nanjing Internet of Things Research Institution Development Co., Ltd.* (南京物聯網研究院發展有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Nanjing City Intelligent Transportation Co., Ltd.* (南京城市智能交通股份有限公司)	Controlling subsidiary	2nd	65.00	65.00
Sample Technology (H.K.) Co., Ltd (三寶科技(香港)有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Federal International Enterprise Limited (永鴻國際企業有限公司)	Wholly-owned subsidiary	2nd	100.00	100.00
Jiangsu Ruifu Intelligent Tech. Co., Limited* (江蘇瑞福智能科技有限公司)	Wholly-owned subsidiary	3rd	100.00	100.00
Sun Supreme Enterprises Limited. (新興企業有限公司)	Wholly-owned subsidiary	2nd	100.00	100.00
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	Controlling subsidiary	1st	70.00	70.00
Xuzhou Sample Intelligent Technology Development Co., Ltd.* (徐州三寶智能科技發展有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	Wholly-owned subsidiary	1st	100.00	100.00
Lianyungang Haiguomao Information Technology Company Limited* (連雲港海國貿信息技術有限公司)	Wholly-owned subsidiary	2nd	100.00	100.00
Nanjing Dongbang Equipment Limited* (南京動邦裝備有限公司)	Controlling subsidiary	1st	60.33	60.33
Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd.* (徐州廣弘城東綜合管廊建設有限公司)	Controlling subsidiary	2nd	63.00	63.00
Xuzhou City North Bus Station Project Management Co., Ltd. (徐州市城北汽車客運站項目管理有限公司)	Controlling subsidiary	1st	61.99	61.99

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the reporting period, 3 entities were newly consolidated in the consolidated financial statements, and 2 entities were excluded from the scope of consolidation, where:

### 1. Subsidiaries newly included in the scope of consolidation during the reporting period

Name	Reason for change
Nanjing Dongbang Equipment Limited (南京動邦裝備有限公司)	Business combinations involving entities not under common control
Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd. (徐州廣弘城東綜合管廊建設有限公司)	Business combinations involving entities not under common control
Xuzhou City North Bus Station Project Management Co., Ltd. (徐州市城北汽車客運站項目管理有限公司)	Business combinations involving entities not under common control

### 2. Subsidiaries excluded from the scope of consolidation during the reporting period

Name	Reason for change
Jiangsu Siruide IOT Technology Co., Ltd. (江蘇思瑞德物聯科技有限公司)	Cancelled
Nanjing Senyuansheng Business Information Consulting Partnership (limited partnership) (南京森遠勝商務信息諮詢合夥企業(有限合夥))	Disposed

Details of changes in scope of consolidation were set out in “Note VII. Changes in the Scope of Consolidation”.

## III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (I) Basis of preparation of the financial statements

The financial statements of the Company were prepared according to the transactions and matters actually occurred, and recognitions and measurements were made in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (the “Accounting Standards for Enterprises”). On this basis, in conjunction with the provisions of the “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting” (revised in 2014) issued by the China Securities Regulatory Commission.

### (II) Going concern

Pursuant to the Company’s assessment on the continuing operation ability of the Company within 12 months since the end of the reporting period, no matters or events that may raise any material doubts on the continuing operation ability of the Company was discovered, and thus these financial statements were prepared under going concern basis.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (I) Statement of compliance

The financial statements have been prepared by the Company in conformity with the Accounting Standards for Enterprises; truly and completely reflect the financial position, operation results, and cash flow, etc. of the Company.

### (II) Accounting period

The accounting period is from 1 January to 31 December of each calendar year.

### (III) Operating period

The Company's operating period is 12 months.

### (IV) Reporting currency

The reporting currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). The reporting currency for the overseas subsidiaries and businesses is the currency of the place in which they operate.

The currency used by the Company in the preparation of the financial statements is RMB.

### (V) Accounting treatments of business combinations involving entities under common control and entities not under common control

**1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, multiple transactions is regarding as a package transaction for accounting treatment:**

- (1) these transactions were entered into at the same time or after considering the effects of each other;
- (2) only when regarding these transactions as a whole, can it achieve a complete business result;
- (3) the occurrence of one transaction depends on the occurrence of at least one other transaction;
- (4) a transaction alone is not economic, but it is economic when considering together with other transactions.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (V) Accounting treatments of business combinations involving entities under common control and entities not under common control *(Continued)*

#### 2. Business combinations involving entities under common control

The assets and liabilities acquired by the Company in business combination shall be measured at the book value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the book amount of the net assets obtained and the book amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to share premium in capital reserve. If the share premium in capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized after multiple transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of non-package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value of the long-term equity investment before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income recognized under equity method or financial instrument recognition and measurement standards are not accounted until the same accounting treatment for direct disposal of relevant assets or liabilities of the investee is adopted for the disposal of such investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted until disposal of such investment is transferred to current profit and losses.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (V) Accounting treatments of business combinations involving entities under common control and entities not under common control *(Continued)*

#### 3. Business combinations involving entities not under common control

The acquisition date refers to the date on which the Company actually obtained control over the acquired party, i.e. the date when the acquired party's net assets or the control of production and business decisions were transferred to the Company. At the same time when the following conditions are met, the Company is generally of the view that the transfer of control has been achieved:

- ① A business merger contract or agreement has been approved by the Company's internal authority.
- ② Approval for business merger matters that need to be approved by the relevant national competent authority has been obtained.
- ③ The necessary procedures for the transfer of property rights have been completed.
- ④ The Company has paid most of the combination consideration and has the ability and plans to pay the remaining amount.
- ⑤ The Company has actually controlled the financial and operating policies of the acquired party and enjoyed corresponding benefits and assumed corresponding risks.

The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its book value shall be charged to the profit or loss for the period.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Group shall recognize such difference as goodwill; where the cost of combination is lower than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the current period after verification.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (V) Accounting treatments of business combinations involving entities under common control and entities not under common control *(Continued)*

#### 3. Business combinations involving entities not under common control *(Continued)*

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of non-package transaction, where the equity investment held before the date of combination is accounted under equity method, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; for the other comprehensive income recognized under equity method on the equity investment held before the date of acquisition is accounted on the same basis as used for direct disposal of relevant assets or liabilities of the investee. Where the equity investment held before the date of combination is accounted based on the recognition and measurement standards for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative fair value changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

#### 4. Relevant expenses in relation to combination

All direct fees for audit, legal, evaluation and consultation occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities, shall be directly charged to equity.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements

#### 1. Scope of Consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. All subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

#### 2. Procedures

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When the Company prepares consolidated financial statements, the whole Company is considered as a single accounting entity pursuant to recognition, measurement and presentation requirements of relevant accounting standards and based on the consistent accounting policies to reflect the Company's financial positions, operating results and cashflows.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the Company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Company and its subsidiaries and among the subsidiaries shall be offset. For the consolidated financial statements of the Company, when there is divergence in the recognition of a single transaction by the Company and its subsidiaries, the Company's position shall be taken up for adjustment on such transaction.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements *(Continued)*

#### 2. Procedures *(Continued)*

When the subsidiary which was under the same control acquired through business combination, the financial statements should be adjusted based on the carrying amount of its assets and liabilities in the final controlling party's financial statements (including the goodwill caused by the final controlling party's acquisition of the subsidiary).

When the subsidiary which was not under the same control acquired through business combination, the financial statements should be adjusted based on the fair value of the identifiable net assets at the acquisition date.

##### (1) Addition of subsidiary or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the final controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current existence status when the final controlling party begins the control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance of retained earnings or current profit or loss in the comparative reporting period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements *(Continued)*

#### 2. Procedures *(Continued)*

##### (1) Addition of subsidiary or business *(Continued)*

For acquisition of subsidiaries or business due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income on the date of acquisition in current period, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements *(Continued)*

#### 2. Procedures *(Continued)*

##### (2) Disposal of subsidiaries or business

###### 1) General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured at fair value at the date in which control is lost by the Company. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets continuously calculated on the basis of the original share proportion and the sum of goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in other owner's equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net liabilities and net assets of the investee's defined benefit plan.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements *(Continued)*

#### 2. Procedures *(Continued)*

##### (2) Disposal of subsidiaries or business *(Continued)*

##### 2) Disposal of subsidiary achieved by stages

When disposal of equity investment in subsidiaries through multiple transactions until control is lost, generally transactions in stages are treated as a package transaction in accounting if the transaction terms, conditions, and economic impact of all transactions of disposal of the equity investments in subsidiary satisfy one or more of the following:

- A. These transactions are entered at the same time or the mutual effects on each other are considered;
- B. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- C. Achieving a transaction depends on at least achieving of one of the other transaction;
- D. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements *(Continued)*

#### 2. Procedures *(Continued)*

##### (2) Disposal of subsidiaries or business *(Continued)*

##### 2) Disposal of subsidiary achieved by stages *(Continued)*

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package transaction, these transactions shall be treated as a transaction for disposal of a subsidiary and losing control of a subsidiary. However, the differences between the amount received each time for disposal before the control is lost and the Company's share in the subsidiary's net assets corresponding to the investment disposal shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not considered as a package transaction, relevant accounting policies for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be applied.

##### (3) Acquisition of minority interest of subsidiary

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the Company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination), and adjust the retained earnings in case the share premium in the capital reserve is insufficient for offsetting.

##### (4) Partial disposal of equity investment in subsidiary without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets continuously calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premium in the capital reserve is not sufficient for offsetting.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VII) Classification of joint arrangements and accounting treatment method for joint operations

#### 1. Classification of joint venture arrangements

The Company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

- (1) its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

#### 2. Accounting treatment method for joint operation

The Company recognises the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) incomes from sale of output enjoyed by it from the joint operation;
- (4) incomes from sale of output from the joint operation based on its percentage;
- (5) separate costs and costs for the joint operation based on its percentage.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (VII) Classification of joint arrangements and accounting treatment method for joint operations *(Continued)*

#### 2. Accounting treatment method for joint operation *(Continued)*

When the Company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognised before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the Company shall recognise such loss in full.

When the Company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognised before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the Company shall recognise its part of such loss based on its percentage.

If the Company has no joint control over a joint operation enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

### (VIII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of change in value are recognized as cash equivalents.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (IX) Foreign currency transactions and translation of foreign currency financial statements

#### 1. Foreign currency transactions

In initial recognition, foreign currency transactions shall be converted into RMB at the spot exchange rate on the day when the transactions occurred.

At the balance sheet date, monetary items denominated in foreign currency are converted using the spot exchange rate on the balance sheet date. Exchange differences shall be recorded into profit or loss for the current period, except for those arising from specific borrowings denominated in foreign currency related to the purchase of assets qualified for capitalisation. Translation of non-monetary items denominated in foreign currency and measured at historical cost shall continue to be based on the spot exchange rate on the date of transaction, without changing the amount in its functional currency.

Non-monetary items in foreign currency carried at fair value are converted using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss for the period. In case of non-monetary items in foreign currency available for sales, the exchange difference arising therefrom is included in the other comprehensive income.

#### 2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owner's equity items other than "undistributed profit" are translated at spot exchange rate when occurred. Revenue and expense items in the income statement are converted at spot exchange rate at the transaction occurrence date. The conversion differences of foreign currency financial statements arising from the abovementioned currency conversions are included in other comprehensive income.

When disposing of an overseas operation, the foreign currency conversion difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation are transferred from the other comprehensive income to profit or loss for the period; when there is decrease in holding ratio of overseas operation without losing control as a result of partial disposal of overseas equity investment or other reasons, the foreign currency conversion difference related to the disposal of overseas operation is transferred to minority interests but not profit or loss for the period. When disposing equity interests in foreign associate or joint venture, the foreign currency translation difference related to such overseas operation is transferred to profit or loss from disposal for the period in a proportionate share.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and amortizing interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected useful life to the book value of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of considering all contractual terms of financial assets or financial liabilities (such as early repayment, rollovers, call options or other similar options, etc.), but the expected credit losses are not considered.

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

#### 1. Classification and measurement of financial instrument

The Company classifies financial assets into the following 3 categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or bills receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

For financial assets that are measured at fair value and whose changes are included in the current profit and loss, the related transaction costs are directly included in the current profit and loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected financial assets are reclassified if and only if the Company changes the management of business model of financial assets.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 1. Classification and measurement of financial instrument *(Continued)*

- (1) Classified as financial assets measured at amortized cost

The contractual provisions of the financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the goal of the business model for managing the financial asset is to collect contractual cash flow, the Company classifies the financial assets as financial assets measured at amortized cost. The Company classifies financial assets measured at amortized cost including monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables and debt investment.

The Company uses the effective interest rate method to recognize interest income for such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the financial asset's book balance multiplied by the actual interest rate:

- 1) For financial assets purchased or originated that have suffered credit impairment, the Company has calculated and determined its interest income based on the amortized cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.
- 2) For the financial assets purchased or originated without credit impairment, but become credit impaired in the subsequent period, the Company will calculate and determine the interest income based on the amortized cost of the financial asset and the actual interest rate in the subsequent period. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the Company will use the actual interest rate multiplied by the financial asset's book balance to calculate and determine the interest income.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 1. Classification and measurement of financial instrument *(Continued)*

- (2) Financial assets classified as measured at fair value through other comprehensive income

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target to collect the contractual cash flow and to sell such financial asset, the Company classifies the financial asset as a financial asset that is measured at fair value and its changes are included in other comprehensive income.

The Company uses the effective interest rate method to recognize interest income for such financial assets. Except for interest income, impairment losses and exchange differences recognized as current profits and losses, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Notes receivable and accounts receivable that are measured at fair value and whose changes are included in other comprehensive income are reported as receivable financing, and other such financial assets are reported as other debt investments, including: other debt investments due within the year are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as other current assets.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 1. Classification and measurement of financial instrument *(Continued)*

- (3) Financial assets designated to be measured at fair value through other comprehensive income

The Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, the Company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the Company, and when the amount of dividends can be reliably measured, the dividend income is recognized and included in the current profit and loss. The Company reports the following investment items of such financial assets in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value through profit or loss: the purpose of obtaining the financial asset is mainly for recent sale; the initial confirmation is part of the centralized management of the identifiable financial asset instrument portfolio, and there is objective evidence that the short-term profit model actually exists in the near future; is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

- (4) Financial assets classified as measured at fair value through profit or loss

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value through other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in held-for-trading financial assets and other non-current financial assets based on their liquidity.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 1. Classification and measurement of financial instrument *(Continued)*

- (5) Financial assets designated to be measured at fair value through profit or loss

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate the financial assets as financial assets measured at fair value through profit or loss on the basis of individual financial assets.

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument measured at fair value through profit or loss. Except in the following cases:

- 1) The embedded derivatives do not materially change the cash flow of a hybrid contract.
- 2) When it is first determined whether a similar hybrid contract needs to be split, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortized cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in held-for-trading financial assets and other non-current financial assets based on their liquidity.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 2. Classification and measurement of financial liabilities

Financial instruments issued by the Company are classified into financial liabilities or equity instruments on the basis of the substance of the contractual terms and the economic nature reflected but not only its legal form, together with the definition of financial liability and equity instruments on initial recognition. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities that are measured at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at fair value through profit or loss

This category includes held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through profit or loss.

Meeting one of the following conditions is a held-for-trading financial liability: the purpose of assuming relevant financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the Company recently adopted short-term profit model; belongs to derivatives, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Held-for-trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss. In the initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss:

- 1) Can eliminate or significantly reduce accounting mismatches.
- 2) Manage and evaluate the financial liability portfolio or financial assets and financial liabilities portfolio based on fair value according to the enterprise risk management or investment strategy specified in the official written documents, and on top of this basis, report to key management personnel.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 2. Classification and measurement of financial liabilities *(Continued)*

(1) Financial liabilities measured at fair value through profit or loss *(Continued)*

The Company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the current profit and loss. Unless including the fair value changes caused by the Company's own credit risk changes in other comprehensive income will cause or expand the accounting mismatch in profit or loss, the Company will include all fair value changes (including the amount of its own credit risk changes) in the current profit and loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost, the actual interest rate method is adopted for such financial liabilities, and subsequent measurement is made based on the amortized cost, and the gains or losses arising from derecognition or amortization are included in the current profit and loss:

- 1) Financial liabilities measured at fair value through profit or loss.
- 2) Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement of the transferred financial assets.
- 3) Financial guarantee contracts not classified as those specified in the two preceding items above, and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above item 1).

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. For financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss, after the initial recognition, they are measured according to the higher of the provisions for losses and the initially recognized amount after deducting the accumulated amortization amount during the guarantee period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 3. Derecognition of financial assets and financial liabilities

(1) Financial assets that meet one of the following conditions shall be derecognized, that is to be written off from the accounts and the statement of financial position:

- 1) The contractual right to receive the cash flow of the financial assets is terminated.
- 2) The financial assets have been transferred, and the transfer meets the requirements regarding the derecognition of financial assets.

(2) Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognized.

When the Company and the lender enter into an agreement to replace the original financial liabilities with new financial liabilities, and the contract terms of the new financial liabilities and the original financial liabilities are substantially different, or if a substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liabilities are derecognized and new financial liabilities are recognized; and the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the book value assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 4. Recognition basis and measurement method of transfer of financial assets

In the event of transfer of a financial asset, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them in the following cases:

- (1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
- (2) If all the risks and rewards of ownership of financial assets are retained, the financial assets will continue to be recognized.
- (3) There is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (ie, other than (1), (2)), depending on whether they retain control over financial assets, respectively, the situations are handled as follows:
  - 1) If the control over the financial assets is not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
  - 2) If the control over the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transfer of financial assets, and related liabilities are recognized accordingly. The extent of continuing involvement in the transfer of financial assets refers to the extent to which the Company assumes the risk or reward of changes in the value of the transferred financial assets.

When determining whether the transfer of financial assets satisfies the above-mentioned conditions for derecognition of financial assets, the principle of substance over form is adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer of financial assets:

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:
  - 1) The book value of the transferred financial assets on the derecognition date.
  - 2) The sum of the consideration received from the transfer of the financial asset and the amount of the corresponding derecognized part in the accumulated changes in fair value previously recorded directly in other comprehensive income (the financial assets involved in the transfer are financial asset measured at fair value through other comprehensive income).

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 4. Recognition basis and measurement method of transfer of financial assets *(Continued)*

(2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the entire carrying amount of the financial asset transferred shall be proportionally amortised between the derecognised portion and the retained portion (in this case, the retained service assets shall be deemed to be part of the continuing recognition of the financial assets) according to their respective relative fair value on the transfer date. Then, the balance between the following two amounts will be included in the current profit and loss:

- 1) The book value of the derecognition part on the derecognition date.
- 2) The sum of the consideration received from the derecognized part and the amount corresponding to the derecognized part in the accumulated amount of the fair value change that is previously included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

#### 5. Determination of the fair value of financial assets and financial liabilities

When the financial assets or financial liabilities are in an active market, the quoted prices in active markets are used to determine their fair values, unless such financial assets have a restricted period. For financial assets which have restricted period, their fair values are determined by the quoted prices in active markets less the compensation amount requested by market players for assuming the risk of not able to sell such financial assets in the public market during the designated period. Quoted prices in active markets include those related assets or liabilities which can be easy and regular to get from the exchange, traders, brokers, industry companies, pricing mechanism or regulatory agencies and can represent the actual and often occur in even bargain basis market transactions.

For financial assets initially obtained or derived or financial liabilities assumed, fair value is determined based on market transaction prices.

For financial assets and financial liabilities that no actively traded market exists, their fair values are determined using valuation techniques. During valuation, the Company adopts valuation techniques that are available in the current circumstances and are supported by enough available data and other information, and choose input value with same features used by market players for transactions of relevant assets or liabilities, and managed to preferentially use relevant observable input value. Under the circumstance that is unable to obtain observable input value or it is infeasible, unobservable input value will be used.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments

Based on the expected credit losses, the Company conducts impairment accounting treatment and recognizes loss provisions for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, lease receivables, contract assets and financial guaranteed contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original actual interest rate (i.e. the present value of all cash shortfalls). Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables and contract assets and lease receivables formed by the transactions regulated by the income standards, the Company uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the entire period.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses throughout the useful life since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss throughout the useful life determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments *(Continued)*

In addition to the above-mentioned simplified measurement methods and other financial assets purchased or originated that suffered from credit impairment, on each balance sheet date, the Company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and measure their loss provisions and recognise expected credit losses and their changes according to the following circumstances:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, it is in the first stage, the loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the interest income is calculated according to the book balance and the actual interest rate.
- (2) If the credit risk of the financial instrument has increased significantly since the initial recognition, however, if credit impairment has not occurred, it is in the second stage, the loss provision is measured at the amount equivalent to the expected credit loss throughout the useful time of the financial instrument, and the interest income is calculated according to the book balance and the actual interest rate.
- (3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures its loss provisions at an amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and the interest income is calculated at amortized cost and actual interest rate.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as measured at fair value through other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provisions according to the amount of expected credit losses throughout the useful life of the financial instrument, but on the balance sheet date of the current period, for the financial instrument no longer has a significant increase in credit risk since initial recognition, the Company measures the loss provisions of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting reversal amount of the loss provisions is included in the current profit and loss as an impairment gain.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments *(Continued)*

##### (1) Credit risk increased significantly

The Company uses the available, reasonable and evidence-based forward-looking information to compare the default risk of the financial instruments on the balance sheet date and the default risk of the financial instruments on the initial recognition date to determine whether the credit risk of the financial instrument has significantly increased since initial recognition. For financial guarantee contracts, when the Company applies provisions of impairment of financial instrument, the day when the Company becomes the party making the irrevocable commitment is used as the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;
- 3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behaviour have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company determines that a financial instrument has a relatively low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of the financial instruments is low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfil the contractual cash flow obligation, the financial instrument is considered to have lower credit risk.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments *(Continued)*

##### (2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit losses have occurred in financial assets includes the following observable information:

- 1) significant financial difficulty of the issuer or debtor;
- 2) breach of contract by the debtor: such as delinquency or default in interest and principal payments;
- 3) the creditor(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider;
- 4) it becoming probable that the debtor will enter bankruptcy or financial reorganization;
- 5) the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;
- 6) a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments *(Continued)*

##### (3) Determination of expected credit losses

The Company assesses the expected credit losses based on an individual and a collective basis. The Company considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions when assessing the expected credit losses.

The Company divides financial instruments into different portfolio based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the related financial instruments and the characteristics of the credit risk of portfolio, please refer to the accounting policies of the relevant financial instruments.

The Company determines the expected credit losses of relevant financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow.
- 2) For lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow.
- 3) For a financial guarantee contract, the credit loss is the present value of the difference between the estimated payment to the contract holder by the Company for the credit loss less the expected amount received by the Company from the contract holder, debtor or any other party.
- 4) For a financial asset that is credit-impaired at the balance sheet date, but that is not a purchased or originated credit-impaired financial asset, the credit loss is the present value of the difference between the financial asset's book balance and the estimated future cash flow discounted at the original effective interest rate.

The Company's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of currency; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Financial instruments *(Continued)*

#### 6. Impairment of financial instruments *(Continued)*

##### (4) Written-off of financial assets

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written off. Such write-off constitutes the derecognition of related financial assets.

#### 7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after the offset is presented in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognized amount and such right is exercisable;
- (2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XI) Notes receivable

The Company's determination method and accounting treatment of the expected credit loss of notes receivable are detailed in Note IV/(X) 6. Impairment of financial instruments.

The Company separately determines the credit loss of single notes receivable with significant amount and suffered credit impairment after the initial recognition.

When it is impossible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the Company refers to the historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the notes receivable into several portfolios based on the characteristics of credit risk and calculate expected credit losses on a combined basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Bank acceptance bills	The drawer has a relative high credit rating, has not historically defaulted on a bill, has a very low credit loss risk, and has a strong ability to perform its contractual cash flow obligations in the short term	Refer to the historical credit loss experience, combine the current situation and the expected economic situation to measure the bad debt provision.
Commercial acceptance bills	The drawer signed the bill based on commercial credit, has certain risk of credit loss	Refer to the historical credit loss experience, combine the current situation and the prediction of the future economic situation, compile a comparison table of the age of notes receivable and the expected credit loss rate throughout the useful life, and calculate the expected credit loss.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XII) Accounts receivable

For the determination method and accounting treatment of the expected credit loss of the Company's accounts receivable, please refer to Note IV(X) 6. Impairment of financial instruments.

The Company separately determines the credit loss of single accounts receivable with significant amount and suffered credit impairment after the initial recognition.

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the Company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the accounts receivable into several portfolios based on the characteristics of credit risk, and calculate expected credit losses on a combined basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Engineering and sales receivable from non-related party	Similar credit risk characteristics	Refer to the historical credit loss experience, combine the current situation and the prediction of the future economic situation, compile a comparison table of the age of notes receivable and the expected credit loss rate throughout the useful life, and calculate the expected credit loss.
Engineering and sales receivable from related party within the scope of consolidation	Similar credit risk characteristics	Refer to the historical credit loss experience, combine the current situation and the expected economic situation to measure the bad debt provision in the future.
Engineering and sales receivable from related party outside the scope of consolidation	Similar credit risk characteristics	Refer to the historical credit loss experience, combine the current situation and the expected economic situation to measure the bad debt provision in the future.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XIII) Receivables financing

Please refer to Note IV/(X) 6. Impairment of financial instruments for the determination method and accounting treatment of the expected credit losses of the Company's receivables financing.

### (XIV) Other receivables

For the determination method and accounting treatment of the expected credit losses of other receivables of the Company, please refer to Note IV/(X) 6. Impairment of financial instruments.

### (XV) Inventories

#### 1. Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the Company over the course of ordinary activities. These mainly include raw materials, goods-in-stock and contract performance costs, etc.

#### 2. Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The value of inventories are calculated using weighted average method at the end of the month when they are delivered, the pricing method of the project cost is priced according to the individual identification method.

#### 3. Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XV) Inventories** *(Continued)*

#### **4. Inventory system**

The Company adopts a perpetual inventory system. Amortization method of low-value consumables and packaging materials:

- (1) Low-value consumables are amortized using the one-time write-off method;
- (2) Packaging materials are amortized using the one-time write-off method.

### **(XVI) Contract assets**

Contract Asset refers to the Company's right to receive consideration for the goods transferred to the customer and which is determined depending on other factors beyond the passage of time. The Company's unconditional (ie, depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment of the expected credit losses of the contract assets of the Company, please refer to Note IV/(X) 6. Impairment of financial instruments.

### **(XVII) Other debt investment**

For the determination method and accounting treatment of the expected credit losses of other debt investment of the Company, please refer to Note IV/(X) 6. Impairment of financial instruments.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments

#### 1. Initial determination of investment costs

- (1) For long-term equity investment formed by business combination, details of accounting policies are set out in “Accounting treatments of business combinations involving entities under common control and entities not under common control” of notes IV/(V).
- (2) Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly related to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument may be directly deducted from the equity attributable to the equity trade.

The initial investment costs of long-term equity investment obtained in an exchange of nonmonetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a nonmonetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant tax payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

#### 2. Subsequent measurement and profit or loss recognition

- (1) Cost method

The Company may adopt the cost method for accounting of the controlling long-term equity investment in the investee, and measure the investment at the initial investment cost, which can be adjusted by addition or recovery of investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognizes cash dividends or profits declared by the investee as current investment gains.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 2. Subsequent measurement and profit or loss recognition *(Continued)*

##### (2) Equity method

The Company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the identifiable net assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the identifiable net assets in the investee, such difference is recognized in profit or loss for the period.

After the Company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the book value of the long-term equity investment. The Company shall, in light of the profits or cash dividends that the invested entity declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the book value of the long-term equity investment and include such change into the owners' equity.

The Company shall, based on the fair value of identifiable net assets of the invested entity when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the Company and the associates, joint ventures shall be offset with the portion attributable to the Company according to the proportion the Company is entitled to, and the gains or losses on investment shall be recognized on such basis.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 2. Subsequent measurement and profit or loss recognition *(Continued)*

##### (2) Equity method *(Continued)*

Recognition of loss in the investee by the Company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, if the Company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated obligations and recognized in profit or loss for the period.

If the investee records a profit subsequently, after deducting the attributable loss that is not yet recognized, the treatment by the Company shall be the reverse of the above order: reverse the carrying balance of estimated obligations already recognized, restore the carrying amount which substantively constitutes the long-term interests and long-term equity investment in the investee, and recognize investment gain.

#### 3. Change of the accounting methods for long-term equity investments

##### (1) Change of measurement at fair value to accounting under equity method

Where the equity investment held by the Company have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to the Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value and the accumulative changes in fair value that are originally included in other comprehensive income are transferred to current profit and losses under equity method.

The book value of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity method, and is included in current nonoperating income.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 3. Change of the accounting methods for long-term equity investments *(Continued)*

- (2) Change of measurement at fair value or accounting under equity method to cost method

The equity investment of the investee held by the Company with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the book value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to the relevant requirements under the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in current profit or loss under cost method.

- (3) Change of accounting under equity method to measurement at fair value

Where the Company loses common control or significant impact over the investee due to disposal of part of the equity investment, the remaining equity after disposal shall be subject to accounting under Accounting Standards for Enterprises No.22- Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in current profit or loss.

Other comprehensive income that is recognized due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 3. Change of the accounting methods for long-term equity investments *(Continued)*

(4) Change of cost method to equity method

Where the Company loses the control over the investee due to disposal of part of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

(5) Change of cost method into measurement at fair value

Where the Company loses the control over the investee due to disposal of part of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to relevant requirements under the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments in preparing individual financial statements, and the difference between the fair value on the date when the control is lost and the book value is included in current profit and loss.

#### 4. Disposal of long-term equity investment

When disposing long-term equity investment, the difference between its book value and the payment actually acquired shall be included in the current profit or loss. When disposing long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the invested entity had directly disposed the assets or liabilities related thereto according to the corresponding proportion.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries fall in the following one or more situations, multiple transactions are regarded as a package transaction for accounting treatment:

- (1) these transactions were entered into at the same time or after considering the effects of each other;
- (2) only when regarding these transactions as a whole, can it achieve a complete business result;
- (3) the occurrence of one transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 4. Disposal of long-term equity investment *(Continued)*

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

- (1) In separate financial statements, for equity disposed, the difference between the book value and the actual payment is included in current profit or loss. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity method is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the book value is included in current profit or loss.
- (2) In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Relevant other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

Transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

- (1) In separate financial statements, the difference between the book value of the long-term equity investment corresponding to disposal price and equity disposed before the loss of control is recognized as other comprehensive income; and transferred to current profit or loss at the time of loss of control.
- (2) In consolidated financial statements, the difference between the accumulated disposal considerations before control is lost and the share of net assets in the subsidiary is recognized as other comprehensive income, and shall be transferred to profit or loss for the period when control was lost.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Long-term equity investments *(Continued)*

#### 5. Criteria for determination of common control and significant impact

If the Company collectively control certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement are subject to consistent agreement from participants sharing the control power, then the Company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the Company is entitled to the rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If it is judged according to relevant agreement that, the Company has no rights over the net assets of such entity, such entity is joint operation, and the Company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant accounting standards for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The Company determines, the significant impact is placed on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: (1) dispatching representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operation policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; and (5) providing key technical information to investee.

### (XIX) Investment property

Investment property refers to property held to earn rentals or capital appreciation, or both, including land-use rights that have been leased, land-use rights that are held and prepared for transfer after appreciation, and buildings that have been leased. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors makes a written decision explicitly states that it is used for operating leases and that the holdings will not change in the short term, they are also presented as investment property.

The Company's investment property is recorded at its cost, and the cost of an purchased investment property includes the purchase price, related taxes, and other expenses directly attributable to the asset; the cost of self-constructed investment property includes all necessary expenditures incurred during the construction before the asset reaches its intended usable condition.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XIX) Investment property *(Continued)*

Investment properties are subsequently measured at fair value by the Company with no provision or amortization made. The carrying amount is adjusted on the basis of the fair value of investment properties as at the balance sheet date. The difference between the fair value and the original value is included in profit and loss in the current period.

The basis of subsequent measurement of investment properties at fair value are: ①there is an active property market at the place where the investment property is located. ②the Company can obtain the market price and the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

To ascertain the fair value for the investment property, the Company makes reference to the current market price of the same type of or similar property in the active property market. When the current market price of the same type of or similar property cannot be obtained, the Company makes reference to the recent transaction price of the same type of or similar property in the active property market and considers the status, date and location of transaction, so as to reasonably estimate the fair value of the investment property; or the fair value of the investment property shall be ascertained based on the future expected rental income or the relevant present value of cashflows.

When the Company has concrete evidence showing that the purpose of the investment properties is changed and transforms the investment properties into self-used properties, the book value of the self-used properties is the fair value on the date of transformation and the difference between the fair value and the original book value should be stated as current gain or loss. When the Company transforms self-used properties or inventories into investment properties measured at fair value, the investment properties should be measured at fair value on the date of transformation. If the fair value on the date of transformation is less than the original book value, the difference should be stated as current gain or loss. If the fair value on the date of transformation is more than the original book value, the difference should be included in other comprehensive income.

When the investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment property shall be terminated. The amount of proceeds from disposal of investment property sold, transferred, scrapped or damaged after deducting its book value and related taxes and fees is charged to profit or loss for the current period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XX) Fixed assets

#### 1. Recognition of fixed assets

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

- (1) economic benefits related to such fixed assets are likely to flow into the enterprise;
- (2) costs of such fixed assets can be reliably measured.

#### 2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

- (1) The cost of the externally purchased fixed assets include the purchase price, the import duties, and the other expenditure direct attributable to such assets for such assets to be available for its intended use.
- (2) The cost of a self-constructed fixed asset consists of all necessary expenses incurred from the construction for enabling the asset to be available for its intended use.
- (3) The cost invested to a fixed asset by the investor is determined according to the value agreed upon in the investment contract or agreement. Where the valued agreed upon in the said investment contract or agreement is unfair, the said cost will be determined according to the fair value of the asset.
- (4) Where the price for purchase of the fixed assets exceeds the deferred payment on normal credit terms with substantial financing nature, the cost is determined on the basis of the present value of the purchase price. The difference between the actual payment and the purchase price, besides being capitalized, shall be included in current profit or loss during the credit period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XX) Fixed assets *(Continued)*

#### 3. Subsequent measurement and disposal of fixed assets

##### (1) Depreciation of fixed assets

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the book value less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated assets.

For fixed assets formed by using special reserve expenditures, special reserves are reduced according to the cost of fixed assets formed, and the accumulated depreciation of the same amount is recognized. Such fixed assets will no longer be depreciated in the future periods.

The Company determines the useful life and estimated residual value of fixed assets based on their nature and use condition. The useful life, estimated residual value and method of depreciation of fixed assets are re-assessed at the end of the year, corresponding adjustment is made when any difference from the originally estimated amount is found.

The method of depreciation, year of depreciation and annual depreciation ratio of different categories of fixed assets are as follows:

Category	Year of depreciation (year)	Residual ratio (%)	Annual depreciation ratio (%)
Buildings and structures	30	5	3.17
Machinery and equipment	10	5	9.50
Transportation equipment	5	5	19.00
Electronic and office equipment	3-10	5	9.5-31.67

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XX) Fixed assets *(Continued)*

#### 3. Subsequent measurement and disposal of fixed assets *(Continued)*

##### (2) Subsequent expenses of fixed assets

For subsequent expenses in relation to fixed assets, those that comply with the recognition criteria for fixed assets are included in the costs of fixed assets; those that do not are included in current profit or loss at the time of incurrence.

##### (3) Disposal of fixed assets

A fixed asset is derecognized when the fixed asset is disposed or the expected use or disposal of such fixed asset cannot create any economic benefits. The disposal income from sale, transfer, retirement or damage of fixed assets is recognized in profit or loss for the period after deducting its carrying amount and relevant taxes.

### (XXI) Constructions in progress

#### 1. Initial measurement of construction in progress

The self-constructed constructions in progress of the Company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes, borrowings expenses capitalized and apportioned indirect costs.

#### 2. Criteria and timing for conversion of construction in progress into fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has reached working conditions for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working conditions for its intended use. And the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Borrowing expenses

#### 1. Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the Company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

- (1) the asset expense has occurred, which includes expenses in the form of cash paid, nonmonetary asset transferred or interest-bearing obligations assumed for the construction or production of an asset that meets capitalization conditions;
- (2) the borrowing expenses have occurred;
- (3) the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

#### 2. Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended.

When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing expenses is stopped when the entire asset is completed.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Borrowing expenses *(Continued)*

#### 3. Suspension of capitalization period

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions for which to reach expected useful or saleable conditions, the borrowing expenses are continued to be capitalized. The borrowing expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of borrowing expenses continues when the construction or production activities of the asset resumes.

#### 4. Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIII) Intangible Assets and Development Expenses

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, software and proprietary technology.

#### 1. Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of nonmonetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIII) Intangible Assets and Development Expenses *(Continued)*

#### 2. Subsequent measurement of intangible assets

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible life with limited life and indefinite life.

(1) Intangible asset with a limited life

Intangible asset with a limited life is depreciated using straight line method over the term which it brings economic benefit to the Company. The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	Estimated useful life	
	(years)	Basis
Land use rights	50	Years of land transfer
Software	8	Expected use period
Proprietary technology	5-8	Expected use period

The useful life and depreciation method of intangible assets with limited life are re-assessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

Upon re-assessment, at the end of the period there was no difference in the useful life and depreciation method of intangible assets from the previous estimates.

(2) Intangible assets with indefinite useful life

Intangible assets with indefinite useful life are not amortized during the holding period. The useful life of intangible assets with indefinite life is re-assessed at the end of each period. If it is re-assessed to remain indefinite at the end of the period, impairment tests shall be conducted during each accounting period.

As at the date of the balance sheet, the Company has no intangible assets with indefinite useful life.

# Notes to the Financial Statements

For the year ended 31 December 2019

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIII) Intangible Assets and Development Expenses *(Continued)*

#### 3. Specific criteria in dividing the research stage and development stage of internal research and development projects of the Company

Research stage: The stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage: The stage of activities that apply research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use.

The expenses incurred in the research stage of internal research and development projects are recognized as expense in profit or loss for the period.

#### 4. Specific criteria of capitalization for expenses during development stage

The expenses during development stage of internal research and development projects are recognized as intangible asset when all the below conditions are met:

- (1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;
- (2) there is intention to complete the intangible asset for use or sale;
- (3) there is a way for generating economic benefits from the intangible asset, including the ability to prove there exists a market for products produced using the intangible asset or there exists a market for the intangible asset itself; for intangible asset to be used internally, its usability can be proved;
- (4) there is enough support in the areas of technology, financial and other resources to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset;
- (5) the expenses attributable to the development stage of the intangible asset can be reliably measured.

The expenses during development stage that do not comply with the conditions above are included current profit or loss on incurrence. Development expense included in profit or loss in previous period are not re-recognized as assets in subsequent period. Capitalized expenses during development stage are presented as development expenses on the balance sheet and transferred to intangible assets since they reach the intended use.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIV) Impairment of Long-term Assets

The Company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets based on the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

When making impairment task on the goodwill shall, amortize the book value of goodwill to asset group or combination of asset group, which are expected to be beneficial from business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing the goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXV) Long-term Prepaid Expenses

#### 1. Amortization method

Long-term prepaid expenses of the Company refer to expenses that already been spent and the benefit period is one year or more. Long-term prepaid expenses are amortized using the straight-line method in its benefit period.

#### 2. Amortization period

Type	Amortization method	Amortization period	Remark
e-card fee	Straight-line method	5 years	Benefit period
Insurance fee	Straight-line method	2 years	Benefit period

### (XXVI) Contract Liabilities

Contract Liabilities refer to the Company's obligation to provide goods to the customer for the consideration received or receivable.

### (XXVII) Employee Remuneration

Employee remuneration refers to all kinds of remunerations and other relevant reimbursements made by enterprises to their employees in exchange for services of said employees, including short-term employee remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

#### 1. Short-term remuneration

Short-term remuneration refers to the employee compensation in addition to post-employment benefits and termination benefits, which are required to be fully paid within 12 months upon the annual reporting period when the employees provide relevant services. During the accounting period when the employees provides services, the Company recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs and expenses according to benefits from the services provided by employees.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXVII) Employee Remuneration *(Continued)*

#### 2. Post-employment benefits

Post-employment benefit refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the Company after the retirement of the employees or termination of labor ration with enterprises in exchange for services provided by employees.

The Company's post-employment benefits are categorized as defined contribution plans and defined benefit plans.

##### (1) Defined contribution plans

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

##### (2) Defined benefit plans

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognised as net liabilities or net assets. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXVII) Employee Remuneration *(Continued)*

#### 2. Post-employment benefits *(Continued)*

##### (2) Defined benefit plans *(Continued)*

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period. When the previously defined benefits plan is terminated, such amount included in other comprehensive income shall be transferred to undistributed profit.

When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

#### 3. Termination benefits

Termination benefit refers to indemnity provided by enterprises for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. When the earlier of Company cannot unilaterally withdraws the employment relations or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, those liabilities arising from the confirmed terminations is charged to profit or loss for the period.

The Company provides early retirement benefits to those employees who accepted early retirement arrangement. Early retirement benefits mean payment of those salaries and paid social insurance and other expenses made to those who are under the government regulated retirement age and their early retirement were approved by the Company's management. The Company will pay early retirement benefits to those employees from the early retirement date to normal retirement date and consider the cost as liability and one-off charge to the profit and loss for the period. Difference arising from change in assumption on actuarial calculation and change in benefit standards, will be charged to profit or loss for the period when it incurs.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXVIII) Estimated Liabilities

#### 1. Recognition criteria for estimated liabilities

The Company shall recognise the obligations related to contingencies as estimated liabilities, when all the following conditions are satisfied:

- (1) the obligation is a present obligation of the Company;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

#### 2. Method of measuring estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the liability recognised.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIX) Income

#### 1. General principles of revenue recognition

The Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to lead the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract start date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time. The Company recognizes revenue within a period of time according to the progress of the performance: (1) The customer obtains and consumes the Company's performance office while the Company is performing the contract Economic benefits brought; (2) The customer can control the goods under construction of the Company during the performance of the contract; (3) The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to Receiving money for the accumulated performance part that has been completed so far. Otherwise, the Company recognizes revenue when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The output method is to determine the performance progress based on the value of the commodities that have been transferred to the customer (the input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation). When the performance progress cannot be reasonably determined, if the Company's already incurred costs are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress is reasonably determined.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXIX) Income** *(Continued)*

#### **2. Specific methods for revenue recognition**

- (1) Specific method of revenue recognition of the system integration contract of the Company

The Company's system integration contract business mainly belongs to the performance obligations performed within a certain period of time, and revenue is recognized within the contract period in accordance with the performance progress. The Company adopts the input method, which is to determine the appropriate performance schedule according to the proportion of the actual cost incurred to the total contract cost.

- (2) Specific method for the recognition of sales revenue of the Company's commodities (products)

The sales business of the Company's commodities (products) mainly belongs to the performance obligations performed at a certain point in time. For products that do not need to be installed, the realization of the income is recognized after the products are delivered and checked by the client. For products that need to be installed and commissioned, the installation and commission are completed according to the contract, and the realization of revenue is recognized after passing the acceptance of the customer.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIX) Income *(Continued)*

#### 2. Specific methods for revenue recognition

- (3) Specific method for the recognition of revenue of the Company's labor services

The income of the Company's labor service is mainly from the income of technology development and maintenance service, including:

- ① Technology development income mainly belongs to the performance obligations performed at a certain point in time. After the technology development project is completed and the customer acceptance certificate (including but not limited to the final acceptance report, completion certificate or delivery certificate) is confirmed, the realization of the income is recognized.
- ② Maintenance service income mainly belongs to the performance obligations performed in a certain period of time. During the service period stipulated in the contract, the realization of the income is confirmed by averaging the total revenue agreed in the contract during the service period.

### (XXX) Contract Costs

#### 1. Contract performance cost

The Company's costs incurred for the performance of the contract that are not within the scope of other enterprise accounting standards other than income standards and meet the following conditions at the same time are recognized as an asset as contract performance costs:

- (1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs borne by the customer, and other costs incurred solely for the contract;
- (2) This cost increases the resources that the company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal business cycle.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXX) Contract Costs *(Continued)***

#### **2. Contract obtainment cost**

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortization period not exceeding one year, it is included in the current profit and loss when it occurs.

#### **3. Amortization of contract costs**

The Company recognizes the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortizes it at the time when the performance obligation is performed or in accordance with the performance of the performance obligation, and is included in the current profit and loss.

#### **4. Contract cost impairment**

For the above assets related to contract costs, the book value is higher than the difference between the Company's expectation that the goods related to the asset are expected to obtain the remaining consideration and the estimated cost of transferring the relevant goods, and the excess should be depreciated. And confirmed as asset impairment losses.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the book value of the asset, the asset impairment provision previously accrued is transferred back to the current profit and loss, but it is transferred The book value of the asset after the return does not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXXI) Government Subsidies

#### 1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

For government subsidies which do not have clear subsidy objects in the government file, the Company divides them into asset-related government subsidies or income-related government subsidies based on actual subsidies. For details of the relevant judgment basis, please refer to Note VI of this financial statement for notes on deferred income/non-operating revenue item.

Government subsidies related to assets are obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

#### 2. Recognition of government subsidies

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and are expected to receive funds rapidly at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in profit or loss for the period directly.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXXI) Government Subsidies *(Continued)***

#### **3. Accounting treatment**

According to the essence of economic business, the Company determines that a certain type of government subsidy business should be accounted for using the gross method.

Government subsidies related to assets shall offset the carrying amount of the relevant assets or be recognised as deferred income. If the government subsidies related to assets are recognized as deferred income, they shall be included in the profit and loss in installments in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

Government grants related to income that are used for compensation for the relevant costs or losses of the Group in subsequent periods are recognized as deferred income and are included in the profit or loss in the current period or offset the relevant costs in the periods in which the relevant costs, expenses or losses are recognized; a grant that are used for compensation for the relevant costs or losses of the Group already incurred shall be directly included in the profit or loss in the current period or offset the related costs.

Government grants related to daily activities of enterprises are included in other incomes or offset relevant costs; government grants that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the actual borrowing amount received is recognized as the borrowing amount, and the relevant borrowing costs should be calculated based on the loan principal and the preferential policy rate.

When a recognized government grant needs to be returned, if the book value of the relevant asset is offset at the initial recognition, the book value of the asset is adjusted. If there is balance of relevant deferred income, the carrying balance of the relevant deferred income is offset and the excess is recognised in profit and loss in the current period. If the relevant deferred income does not exit, it is directly recognised in profit and loss in the current period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXXII) Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and their book value. On balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

#### 1. Criteria for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions are not recognized with the following features: (1) the transaction is not a business combination; or (2) neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

#### 2. Criteria for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

- (1) temporary difference arising from the initial recognition of goodwill;
- (2) transactions or events arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;
- (3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXXII) Deferred Tax Assets and Deferred Tax Liabilities *(Continued)***

#### **3. Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met**

- (1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities. However, in each future period in which the deferred income tax asset and deferred income tax liability are significant, the tax entity involved intends to settle the current income tax assets and current income tax liabilities on a net basis or simultaneously obtain assets and settle the current income tax liabilities.

### **(XXXIII) Lease**

On the contract start date, the Company evaluates whether the contract is a lease or includes a lease. If a party in a contract cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

#### **1. Spin-off of lease contract**

When the contract contains multiple separate leases at the same time, the Company will split the contract and separate the individual leases for accounting treatment.

When the contract includes both lease and non-lease parts, the Company will split the lease and non-lease parts, and the lease part will be accounted for in accordance with the leasing standards, and the non-lease part shall be accounted for in accordance with other applicable corporate accounting standards.

#### **2. Merger of lease contracts**

When two or more contracts including leases entered into by the Company and the same party or its related parties at the same time or at a similar time meet one of the following conditions, they will be merged into one contract for accounting treatment:

- (1) The two or more contracts are concluded based on the overall business purpose and constitute a package of transactions, and the overall business purpose cannot be understood unless considered as a whole.
- (2) The consideration of one of the two or more contracts depends on the pricing or performance of other contracts.
- (3) The asset use rights transferred from the two or more contracts constitute a separate lease.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXXIII) Lease *(Continued)***

#### **3. The accounting treatment of the Company as the lessor**

##### (1) Classification of lease

The Company divides the lease into financing lease and operating lease on the lease start date. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of leased assets, and its ownership may or may not be transferred eventually. Operating leases refer to leases other than finance leases.

If a lease has one or more of the following situations, the Company generally classifies it as a financial lease:

- 1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.
- 2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, the lease can be reasonably determined at the start date of the lease to exercise the option.
- 3) Although the ownership of the assets is not transferred, the lease period accounts for most of the service life of the leased assets.
- 4) At the start of the lease, the present value of the lease receipt is almost equivalent to the fair value of the leased asset.
- 5) The leased assets are of a special nature and only the lessee can use them without major renovation.

If a lease has one or more of the following signs, the Company may also classify it as a financial lease:

- 1) If the lessee cancels the lease, the loss caused by the cancellation of the lease to the lessor shall be borne by the lessee.
- 2) The gains or losses resulting from the fluctuation of the fair value of the residual value of the assets belong to the lessee.
- 3) The lessee has the ability to continue to lease up till the next period at a rent far below the market level.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXXIII) Lease** *(Continued)*

#### **3. The accounting treatment of the Company as the lessor** *(Continued)*

##### (2) Accounting treatment of financial lease

At the beginning of the lease period, the Company confirms the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets.

In the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included in the lease is taken as the book value of the finance lease receivables. Lease receipts include:

- 1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
- 2) Variable lease payments depending on index or ratio;
- 3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;
- 4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The Company calculates and recognises the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included in the net measurement of the lease investment are included in the current profit and loss when they actually occur.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XXXIII) Lease *(Continued)***

#### **3. The accounting treatment of the Company as the lessor *(Continued)***

##### (3) Accounting treatment of operating lease

The Company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to recognise the lease receipts of operating leases as rental income; the initial direct expenses related to operating leases are capitalized during the lease period and is recognized on the same basis and is allocated and included in the current profit and loss in installments; the variable lease payments obtained related to operating leases, which are not included in the lease receipts, are included in the current gain and loss when they actually occur.

### **(XXXIV) Discontinued Operation**

The Company will satisfy one of the following conditions, and the component has been disposed of or classified as held for sale, and can be separately recognised as a component of discontinued operation:

- (1) the component represents an independent main business or a separate major business area;
- (2) This component is proposed disposal plan on an independent main business or proposed disposal in a separate major business area;
- (3) This component is a subsidiary that is specifically acquired for resale.

Operational gains and losses such as impairment losses and reversal amounts of discontinued operations and disposal gains and losses are listed in the income statement as profit or loss of discontinued operations.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXV) Description of changes in the presentation items of financial statements

In 2019, the Ministry of Finance issued the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Caihui [2019] No. 6) and “Notice on Revising the Format of Consolidated Financial Statements (2019 Version)” (Caihui [2019] No. 16), which revise the financial statements of general enterprises, and separate certain balance sheet items and adjust the income statement items. The Company has prepared financial statements in accordance with the requirements of the new enterprise financial statement format. Comparative figure of the comparable period is adjusted in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements” for changes in presentation items in the financial statements.

The impact on the presentation items and amounts in the financial statements for the comparable period is as follows:

Presented items	Amount before change of presentation	Affected amount	Amount after change of presentation	Remark
Notes receivable	-	257,915,095.36	257,915,095.36	
Receivables financing	-	1,535,180.00	1,535,180.00	
Accounts receivable	-	837,139,367.60	837,139,367.60	
Notes receivable and accounts receivable	1,096,589,642.96	-1,096,589,642.96	-	
Notes payable	-	28,756,738.41	28,756,738.41	
Accounts payable	-	1,068,563,578.78	1,068,563,578.78	
Notes payable and accounts payable	1,097,320,317.19	-1,097,320,317.19	-	
Interest receivable	4,911,486.42	-4,911,486.42	-	
Non-current assets due within one year	-	4,911,486.42	4,911,486.42	
Short-term borrowings	-	1,584,809.47	1,584,809.47	
Non-current liabilities due within one year	-	826,961.64	826,961.64	
Other payables	2,411,771.11	-2,411,771.11	-	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXXVI) Changes in key accounting policies and accounting estimates

#### 1. Changes in accounting policies

Content and reasons for change in accounting policies	Approval procedure by	Remark
The Company has implemented the “Accounting Standards for Business Enterprises No. 21 – Leases” revised by the Ministry of Finance in 2018 since 1 January 2019.	The Board	(1)
The Company has implemented the “Accounting Standards for Business Enterprises No. 7 – Non-Monetary Asset Exchange” revised by the Ministry of Finance in 2019 since 10 June 2019 and has implemented the “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” revised by the Ministry of Finance in 2019 since 17 June 2019.	The Board	(2)

(1) The impact of the implementation of the new leasing standard on the Company

The Company has implemented the “Accounting Standards for Business Enterprises No. 21 – Leases” revised by the Ministry of Finance in 2018 since 1 January 2019. For details of the accounting policies after the change, please refer to Note IV.

The implementation of the above standards by the Company has no material impact on the financial statements for the reporting period.

(2) The impact of the implementation of the new debt restructuring and non-monetary asset exchange standards on the Company

The Company has implemented the “Accounting Standards for Business Enterprises No. 7 – Non-Monetary Asset Exchange” revised by the Ministry of Finance in 2019 since 10 June 2019 and has implemented the “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” revised by the Ministry of Finance in 2019 since 17 June 2019. Such two changes in accounting policy adopted the future applicable method, and the non-monetary asset exchange and debt restructuring occurred from 1 January 2019 to the implementation date of the standard was adjusted according to the provisions of the standard.

The implementation of the above standards by the Company has no material impact on the financial statements during the reporting period.

#### 2. Changes in accounting estimates

There were no changes in key accounting estimates during the reporting period.

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## V. TAXATION

### (I) Main types of taxes and corresponding rates

Tax type	Basis of taxation	Tax rate	Remark
Value-added tax ("VAT")	Domestic sales, provision of tangible movable property leasing services	16%, 13%	Remark 1
	Provision of construction and tangible immovable property leasing services	10%, 9%	Remark 1
City maintenance and construction tax	Based on actual VAT	7%	
Education surcharge	Based on actual VAT	3%	
Local education surcharge	Based on actual VAT	2%	
Enterprise income tax	Based on taxable profits	25%	

Remark 1: According to the "Announcement on Policies related to Deepening VAT Reform (Ministry of Finance, State Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019) of Ministry of Finance, State Administration of Taxation and General Administration of Customs, the VAT taxable sales or imported goods for the Company since 1 April 2019 that originally applicable to the tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

Income tax rates of different taxpaying entities:

Name of taxpaying entities	Income tax rate	Remark
The Company	15%	High and new technology enterprise
Jiangsu Intellitrans Company Limited	15%	High and new technology enterprise
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	15%	High and new technology enterprise
Sample Technology (H.K.) Co., Limited	8.25%, 16.5%	Remark 2
Federal International Enterprise Limited	8.25%, 16.5%	Remark 2
Sun Supreme Enterprises Limited	8.25%, 16.5%	Remark 2
Nanjing City Intelligent Transportation Co., Ltd.	15%	High and new technology enterprise
Nanjing Sample Chain Information Technology Co., Ltd.	15%	High and new technology enterprise
Other subsidiaries	25%	

Remark 2: According to the Hong Kong Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance Amendment"), the two-tiered profits tax rates regime is applicable to year of assessment commencing on or after 1 April 2018. From the Year of Assessment 2018/19, a company with an operating profit below HKD2 million is subject to the new tax rate of 8.25%, while for a company with an operating profit above HKD2 million, the tax rate for the first HKD2 million of operating profits remains at 8.25% and the outstanding profits are subject to the tax rate of 16.5%.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## V. TAXATION (Continued)

### (II) Preferential tax policies and basis

#### 1. VAT

The VAT preferential policy relating to the sales revenue of software products are:

- (1) In accordance with the requirements of the document (Cai Shui [2011] No. 100) of Ministry of Finance and State Administration of Taxation: as for the sales of the self-developed and produced software products general taxpayers, after the VAT is levied at tax rate of 17%, the VAT refund policies will be applied for the excess of the actual VAT burden over 3%.
- (2) On 28 January 2011, the State Council issued the Circular on the Certain Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry (Guofa [2011] No. 4), pursuant to which, the preferential VAT policies for software industry shall continue.

On 16 July 2001, the Company obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise.

On 24 June 2003, Nanjing Sample Logistic Company Limited, a subsidiary of the Company, obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise.

On 11 September 2003, Jiangsu Intellitrans Company Limited, a subsidiary of the Company, obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise.

On 17 September 2012, Nanjing City Intelligent Transportation Co., Ltd., a subsidiary of the Company, obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise.

On 27 October 2017, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Company, obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise.

The above companies selling self-developed-and-manufactured software products enjoy the said preferential VAT policies.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## V. TAXATION (Continued)

### (II) Preferential tax policies and basis (Continued)

#### 2. Enterprise income tax

The enterprise income tax preferential policies for high and new technology enterprise:

On 7 December 2017, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the High and New Technology Enterprise, therefore, the effective tax rate of enterprise income tax for the Company is 15% in 2019.

On 27 December 2017, Jiangsu Intellitrans Company Limited, a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the High and New Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2019.

On 30 November 2018, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the High and New Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2019.

On 28 November 2018, Nanjing City Intelligent Transportation Co., Ltd. a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the High and New Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2019.

On 30 November 2018, Nanjing Sample Chain Information Technology Co., Ltd., a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the High and New Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2019.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts were in RMB if not otherwise specified. The opening balances are presented on 1 January 2019.)

### Note 1. Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	<b>296,584.00</b>	138,218.04
Bank deposits	<b>135,580,205.01</b>	496,350,458.75
Other monetary fund	<b>27,567,364.78</b>	36,469,360.13
Total	<b>163,444,153.79</b>	532,958,036.92
Including: Total amount of funds abroad	<b>4,169,070.54</b>	2,945,053.14

Of which, details of restricted cash are listed as below:

Items	Closing balance	Opening balance
Deposits for bank acceptance bills	<b>3,077,507.05</b>	14,470,407.79
Deposits of guarantee letter	<b>21,935,078.37</b>	17,932,927.48
Borrowing certificate deposit	<b>1,500,000.00</b>	3,000,000.00
Bid deposit	<b>1,011,038.61</b>	1,010,500.00
Total	<b>27,523,624.03</b>	36,413,835.27

Note: The above deposits have been excluded from the closing balance of cash and cash equivalents at the end of the year, and included in the cash paid relating to other operating activities or cash paid relating to other financing activities.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 2. Notes receivable

#### 1. Classification of notes receivable

Items	Closing balance	Opening balance
Commercial acceptance bills	576,000.00	257,915,095.36
Total	576,000.00	257,915,095.36

#### 2. Classification of expected credit losses for notes receivable

Classifications	Carrying balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Notes receivable subjected to provision for expected credit losses on individual basis	-	-	-	-	-
Notes receivable subjected to provision for expected credit losses on portfolio basis	600,000.00	100.00	24,000.00	4.00	576,000.00
Including: Commercial acceptance bills	600,000.00	100.00	24,000.00	4.00	576,000.00
Total	600,000.00	100.00	24,000.00	4.00	576,000.00

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 2. Notes receivable (Continued)

#### 2. Classification of expected credit losses for notes receivable (Continued)

Continued:

Classifications	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts Provision proportion (%)	
Notes receivable subjected to provision for expected credit losses on individual basis	-	-	-	-	-
Notes receivable subjected to provision for expected credit losses on portfolio basis	269,369,891.00	100.00	11,454,795.64	4.25	257,915,095.36
Including: Commercial acceptance bills	269,369,891.00	100.00	11,454,795.64	4.25	257,915,095.36
<b>Total</b>	<b>269,369,891.00</b>	<b>100.00</b>	<b>11,454,795.64</b>	<b>4.25</b>	<b>257,915,095.36</b>

#### 3. Notes receivable subjected to provision for expected credit losses on portfolio basis

Name of portfolio	Closing balance		Provision proportion (%)
	Carrying balance	Provision for bad debts	
Commercial acceptance bills	600,000.00	24,000.00	4.00
<b>Total</b>	<b>600,000.00</b>	<b>24,000.00</b>	

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 2. Notes receivable (Continued)

#### 4. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period		Other movements	Closing balance
			Recovered or reversed	Written off		
Notes receivable subjected to provision for expected credit losses on portfolio basis	11,454,795.64	—	11,430,795.64	—	—	24,000.00
Including: Commercial acceptance bills	11,454,795.64	—	11,430,795.64	—	—	24,000.00
Total	11,454,795.64	—	11,430,795.64	—	—	24,000.00

### Note 3. Accounts receivable

#### 1. Accounts receivable disclosed based on aging

Aging	Closing balance	Opening balance
Within 1 year	<b>702,842,316.76</b>	753,089,331.43
1 to 2 years	<b>436,111,052.22</b>	101,348,947.18
2 to 3 years	<b>78,146,805.86</b>	47,833,613.39
Over 3 years	<b>79,431,065.00</b>	53,836,464.74
Sub-total	<b>1,296,531,239.84</b>	956,108,356.74
Less: Provision for bad debts	<b>182,456,209.90</b>	118,968,989.14
Total	<b>1,114,075,029.94</b>	837,139,367.60

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 3. Accounts receivable (Continued)

#### 2. Disclosure based on classification of provision method for bad debts

Classification	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Accounts receivable subjected to provision for expected credit losses on individual basis	47,930,000.00	3.70	20,090,300.00	41.92	27,839,700.00
Accounts receivable subjected to provision for expected credit losses on portfolio basis	1,248,601,239.84	96.30	162,365,909.90	-	1,086,235,329.94
Including: Engineering and sales receivable from non-related party	1,216,338,611.01	93.81	160,752,778.46	13.22	1,055,585,832.55
Engineering and sales receivable from related party outside the scope of consolidation	32,262,628.83	2.49	1,613,131.44	5.00	30,649,497.39
<b>Total</b>	<b>1,296,531,239.84</b>	<b>100.00</b>	<b>182,456,209.90</b>		<b>1,114,075,029.94</b>

Continued:

Classification	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Accounts receivable subjected to provision for expected credit losses on individual basis	30,584,488.11	3.20	13,651,535.28	44.64	16,932,952.83
Accounts receivable subjected to provision for expected credit losses on portfolio basis	925,523,868.63	96.80	105,317,453.86	-	820,206,414.77
Including: Engineering and sales receivable from non-related party	908,302,230.20	95.00	104,456,371.94	11.50	803,845,858.26
Engineering and sales receivable from related party outside the scope of consolidation	17,221,638.43	1.80	861,081.92	5.00	16,360,556.51
<b>Total</b>	<b>956,108,356.74</b>	<b>100.00</b>	<b>118,968,989.14</b>		<b>837,139,367.60</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 3. Accounts receivable (Continued)

#### 3. Accounts receivable subjected to provision for expected credit losses on individual basis

Name of units	Carrying balance	Closing balance		Reasons for provision
		Provision for bad debts	Provision proportion (%)	
Changzhou Haide Real Estate Co., Ltd. (常州海德置業有限公司)	34,370,000.00	6,530,300.00	19.00	Remark 1
Jiaxing Dongxing Real Estate Co., Ltd. (嘉興東興置業有限公司)	13,560,000.00	13,560,000.00	100.00	Remark 2
Total	47,930,000.00	20,090,300.00		

Remark 1: Financial operations deteriorated and third-party debt restructuring proposal was initially acquired.

Remark 2: Financial operations deteriorated, and no property is enforceable.

#### 4. Accounts receivable subjected to provision for expected credit losses on portfolio basis

(1) Engineering and sales receivable from non-related party

Aging	Closing balance		Provision proportion (%)
	Carrying balance	Provision for bad debts	
Within 1 year	670,579,687.93	26,823,187.51	4.00
1 to 2 years	388,181,052.22	31,054,484.18	8.00
2 to 3 years	78,146,805.86	23,444,041.77	30.00
Over 3 years	79,431,065.00	79,431,065.00	100.00
Total	1,216,338,611.01	160,752,778.46	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 3. Accounts receivable (Continued)

#### 4. Accounts receivable subjected to provision for expected credit losses on portfolio basis (Continued)

- (2) Engineering and sales receivable from related party outside the scope of consolidation

Items	Closing balance		Provision proportion (%)
	Carrying balance	Provision for bad debts	
Engineering and sales receivable from related party outside the scope of consolidation	<b>32,262,628.83</b>	<b>1,613,131.44</b>	<b>5.00</b>
Total	<b>32,262,628.83</b>	<b>1,613,131.44</b>	

#### 5. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period		Disposal of subsidiary	Closing balance
			Recovered or reversed	Written off		
Accounts receivable subjected to provision for expected credit losses on individual basis	13,651,535.28	6,438,764.72	-	-	-	<b>20,090,300.00</b>
Accounts receivable subjected to provision for expected credit losses on portfolio basis	105,317,453.86	57,099,936.04	-	-	51,480.00	<b>162,365,909.90</b>
Including: Engineering and sales receivable from unrelated party	104,456,371.94	56,347,886.52	-	-	51,480.00	<b>160,752,778.46</b>
Engineering and sales receivable from related party outside the scope of consolidation	861,081.92	752,049.52	-	-	-	<b>1,613,131.44</b>
Total	<b>118,968,989.14</b>	<b>63,538,700.76</b>	<b>-</b>	<b>-</b>	<b>51,480.00</b>	<b>182,456,209.90</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 3. Accounts receivable (Continued)

#### 6. Particulars of the top five of accounts receivable at the end of the period

Name of unit	Closing balance	Percentage of the closing balance of accounts receivable (%)	Provision for bad debts
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	174,526,996.14	13.46	13,962,159.69
Zhongji Guoneng Power Engineering Co., Ltd. (中機國能電力工程有限公司)	131,599,179.98	10.15	5,279,294.40
Nanjing Jiangbei New Energy Development Management Co., Ltd. (南京江北新能源開發管理有限公司)	86,720,194.19	6.69	3,608,494.86
Zhongji Huaxingcheng Power Engineering Co., Ltd. (中機華信誠電力工程有限公司)	57,463,043.33	4.43	2,298,521.73
Shenyang Jiatian Technology Co., Ltd. (瀋陽迦天科技有限公司)	46,000,000.00	3.55	1,962,000.00
Total	<u>496,309,413.64</u>	<u>38.28</u>	<u>27,110,470.68</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 4. Receivables financing

Items	Closing balance	Opening balance
Bank acceptance bills	<u>1,220,000.00</u>	<u>1,535,180.00</u>
Total	<u><u>1,220,000.00</u></u>	<u><u>1,535,180.00</u></u>

#### 1. Changes in receivables financing and fair value changes in the current period

Items	Opening balance	Addition during the period	Derecognized during the period	Closing balance	Cost	Accumulated change in fair value	Accumulated loss provision recognized in other comprehensive income	Remark
Bank acceptance bills	1,535,180.00	70,780,993.33	71,096,173.33	1,220,000.00	1,220,000.00	-	-	
Total	<u>1,535,180.00</u>	<u>70,780,993.33</u>	<u>71,096,173.33</u>	<u>1,220,000.00</u>	<u>1,220,000.00</u>	<u>-</u>	<u>-</u>	

#### 2. Provision for bad debts

On 31 December 2019, the Company is of the view that the receivables financing (bank acceptance bills) held do not have significant credit risk and will not cause material losses due to defaults by banks.

#### 3. The Company has no pledged notes at the end of the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 4. Receivables financing (Continued)

#### 4. Notes endorsed or discounted and not yet due as at the end of the period

Item	<b>Derecognized amount at the end of the period</b>	Amount not yet derecognized at the end of the period
Bank acceptance bills	<b>50,637,588.65</b>	—
Total	<b>50,637,588.65</b>	—

### Note 5. Prepayments

#### 1. Prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	<b>137,285,641.56</b>	<b>66.37</b>	400,966,607.91	94.40
1 to 2 years	<b>64,413,680.34</b>	<b>31.14</b>	7,815,702.04	1.84
2 to 3 years	<b>1,908,421.12</b>	<b>0.92</b>	12,917,364.25	3.04
Over 3 years	<b>3,253,742.06</b>	<b>1.57</b>	3,036,094.96	0.72
Total	<b>206,861,485.08</b>	<b>100.00</b>	424,735,769.16	100.00

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 5. Prepayments (Continued)

#### 2. Particulars of the top five of prepayments at the end of the period

Name of unit	Closing balance	Percentage of total prepayments (%)	Time of prepayment	Reasons for unsettlement
Tianjin Pufa Industrial Co., Ltd. (天津浦發實業有限公司)	49,000,000.00	23.69	Within 1 year	Not yet delivered
Zhenjiang Xinhudian Group Co., Ltd. (鎮江新華電集團有限責任公司)	46,939,258.72	22.69	1 to 2 years	Not yet delivered
Zhongji Guoneng Power Group Co., Ltd. (中機國能電力集團有限公司)	22,000,000.00	10.64	1 to 2 years	Not yet delivered
Nantong Zhanmai Information Technology Co., Ltd. (南通展邁信息科技有限公司)	13,862,586.22	6.70	Within 1 year	Not yet delivered
Nantong Tongrong Building Decoration Co., Ltd. (南通通榮建築裝飾有限公司)	10,866,295.77	5.25	Within 1 year: RMB1,000,000; 1 to 2 years: RMB9,866,295.77	Not yet delivered
Total	142,668,140.71	68.97		

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6. Other receivables

Item	Closing balance	Opening balance
Interest receivable	4,519,333.06	—
Other receivables	134,843,461.60	321,587,484.36
Total	139,362,794.66	321,587,484.36

Note: In the table above, other receivables refer to other receivables after deducting interests receivable and dividends receivable.

#### (I) Interest receivable

##### 1. Category of interest receivable

Item	Closing balance	Opening balance
Interest receivable on debt investment due within one year	4,519,333.06	—
Total	4,519,333.06	—

##### 2. Significant overdue interest at the end of the period

Borrowing entity	Closing balance	Overdue period	Overdue reason	Whether impairment occurred and the reason
QLD Property Const Pty Ltd	5,021,481.18	Within 1 year	Delayed payment	No
Total	5,021,481.18			

Note: Interest receivable as at the financial reporting date was recovered.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6. Other receivables (Continued)

#### (I) Interest receivable (Continued)

##### 3. Particulars of provision for bad debts of interest receivable (Continued)

	First stage	Second stage	Third stage	Total
	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Provision for bad debts				
Opening balance	-	-	-	-
Opening balance during the period that:	-	-	-	-
transferred to stage II	-	-	-	-
transferred to stage III	-	-	-	-
reversed to stage II	-	-	-	-
reversed to stage I	-	-	-	-
Provision in the current period	-	502,148.12	-	502,148.12
Reversal in the current period	-	-	-	-
Charge-off in the current period	-	-	-	-
Write-off in the current period	-	-	-	-
Other changes	-	-	-	-
Closing balance	-	502,148.12	-	502,148.12

#### (II) Other receivables

##### 1. Disclosure based on aging

Aging	Closing balance	Opening balance
Within 1 year	<b>133,410,167.30</b>	59,261,990.10
1 to 2 years	<b>5,587,301.17</b>	274,511,613.16
2 to 3 years	<b>6,150,463.24</b>	8,891,064.47
Over 3 years	<b>13,915,840.61</b>	14,926,397.25
Sub-total	<b>159,063,772.32</b>	357,591,064.98
Less: Provision for bad debts	<b>24,220,310.72</b>	36,003,580.62
Total	<b>134,843,461.60</b>	321,587,484.36

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6. Other receivables (Continued)

#### 2. Classification by nature

Nature	Closing balance	Opening balance
Retention monies	<b>107,837,443.09</b>	258,929,232.36
Equity transfer	<b>8,650,000.00</b>	58,155,312.00
Petty cash	<b>6,352,591.25</b>	3,118,827.84
Overpayment	-	30,927,837.00
Consideration for creditor's right transfer	<b>17,290,367.30</b>	-
Disposal of fixed assets	<b>12,825,106.94</b>	-
Others	<b>6,108,263.74</b>	6,459,855.78
Total	<b>159,063,772.32</b>	357,591,064.98

#### 3. Disclosure based on the three stages of financial asset impairment

Items	Closing balance			Opening balance		
	Carrying balance	Provision for bad debts	Book value	Carrying balance	Provision for bad debts	Book value
Stage I	<b>76,588,463.64</b>	<b>3,829,423.18</b>	<b>72,759,040.46</b>	213,675,849.02	10,683,792.45	202,992,056.57
Stage II	<b>82,475,308.68</b>	<b>20,390,887.54</b>	<b>62,084,421.14</b>	143,559,766.98	24,964,339.19	118,595,427.79
Stage III	-	-	-	355,448.98	355,448.98	-
Total	<b>159,063,772.32</b>	<b>24,220,310.72</b>	<b>134,843,461.60</b>	357,591,064.98	36,003,580.62	321,587,484.36

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6. Other receivables (Continued)

#### 4. Particulars of provision for bad debts of other receivables

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Opening balance	10,683,792.45	24,964,339.19	355,448.98	36,003,580.62
Opening balance during the period that:				
transferred to stage II	-	-	-	-
transferred to stage III	-	-	-	-
reversed to stage II	-	-	-	-
reversed to stage I	-	-	-	-
Provision in the current period	-	-	-	-
Reversal in the current period	6,854,369.27	4,573,451.65	-	11,427,820.92
Charge-off in the current period	-	-	-	-
Write-off in the current period	-	-	-	-
Other changes (disposal of subsidiaries)	-	-	355,448.98	355,448.98
Closing balance	3,829,423.18	20,390,887.54	-	24,220,310.72

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 6. Other receivables (Continued)

#### 5. Particulars of the top five of other receivables at the end of the period

Name of units	Nature	Closing balance	Aging	Percentage	
				of the closing balance of other receivables (%)	Closing balance of provision for bad debts
China Coal Construction Group Co., Ltd. (中煤建工集團有限公司)	Retention monies	30,000,000.00	2 to 3 years	18.86	1,500,000.00
Jiangsu Sairui Hongan Health Industry Development Co., Ltd. (江蘇賽瑞弘安健康產業發展有限公司)	Retention monies	30,000,000.00	Within 1 year	18.86	1,500,000.00
Jiangsu Real Estate Development Co., Ltd. (江蘇省房地產發展實業有限公司)	Creditor's right transfer	17,290,367.30	Within 1 year	10.87	864,518.37
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Disposal of fixed assets	12,848,561.31	Within 1 year	8.08	642,428.07
Jiangsu Beidou Water Network Technology Co., Ltd. (江蘇北斗水聯網科技有限公司)	Equity transfer	8,650,000.00	Within 1 year	5.44	432,500.00
Total		<u>98,788,928.61</u>		<u>62.11</u>	<u>4,939,446.44</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 7. Inventories

#### 1. Classification of Inventories

Items	Closing balance			Opening balance		
	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value
Raw materials	5,148,845.49	1,148,773.75	4,000,071.74	15,404,025.18	25,105.01	15,378,920.17
Commodity stocks	79,330,077.20	596,617.89	78,733,459.31	24,175,432.14	1,261,016.90	22,914,415.24
Assets of construction contract completed but not yet settled	67,894,071.16	-	67,894,071.16	78,546,127.71	-	78,546,127.71
<b>Total</b>	<b>152,372,993.85</b>	<b>1,745,391.64</b>	<b>150,627,602.21</b>	<b>118,125,585.03</b>	<b>1,286,121.91</b>	<b>116,839,463.12</b>

#### 2. Provision for decline in value of inventories

Items	Opening balance	Increase during the period		Decrease during the period			Closing balance
		Provision	Others	Reversal	Charge-off	Other decreases	
Raw materials	633,733.73	1,123,668.74	-	-	-	608,628.72	1,148,773.75
Commodity stocks	652,388.18	227,818.59	-	-	283,588.88	-	596,617.89
<b>Total</b>	<b>1,286,121.91</b>	<b>1,351,487.33</b>	<b>-</b>	<b>-</b>	<b>283,588.88</b>	<b>608,628.72</b>	<b>1,745,391.64</b>

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 8. Contract assets

#### 1. Particulars of Contract assets

Items	Closing balance			Opening balance		
	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value
Contract assets	1,211,884,152.11	62,694,544.22	1,149,189,607.89	1,123,899,226.31	49,031,565.83	1,074,867,660.48
Total	1,211,884,152.11	62,694,544.22	1,149,189,607.89	1,123,899,226.31	49,031,565.83	1,074,867,660.48

#### 2. Particulars of impairment provision for contract assets during the period

Items	Opening balance	Provision	Movement during the period			Closing balance
			Reversal	Charge-off or write-off	Other changes	
Contract assets	49,031,565.83	13,662,978.39	-	-	-	62,694,544.22
Total	49,031,565.83	13,662,978.39	-	-	-	62,694,544.22

### Note 9. Non-current assets due within one year

Items	Closing balance	Opening balance
External loan due within one year	-	52,571,628.84
Interest of external loan due within one year	-	4,911,486.42
Total	-	57,483,115.26

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 10. Other current assets

Items	Closing balance	Opening balance
Deductible and pending for verification input VAT	<b>13,588,657.00</b>	15,946,564.65
External loan	<b>14,834,721.85</b>	—
Prepaid tax	<b>21,829,000.16</b>	15,885,378.24
<b>Total</b>	<b>50,252,379.01</b>	31,831,942.89

### Note 11. Long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Investment gains and losses recognized using equity method	Increase/decrease during the period					Closing balance	Closing balance of impairment provision	
					Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profits	Impairment provision	Others			
I. Associates												
Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	17,707,164.41	-	-	-3,823,364.96	-	-	-	-	-	-	<b>13,883,799.45</b>	-
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	-	100,000.00	-	50,589.04	-	-	-	-	-	-	<b>150,589.04</b>	-
Jiangsu Yuda Data Technology Co., Ltd. (江蘇取道數據科技有限公司)	3,082,243.55	749,989.99	-	-3,842,243.54	-	-	-	-	-	-	-	-
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)	22,544,526.98	41,073,000.00	59,296,925.37	-1,301.61	-	-	-	-	-	-4,319,300.00	-	-
<b>Total</b>	<b>43,343,934.94</b>	<b>41,922,989.99</b>	<b>59,296,925.37</b>	<b>-7,616,321.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4,319,300.00</b>	<b>14,034,388.49</b>	<b>-</b>

Note: Other changes refer to the change of equity interests after the disposal of 55.86% equity interests in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司). The proportion of remaining equity interests in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. changed to 1%, and is reclassified into other equity instrument investments according to the Company's purpose for holding such equity.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 12. Other equity instrument investment

#### 1. Other equity instrument investment

Items	Closing balance	Opening balance
Non-trading equity instrument investments:		
Jiangsu Sailian Information Industry Research Institute Co., Ltd. (江蘇賽聯信息產業研究院股份有限公司)	1,206,100.00	1,423,335.60
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)	5,961,100.00	5,896,080.04
Jiangsu Private Investment Holdings Co., Ltd. (江蘇民營投資控股有限公司)	217,766,900.00	220,000,000.00
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)	4,319,300.00	-
Jiangsu Jianan Investment Development Co., Ltd. (Jianan Xuyi Equity Fund No.1) (江蘇迦南投資發展有限公司(迦南盱眙股權基金1號))	450,000,000.00	-
Total	679,253,400.00	227,319,415.64

#### 2. Particulars of non-trading equity instrument investments

Items	Reasons for designated as measured at fair value and its change included in the other comprehensive income	Dividend income recognized during the period	Accumulated profits	Accumulated losses	Amount transfer from other comprehensive income to retained earnings	Reasons for other comprehensive income transferred to retained earnings
Jiangsu Sailian Information Industry Research Institute Co., Ltd. (江蘇賽聯信息產業研究院股份有限公司)	Strategic investment	-	-793,900.00	-	-	
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)	Strategic investment	-	63,824.00	-	-	
Jiangsu Private Investment Holdings Co., Ltd. (江蘇民營投資控股有限公司)	Strategic investment	-	-2,233,100.00	-	-	
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)	Strategic investment	-	54,903.93	-	-	
Total		-	-2,908,272.07	-	-	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 13. Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets measured at fair value and its change included into current profit or loss	<b>125,359,255.07</b>	134,623,072.37
Including: Equity instrument investment	<b>125,359,255.07</b>	134,623,072.37
Jiangsu Jiangtian Yonghua Data Service Co., Ltd. (江蘇江天永華數據服務有限公司)	–	1,750,000.00
Wuxi Internet of Things Innovation Center Co., Ltd. (無錫物聯網創新中心有限公司)	<b>4,769,100.00</b>	5,000,000.00
Shenzhen Dami Growth Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (深圳市大米成長新興產業股權投資基金合夥企業(有限合夥))	<b>12,454,400.00</b>	14,000,000.00
Dongguan Dongli Dami Growth Intelligent Manufacturing Partnership (Limited Partnership) (東莞東理大米成長智能製造合夥企業(有限合夥))	<b>2,574,200.00</b>	2,400,000.00
Nanjing City Information Investment Holdings Co., Ltd. (南京市信息化投資控股有限公司)	<b>46,193,600.00</b>	45,997,341.53
Hongtu Intelligent Logistics Co., Ltd. (宏圖智能物流股份有限公司)	<b>40,149,955.07</b>	35,480,830.87
Xi'an Xiangnan Network Information Technology Co., Ltd. (西安向南網絡信息科技有限公司)	<b>3,106,900.00</b>	3,000,000.00
Nanjing E-port Co., Ltd. (南京市電子口岸有限公司)	<b>2,464,700.00</b>	2,284,557.87
Waterwood Technology Growth Fund I L.P.	<b>13,646,400.00</b>	13,058,287.32
Jiangsu Beidou Underground Pipeline Research Institute Co., Ltd. (江蘇北斗地下管線研究院有限公司)	–	11,652,054.78
Total	<b>125,359,255.07</b>	134,623,072.37

### Note 14. Investment property

#### 1. Particulars of investment property

Items	Office buildings for leasing purpose	Total
I. Opening balance	<b>227,503,300.00</b>	227,503,300.00
II. Movement during the period	<b>3,099,300.00</b>	3,099,300.00
1. Addition from external acquisition	–	–
2. Change in fair value	<b>3,099,300.00</b>	3,099,300.00
III. Closing balance	<b>230,602,600.00</b>	230,602,600.00

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 14. Investment property (Continued)

#### 2. Particulars of key investment property item

Items	Geographical location	Construction area (m <sup>2</sup> )	Rental income during the reporting period	Fair value at the end of the period	Fair value at the beginning of the period	Changes in fair value (%)	Reasons for changes in fair value
Office building	10 Maqun Avenue, Nanjing	30,575.32	13,657,174.84	230,602,600.00	227,503,300.00	1.36	Rental income growth
Total		<u>30,575.32</u>	<u>13,657,174.84</u>	<u>230,602,600.00</u>	<u>227,503,300.00</u>		

#### 3. The Group does not have any investment property without certificates of ownership at the end of the reporting period.

### Note 15. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	<u>294,887,205.17</u>	<u>376,964,307.99</u>
Total	<u>294,887,205.17</u>	<u>376,964,307.99</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 15. Fixed assets (Continued)

#### 1. Particulars of fixed assets

Items	Property and buildings	Machinery and equipment	Transportation equipment	Electronic and office equipment	Total
I. Original book value					
1. Opening balance	141,181,350.51	312,078,206.39	5,546,160.71	113,265,328.44	572,071,046.05
2. Increase during the period	2,340,409.36	6,534,672.42	448,357.36	1,211,133.57	10,534,572.71
Acquisition	-	-	34,642.48	1,206,199.09	1,240,841.57
Transfer from construction in progress	2,340,409.36	6,534,672.42	-	-	8,875,081.78
Business combination not under common control	-	-	413,714.88	4,934.48	418,649.36
3. Decrease during the period	-	3,579,005.67	-	13,668,615.14	17,247,620.81
Disposal or write-off	-	159,829.00	-	13,448,015.12	13,607,844.12
Disposal of subsidiary	-	3,419,176.67	-	220,600.02	3,639,776.69
4. Closing balance	143,521,759.87	315,033,873.14	5,994,518.07	100,807,846.87	565,357,997.95
II. Accumulated depreciation					
1. Opening balance	27,071,311.47	107,437,164.31	4,682,931.03	53,229,998.63	192,421,405.44
2. Increase during the period	7,776,175.60	42,064,398.80	388,409.27	13,426,838.80	63,655,822.47
Provision during the period	7,776,175.60	42,064,398.80	281,972.81	13,425,664.50	63,548,211.71
Business combination not under common control	-	-	106,436.46	1,174.30	107,610.76
3. Decrease during the period	-	1,684,230.78	-	3,421,492.33	5,105,723.11
Disposal or write-off	-	151,837.55	-	3,209,471.60	3,361,309.15
Disposal of subsidiary	-	1,532,393.23	-	212,020.73	1,744,413.96
4. Closing balance	34,847,487.07	147,817,332.33	5,071,340.30	63,235,345.10	250,971,504.80
III. Impairment provision					
1. Opening balance	-	1,886,783.44	-	798,549.18	2,685,332.62
2. Increase during the period	-	18,709,318.09	-	-	18,709,318.09
Provision during the period	-	18,709,318.09	-	-	18,709,318.09
3. Decrease during the period	-	1,886,783.44	-	8,579.29	1,895,362.73
Disposal of subsidiary	-	1,886,783.44	-	8,579.29	1,895,362.73
4. Closing balance	-	18,709,318.09	-	789,969.89	19,499,287.98
IV. Book value					
1. Closing book value	108,674,272.80	148,507,222.72	923,177.77	36,782,531.88	294,887,205.17
2. Opening book value	114,110,039.04	202,754,258.64	863,229.68	59,236,780.63	376,964,307.99

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 15. Fixed assets (Continued)

2. There were no fixed assets which is temporarily idle at the end of the period.
3. There were no fixed assets which are leased under finance lease at the end of the period.
4. Fixed assets leased out under operating lease at the end of the period

Items	Closing book value
Vehicle intelligent terminal	25,604,005.31
Bengbu City Social Security Video Screen Prevention and Control System (Capacity expansion)	105,559,136.07
Total	<u>131,163,141.38</u>

5. There were no fixed assets without certificates of ownership at the end of the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 16. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	<b>3,424,335.80</b>	6,534,672.42
Total	<b>3,424,335.80</b>	6,534,672.42

#### 1. Particulars of construction in progress

Item	Closing balance			Opening balance		
	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value
Sporadic projects	<b>3,424,335.80</b>	-	<b>3,424,335.80</b>	6,534,672.42	-	6,534,672.42
Total	<b>3,424,335.80</b>	-	<b>3,424,335.80</b>	6,534,672.42	-	6,534,672.42

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 17. Intangible assets

#### 1. Particulars of intangible assets

Items	Patented			Total
	Land use right	technology	Software	
I. Original book value				
1. Opening balance	10,636,583.49	21,334,076.22	4,855,098.55	36,825,758.26
2. Increase during the period				
Acquisition	–	–	1,328,871.18	1,328,871.18
3. Decrease during the period				
Disposal	–	–	–	–
4. Closing balance	10,636,583.49	21,334,076.22	6,183,969.73	38,154,629.44
II. Accumulated depreciation				
1. Opening balance	2,457,962.32	18,721,602.46	3,941,104.12	25,120,668.90
2. Increase during the period				
Provision during the period	240,774.33	173,441.56	584,046.29	998,262.18
3. Decrease during the period				
Disposal	–	–	–	–
4. Closing balance	2,698,736.65	18,895,044.02	4,525,150.41	26,118,931.08
III. Impairment provision				
1. Opening balance	–	–	862,531.75	862,531.75
2. Increase during the period				
Provision during the period	–	–	–	–
3. Decrease during the period				
Disposal of subsidiary	–	–	–	–
4. Closing balance	–	–	862,531.75	862,531.75
IV. Book value				
1. Closing book value	7,937,846.84	2,439,032.20	796,287.57	11,173,166.61
2. Opening book value	8,178,621.17	2,612,473.76	51,462.68	10,842,557.61

2. There was no land use right without certificates of ownership at the end of the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 18. Goodwill

Name of investee or item resulting in goodwill	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Resulted from business combination	Other	Disposal	Other	
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	-	526,438.04	-	-	-	526,438.04
Total	-	526,438.04	-	-	-	526,438.04

Description of goodwill: The additional goodwill during the period was resulted from the difference between the consideration for acquisition of 52% equity interests in Nanjing Dongbang Equipment Co., Ltd. and fair value of identifiable net assets of Nanjing Dongbang Equipment Co., Ltd. on the acquisition date.

### Note 19. Long-term deferred expenses

Items	Opening balance	Increase during the period	Amortized during the period	Other decrease	Closing balance
e-Card fee	4,167,850.62	-	1,985,067.50	-	2,182,783.12
Insurance	27,312.84	-	27,312.84	-	-
Total	4,195,163.46	-	2,012,380.34	-	2,182,783.12

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 20. Deferred income tax assets and deferred income tax liabilities

#### 1. Deferred income tax assets before offsetting

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for bad debts	177,051,642.79	26,157,364.13	166,427,365.40	24,716,431.13
Provision for decline in value of inventories	596,617.89	89,492.68	1,286,121.91	97,858.23
Impairment provision for contract assets	62,694,544.22	9,404,181.64	49,031,565.83	7,354,734.88
Accrued construction costs	86,920,764.72	13,038,114.71	102,687,444.01	15,403,116.61
Offsetting unrealized internal profit	4,871,974.64	730,796.20	7,160,301.84	1,074,045.28
Total	<u>332,135,544.26</u>	<u>49,419,949.36</u>	<u>326,592,798.99</u>	<u>48,646,186.13</u>

#### 2. Deferred income tax liabilities before offsetting

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset gains from business combinations involving entities not under common control	1,080,775.53	162,116.32	1,571,231.25	235,684.69
Investment property (difference between fair value and the book cost)	70,493,054.26	10,573,958.14	67,393,754.26	10,109,063.14
Other equity instrument investments/Other non-current financial assets (difference between fair value and the book cost)	10,371,368.12	1,719,143.48	8,532,848.90	1,453,731.02
Total	<u>81,945,197.91</u>	<u>12,455,217.94</u>	<u>77,497,834.41</u>	<u>11,798,478.85</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 21. Other non-current assets

Items	Closing balance			Opening balance		
	Carrying amount	Provision for declines in value	Book value	Carrying amount	Provision for declines in value	Book value
Software development cost	-	-	-	323,353.93	-	323,353.93
Equity investment	62,900,000.00	-	62,900,000.00	62,900,000.00	-	62,900,000.00
Contract assets	10,245,879.55	-	10,245,879.55	11,602,539.68	-	11,602,539.68
Total	<b>73,145,879.55</b>	-	<b>73,145,879.55</b>	74,825,893.61	-	74,825,893.61

### Note 22. Short-term borrowings

#### 1. Classification of short-term borrowings

Items	Closing balance	Opening balance
Guaranteed loan	486,770,000.00	636,300,000.00
Credit loan	192,533,956.63	3,000,000.00
Interest payable not yet due	767,132.07	1,584,809.47
Total	<b>680,071,088.70</b>	640,884,809.47

#### 2. There were no due short-term borrowings outstanding at the end of the period.

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 23. Notes payable

Types	Closing balance	Opening balance
Bank acceptance bills	5,994,300.00	28,756,738.41
Commercial acceptance bills	598,870.50	—
Total	<b>6,593,170.50</b>	<b>28,756,738.41</b>

### Note 24. Accounts payable

#### 1. Accounts payable

Item	Closing balance	Opening balance
Engineering material and expenses payable	898,959,973.99	1,068,563,578.78
Total	<b>898,959,973.99</b>	<b>1,068,563,578.78</b>

#### 2. There were no major accounts payable aged over one year at the end of the period.

### Note 25. Contract liabilities

#### 1. Particulars of contract liabilities

Item	Closing balance	Opening balance
Contract liabilities	131,652,689.48	92,499,959.57
Total	<b>131,652,689.48</b>	<b>92,499,959.57</b>

#### 2. There was no significant change to the book value of contract liabilities during the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 26. Payroll payables

#### 1. Particulars of payroll payables

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term salaries payable	10,223,280.48	53,675,688.53	59,113,666.65	<b>4,785,302.36</b>
Post-employment benefits – defined contribution plan	212.61	5,717,027.26	5,717,027.26	<b>212.61</b>
Termination benefits	19,485.00	4,655,006.36	4,655,006.36	<b>19,485.00</b>
Total	<u>10,242,978.09</u>	<u>64,047,722.15</u>	<u>69,485,700.27</u>	<u><b>4,804,999.97</b></u>

#### 2. Particulars of short-term salaries payable

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	9,927,822.12	45,786,039.62	51,222,167.74	<b>4,491,694.00</b>
Employee welfare	–	1,510,757.26	1,510,757.26	–
Social insurance	50.02	3,100,627.98	3,100,607.98	<b>70.02</b>
Including: Basic medical insurance	50.02	2,857,577.21	2,857,557.21	<b>70.02</b>
Work injury insurance	–	35,163.58	35,163.58	–
Maternity insurance	–	207,887.19	207,887.19	–
Housing funds	117,577.06	3,235,125.00	3,235,725.00	<b>116,977.06</b>
Union funds and staff education costs	177,831.28	43,138.67	44,408.67	<b>176,561.28</b>
Total	<u>10,223,280.48</u>	<u>53,675,688.53</u>	<u>59,113,666.65</u>	<u><b>4,785,302.36</b></u>

#### 3. Particulars of defined contribution plan

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic pension contribution	200.10	5,544,196.98	5,544,196.98	<b>200.10</b>
Unemployment insurance	12.51	172,830.28	172,830.28	<b>12.51</b>
Total	<u>212.61</u>	<u>5,717,027.26</u>	<u>5,717,027.26</u>	<u><b>212.61</b></u>

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 27. Taxes payable

Tax items	Closing balance	Opening balance
VAT	5,820,075.62	7,030,101.77
Enterprise income tax	19,372,680.04	26,502,438.63
Individual income tax	97,868.00	144,890.21
City maintenance and construction tax	392,548.12	1,052,530.71
Property tax	764,008.24	1,115,983.64
Education surcharge	280,391.51	730,810.43
Land use tax	98,413.75	98,413.75
Others	132,486.48	145,277.14
Total	<b>26,958,471.76</b>	<b>36,820,446.28</b>

### Note 28. Other payables

Item	Closing balance	Opening balance
Other payables	36,026,989.45	63,775,516.04
Total	<b>36,026,989.45</b>	<b>63,775,516.04</b>

#### (I) Other payables

- Other payables disclosed by nature

Nature	Closing balance	Opening balance
Retention monies	21,555,986.36	15,836,753.35
Equity transfer	–	36,449,662.67
Collection and payment	11,384,598.84	1,425,610.11
Other	3,086,404.25	10,063,489.91
Total	<b>36,026,989.45</b>	<b>63,775,516.04</b>

- There were no major other payables aged over one year at the end of the period.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 29. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	<b>356,190,000.00</b>	182,670,000.00
Interest payable not yet due	<b>756,404.90</b>	826,961.64
Total	<b>356,946,404.90</b>	183,496,961.64

### Note 30. Other current liabilities

Items	Closing balance	Opening balance
Output value-added tax to be recognised	<b>11,455,842.37</b>	4,001,691.75
Endorsed commercial acceptance bills not yet recognised	–	71,693,487.00
Advance tax	<b>14,451,187.13</b>	11,596,386.38
Total	<b>25,907,029.50</b>	87,291,565.13

### Note 31. Long-term borrowing

Types of borrowing	Closing balance	Opening balance
Secured loan	<b>37,610,000.00</b>	153,762,000.00
Pledged loan	<b>656,529.75</b>	–
Guaranteed loan	<b>90,000,000.00</b>	318,488,000.00
Credit loan	<b>8,245,527.00</b>	–
Total	<b>136,512,056.75</b>	472,250,000.00

As at the end of the reporting period, the maturity of long-term borrowing is as follows:

Items	Closing balance
1 to 2 years	<b>114,982,056.75</b>
3 to 5 years	<b>21,530,000.00</b>
Total	<b>136,512,056.75</b>

Description: The lowest annual interest rate for the Company's long-term borrowing during the reporting period was 4.9%, while the highest annual interest rate was 7%.

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 32. Deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons
Government subsidies	34,318,829.09	140,000.00	7,318,474.37	<b>27,140,354.72</b>	Refer to Table 1 for details
Total	<u>34,318,829.09</u>	<u>140,000.00</u>	<u>7,318,474.37</u>	<u><b>27,140,354.72</b></u>	

#### 1. Deferred income in relation to government subsidies

Items	Opening balance	Subsidies increased during the period	Included in non-operating income during the period	Included in other income during the period	Closing balance	Asset-related/Income related
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	623,382.92	-	-	183,382.92	<b>440,000.00</b>	Asset
Financial assistance for national scientific and technological support projects	2,520,446.25	-	-	897,666.67	<b>1,622,779.58</b>	Asset
Provincial grants for international cooperation	274,999.92	-	-	-	<b>274,999.92</b>	Asset
Cooperation fee for co-operation with National Natural Science Foundation	900,000.00	140,000.00	-	-	<b>1,040,000.00</b>	Asset
Demonstration project of application of comprehensive supervision system based on Internet of things technology for urban intelligent traffic	30,000,000.00	-	-	6,237,424.78	<b>23,762,575.22</b>	Asset
Total	<u>34,318,829.09</u>	<u>140,000.00</u>	<u>-</u>	<u>7,318,474.37</u>	<u><b>27,140,354.72</b></u>	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 33. Share capital

Name of shareholders	Opening balance	Increase(+)/Decrease(-) during the period					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Other	Sub-total	
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	397,821,000.00	-	-	-	-	-	397,821,000.00
Active Gold Holding Limited	123,862,500.00	-	-	-	-	-	123,862,500.00
Sha Min	3,375,000.00	-	-	-	-	-	3,375,000.00
Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司)	34,375,000.00	-	-	-	-	-	34,375,000.00
Shandong Runbang Agricultural Development Co., Ltd. (山東潤邦農業開發有限公司)	3,125,000.00	-	-	-	-	-	3,125,000.00
Overseas public shareholders (H Shares)	229,500,000.00	-	-	-	-	-	229,500,000.00
<b>Total</b>	<b>792,058,500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>792,058,500.00</b>

### Note 34. Capital reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (Share premium)	96,793,749.50	6,476,071.62	-	103,269,821.12
<b>Total</b>	<b>96,793,749.50</b>	<b>6,476,071.62</b>	<b>-</b>	<b>103,269,821.12</b>

Description: The Company acquired minority interests in Nanjing Sample Logistics Company Limited and Nanjing Sample Chain Information Technology Co., Ltd. held by minority shareholders of its subsidiaries during the period. As the investment cost of the Company was less than the identifiable net assets of Nanjing Sample Logistics Company Limited and Nanjing Sample Chain Information Technology Co., Ltd. attributable to the Company calculated based on new shareholding ratio which amounted to RMB6,476,071.62, the capital reserve increased by RMB6,476,071.62.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## 6. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 35. Other comprehensive income

Items	Movement during the period							Closing balance			
	Opening balance	Movement before tax during the period	Less: Transfer to profit or loss during the period that previously included in other comprehensive income	Less: Transfer to retained earnings during the period that previously included in other comprehensive income	Less: Transfer to relevant assets or liabilities from hedging reserves	Less: Income tax expenses	Attributable to the parent company after tax		Attributable to minority shareholder after tax	Less: Carried forward: Changes arising from the re-measurement of defined benefit plans	Less: Transfer to retained earnings during the period that previously included in other comprehensive income
I. Other comprehensive income that will not be reclassified to profit or loss	-543,030.39	-2,330,006.05	-	1,677.32	-	-363,086.66	1,968,536.71	-	-	-	-2,511,687.10
1. Changes of re-measurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss	-543,030.39	540,030.39	-	-	-	-	543,030.39	-	-	-	-
3. Changes in fair value of other equity instruments investment	-	-2,873,036.44	-	1,677.32	-	-363,086.66	2,511,687.10	-	-	-	-2,511,687.10
4. Changes in fair value of the company's own credit risk	-	-	-	-	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified to profit or loss	30,044,177.88	1,250,397.52	-	-	-	-	1,250,397.52	-	-	-	31,294,575.40
1. Other comprehensive income under equity method that can be reclassified into profit and loss	-	-	-	-	-	-	-	-	-	-	-
2. Changes in fair value of other debt investments	-	-	-	-	-	-	-	-	-	-	-
3. Amount of other equity instruments investment included in other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
4. Provision for credit impairment of other debt investments	-	-	-	-	-	-	-	-	-	-	-
5. Reserves for cash flows hedges	-	-	-	-	-	-	-	-	-	-	-
6. Converted difference in foreign currency statements	-5,238,273.24	1,250,397.52	-	-	-	-	1,250,397.52	-	-	-	-4,047,875.72
7. Disposal gains resulted from package disposal of subsidiaries before loss of control	-	-	-	-	-	-	-	-	-	-	-
8. Other assets charged to investment property measured at fair value model	-	-	-	-	-	-	-	-	-	-	-
9. Difference between the fair value of the investment property and the book value on the conversion date	35,342,451.12	-	-	-	-	-	-	-	-	-	35,342,451.12
Total other comprehensive income	29,501,087.49	-1,079,608.53	-	1,677.32	-	-363,086.66	718,199.19	-	-	-	28,782,889.30

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 36. Surplus reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	96,626,439.01	7,501,585.14	–	<b>104,128,024.15</b>
Total	<u>96,626,439.01</u>	<u>7,501,585.14</u>	<u>–</u>	<u><b>104,128,024.15</b></u>

### Note 37. Undistributed profits

Items	Current period	Previous period
Undistributed profit before adjustment at the end of the previous period	<b>990,758,260.44</b>	1,076,559,118.85
Adjustment of total undistributed profit at the beginning of the year (with “+” for increase and with “-” for decrease)	–	-32,766,303.85
Undistributed profit after adjustment at the beginning of the year	<b>990,758,260.44</b>	1,043,792,815.00
Add: Current net profit attributable to owners' equity of the parent company	<b>107,023,458.97</b>	195,992,114.49
Less: Provision of statutory surplus reserves	<b>7,501,585.14</b>	11,409,119.05
Provision of other surplus reserves	–	–
Provision for general credit risk	–	–
Ordinary shares dividends payable	<b>79,205,850.00</b>	79,205,850.00
Ordinary shares dividends transferred to the share capital of ordinary shares	–	158,411,700.00
Other	<b>-1,677.32</b>	
Undistributed profit at the end of the period	<u><b>1,011,075,961.59</b></u>	<u>990,758,260.44</u>

Notes:

- The distribution of dividend on ordinary shares to shareholders of the Company during the period was made according to the profit distribution plan for 2018 approved at the annual general meeting of the Company held on 27 May 2019, namely a cash dividend of RMB0.1 per share to each shareholder, totaling RMB79,205,850 for 2018, as calculated based on the Company's total issued shares of 792,058,500 shares at the record date. The actual distributed cash amounted to RMB79,205,850.
- Other increase was attributable to the disposal of other equity instruments investment during the period, with the recognized cumulative other comprehensive income recorded to undistributed profit.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 38. Operating income and operating cost

#### 1. Operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	1,455,495,474.22	1,077,966,980.58	1,816,062,084.24	1,316,616,718.94
Other operation	31,633,640.58	9,854,131.63	18,425,517.71	1,822,655.81
Total	<u>1,487,129,114.80</u>	<u>1,087,821,112.21</u>	<u>1,834,487,601.95</u>	<u>1,318,439,374.75</u>

#### 2. Income derived from contracts

Name of products	Current year		Previous year	
	Operating income	Operating cost	Operating income	Operating cost
System integration	835,303,273.00	600,804,948.19	952,694,796.64	692,242,932.99
Intelligent terminal sales	436,610,687.23	369,482,783.10	672,386,173.60	568,724,504.26
Service business	183,581,513.99	107,679,249.29	190,981,114.00	55,649,281.69
Total	<u>1,455,495,474.22</u>	<u>1,077,966,980.58</u>	<u>1,816,062,084.24</u>	<u>1,316,616,718.94</u>

#### 3. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 38. Operating income and operating cost (Continued)

#### 4. Particulars of operating income from the top five customers of the Company of the period

Items	Current period	
	Total operating income	Percentage of the total operating income of the Company (%)
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	118,289,655.20	7.95
Nanjing Saiqing Technology Co., Ltd. (南京賽擎科技有限公司)	82,441,142.04	5.54
Zhejiang Hangning Expressway Co., Ltd. (浙江杭寧高速公路有限責任公司)	68,716,417.08	4.62
China Coal Construction Engineering Group Co., Ltd (中煤建工集團有限公司)	62,280,769.08	4.19
China Energy Engineering Group Co., Ltd. (中國能源工程集團有限公司)	61,048,739.44	4.11
Total	<b>392,776,722.84</b>	<b>26.41</b>

5. Operating income represents the Company's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales, and service businesses.

6. During the year, information regarding the Company's reportable operating segments as provided to the Company's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales, service businesses.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 39. Taxes and surcharges

Items	Current period	Previous period
City maintenance and construction tax	<b>1,157,118.95</b>	1,846,932.10
Education surcharge	<b>905,563.02</b>	1,366,901.02
Other tax	<b>3,840,464.62</b>	4,420,665.31
Total	<b>5,903,146.59</b>	7,634,498.43

### Note 40. Selling and distribution expenses

Items	Current period	Previous period
Salary and surcharge	<b>12,620,062.21</b>	16,354,698.35
Entertainment expenses	<b>8,013,124.57</b>	8,265,080.37
Composite fees for construction	<b>6,538,255.96</b>	4,438,101.40
Travelling expenses	<b>4,278,546.38</b>	4,704,303.82
Bidding fees	<b>1,990,042.97</b>	1,477,199.29
Consultation and agency fees	<b>1,112,368.50</b>	878,189.46
Motor vehicle expenses	<b>834,750.02</b>	577,945.42
Depreciation charges	<b>682,891.29</b>	528,982.58
Rental and property charges	<b>538,373.30</b>	552,537.82
Office expenses	<b>497,446.27</b>	957,064.47
Advertisement and promotion expenses	<b>402,421.10</b>	1,460,263.09
Telephone charges	<b>360,873.84</b>	212,602.28
Water and electricity charges	<b>328,079.82</b>	169,624.20
Postage	<b>200,290.54</b>	170,542.42
Others	<b>843,284.18</b>	1,139,550.70
Total	<b>39,240,810.95</b>	41,886,685.67

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 41. General and administrative expenses

Items	Current period	Previous period
Salary and surcharge	<b>23,765,074.56</b>	24,473,429.90
Depreciation charges	<b>11,134,930.87</b>	12,153,310.47
Agency and consultation fees	<b>4,809,109.69</b>	7,147,614.01
Rental and property charges	<b>3,327,545.24</b>	553,798.31
Entertainment expenses	<b>2,624,405.04</b>	2,948,797.55
Technical service fees	<b>981,983.92</b>	1,300,198.81
Amortization of intangible assets	<b>554,157.27</b>	2,518,868.47
Motor vehicle expenses	<b>516,819.69</b>	857,724.74
Travelling expenses	<b>368,822.04</b>	769,769.98
Board's fee	<b>293,332.70</b>	368,750.00
Water and electricity charges	<b>263,319.10</b>	396,817.00
Renovation costs	<b>253,903.27</b>	5,216,968.62
Promotion expenses	<b>170,631.30</b>	626,941.72
Others	<b>2,709,466.52</b>	4,337,463.16
Total	<b>51,773,501.21</b>	63,670,452.74

### Note 42. Research & development expenses

Items	Current period	Previous period
Salary and surcharge	<b>18,727,020.71</b>	18,621,493.35
Research and development materials fees	<b>42,795,779.33</b>	55,867,840.24
Technical service fees	<b>2,476,366.14</b>	4,613,115.58
Entertainment expenses	<b>588,448.38</b>	728,196.29
Depreciation charges	<b>432,133.89</b>	531,740.37
Amortization of intangible assets	<b>418,393.32</b>	229,868.13
Travelling expenses	<b>337,077.24</b>	523,506.38
Agency and consultation fees	<b>180,387.17</b>	192,355.96
Water and electricity charges	<b>178,621.48</b>	88,080.95
Promotion expenses	<b>148,331.21</b>	5,778.00
Rental and property charges	<b>67,814.50</b>	790,001.16
Motor vehicle expenses	<b>20,231.62</b>	82,513.49
Others	<b>456,652.86</b>	1,244,888.54
Total	<b>66,827,257.85</b>	83,519,378.44

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### Note 43. Financial expenses

Items	Current period	Previous period
Interest expenses	<b>68,798,047.07</b>	56,776,087.83
Discounted expenditure	–	1,991,533.33
Less: interest income	<b>3,361,466.47</b>	8,097,068.42
Exchange gain and loss	<b>733,795.41</b>	1,142,886.01
Handling fee	<b>1,668,452.27</b>	6,178,057.46
	<hr/>	<hr/>
Total	<b>67,838,828.28</b>	57,991,496.21
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### Note 44. Other income

#### 1. Details of other income

Sources generating other income	Current period	Previous period
VAT Software Tax Refund	<b>2,060,569.83</b>	1,375,751.64
Other government subsidies income	<b>11,033,548.33</b>	7,091,588.66
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Total	<b>13,094,118.16</b>	8,467,340.30
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# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 44. Other income (Continued)

#### 2. Government subsidies included in other income

Items	Current period	Asset-related/ Previous period Income related	
		Previous period	Income related
Special Fund for the Development of Software and Information Services in Nanjing in 2018	510,000.00	-	Income
Qixia District 2018 High and New Technology Enterprise Cultivation Special Innovation Coupon Cashing Fund	65,000.00	-	Income
Science and Technology Development Fund	570,172.41	-	Income
Incentive for joining Maqun Subdistrict	613,086.13	-	Income
Second batch of high-level enterprises in 2018 to cultivate storage subsidies	115,000.00	-	Income
Incentive subsidy of Maqun Subdistrict Office	15,000.00	-	Income
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	183,382.92	183,382.90	Asset
Financial assistance for national scientific and technological support projects	897,666.67	-	Asset
Demonstration project of application of urban intelligent transportation comprehensive supervision system based on Internet of Things technology (Internet + major project 2017 Central)	6,237,424.78	-	Asset
Maqun Office of the People's Government of Qixia District Nanjing City	1,069,300.00	-	Income
Subsidy from Commerce Bureau of Qixia District Nanjing City	424,000.00	-	Income
Financial Settlement Center of Qixia District Nanjing City	125,288.00	-	Income
Government subsidy from Transportation Bureau of Jiangsu Province	100,000.00	-	Income
Job stabilization subsidy	104,027.42	52,995.64	Income
Occupational training subsidy	4,200.00	-	Income
"Notice issued in relation to 2018 Science and Technology Development Plan and Science and Technology Funding Indicators of Nanjing city" (Second Batch)	-	1,000,000.00	Income
"Notice issued on the Special Fund for the Innovation and Use of Intellectual Property of Jiangsu Province of 2018"	-	200,000.00	Income
High-value Patent Cultivation Project of Jiangsu Province jointly undertaken the cooperation agreement of "IoT Core Component High-value Patent Cultivation Demonstration Center"	-	266,600.00	Income

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 44. Other income (Continued)

#### 2. Government subsidies included in other income (Continued)

Items	Current period	Asset-related/ Previous period Income related	
		Previous period	Income related
"Notice on the General Subsidy and Evaluation Award Scheme Project and Fund Plan for the Special Fund for the Development of Software and Information Services in Nanjing in 2018"	-	50,000.00	Income
"Notice on the Special Funds for 2018 Science Project in Qixia District"	-	10,000.00	Income
"Notice on Organizing the Application for the Grant of Special Funds for 2018 Patent in Qixia District"	-	1,000.00	Income
Notice of the State Council on Printing and Issuing Certain Policies to Further Encourage the Development of the Software Industry and the Integrated Circuit Industry" (Guo Fa [2011] No. 4)	-	1,189,247.94	Income
The Fifth Batch of Notice on the Transfer of the Province 2018 Science and Technology Development Plan and Science and Technology Funding Indicators" Ningke (2018) No. 88/Ningcaijiao (2018) No. 91	-	261,700.00	Income
"Notice issuing on the 2017 Provincial Science and Technology Awards Fund" Sucaijiao (2018) No. 67	-	100,000.00	Income
Financial assistance for national scientific and technological support projects	-	914,162.18	Income
City-level vehicle emissions regulation and enforcement platform	-	1,000,000.00	Income
Provincial grants for international cooperation	-	250,000.00	Income
2016 provincial special funds for provincial-level industrial and information industry restructuring	-	1,500,000.00	Income
Software enterprise subsidy	-	12,500.00	Income
Special support rewards for introduction of and being large and strong enterprises	-	100,000.00	Income
<b>Total</b>	<b>11,033,548.33</b>	<b>7,091,588.66</b>	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 45. Investment income

Items	Current period	Previous period
Investment income from long-term equity investment under equity method	<b>-7,616,321.07</b>	-4,420,731.52
Investment income from disposal of long-term equity investments	<b>1,376,840.61</b>	-2,496,443.77
Investment income from held-for-trading financial assets during the holding period	<b>68,200.00</b>	66,928.34
Investment income of debt investment during the holding period	-	4,798,390.22
Investment income from disposal of held-for-trading financial assets	<b>43,474.24</b>	-
Investment income of other equity instruments investment during the holding period	<b>744,794.34</b>	-
Investment income from disposal of other non-current financial assets	<b>-2,054.79</b>	-
Gains from fair value remeasurement of remaining equity interests after loss of control	-	1,380,468.88
Gains from fair value remeasurement of previous equity interests after earning control	-	1,632,694.76
Total	<b>-5,385,066.67</b>	961,306.91

### Note 46. Gain on fair value change

Sources generating gain on fair value change	Current period	Previous period
Change in fair value of other non-current financial assets	<b>4,833,604.53</b>	654,392.27
Investment property measured at fair value	<b>3,099,300.00</b>	8,113,000.00
Total	<b>7,932,904.53</b>	8,767,392.27

### Note 47. Credit impairment losses

Items	Current period	Previous period
Loss from bad debts	<b>-42,806,909.69</b>	-37,786,279.72
Contract assets impairment losses	<b>-13,662,978.39</b>	-8,576,283.71
Total	<b>-56,469,888.08</b>	-46,362,563.43

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 48. Asset impairment losses

Items	Current period	Previous period
Impairment loss of fixed assets	-18,709,318.09	-2,685,332.62
Impairment loss of intangible assets	-	-862,531.75
Loss from declines in values of inventories	-1,351,487.33	-257,980.29
Total	<b>-20,060,805.42</b>	-3,805,844.66

### Note 49. Income from assets disposal

Item	Current period	Previous period
Gains from disposal of fixed assets	1,331,128.22	62,859.80
Total	<b>1,331,128.22</b>	62,859.80

### Note 50. Non-operating income

Items	Current period	Previous period	Amount included in non-recurring profits and losses of the current period
Accounts payable as expected to be unpayable	-	276,595.58	-
Government subsidy	-	6,700.00	-
Insurance compensation	-	2,930,000.00	-
Other income	214,484.63	23,929.37	214,484.63
Total	<b>214,484.63</b>	3,237,224.95	214,484.63

#### Government subsidies included in profit or loss of the current period

Subsidized item	Current period	Previous period	Asset-related/ Income related
Subsidy of high pollution vehicle elimination of Nanjing city	-	6,700.00	Income related
Total	<b>-</b>	6,700.00	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 51. Non-operating expenses

Items	Current period	Previous period	Amount included in non-recurring profits and losses of the current period
Losses on written-off of non-current assets	<b>1,242.92</b>	3,002,405.19	1,242.92
Fines and penalty fees	<b>137,230.91</b>	3.96	137,230.91
Other expenses	<b>56,004.51</b>	32,563.71	56,004.51
Total	<b>194,478.34</b>	3,034,972.86	194,478.34

### Note 52. Auditor's remuneration

Auditor's remuneration for the current year was RMB1,000,000.00 (2018: RMB1,000,000,000).

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 53. Directors, supervisors and employees' emoluments

#### 1. Directors and supervisors' emoluments

Items	Current year	Previous year
Directors and supervisors' fees:		
Executive directors	<b>58,333.00</b>	93,750.00
Non-executive directors and independent non-executive directors	<b>154,999.70</b>	175,000.00
Supervisors	<b>80,000.00</b>	100,000.00
Sub-total	<b>293,332.70</b>	368,750.00
Executive and non-executive directors' other emoluments:		
Basic salaries and allowance	<b>1,704,661.26</b>	1,365,080.00
Contributions to retirement benefits/pensions schemes	<b>373,531.68</b>	448,514.64
Sub-total	<b>2,078,192.94</b>	1,813,594.64
Supervisors' other emoluments:		
Basic salaries and allowance	<b>290,439.00</b>	245,972.50
Contributions to retirement benefits/pensions schemes	<b>64,553.16</b>	83,642.94
Sub-total	<b>354,992.16</b>	329,615.44
Senior Management:		
Basic salaries and allowance	<b>644,740.00</b>	1,185,686.00
Contributions to retirement benefits/pensions schemes	<b>155,869.76</b>	401,201.68
Sub-total	<b>800,609.76</b>	1,586,887.68
Total	<b>3,527,127.56</b>	4,098,847.76

None of the directors or supervisors of the Company waived any emoluments during the year.

No emoluments were paid by the Company to the directors or supervisors of the Company as an inducement to join or as incentive upon joining the Company or as compensation for loss of office during the year.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 53. Directors, supervisors and employees' emoluments (Continued)

#### 2. Particulars of Directors and supervisors' emoluments are as follows:

Name	Current year			Total
	Directors and supervisors' fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
Executive Directors:				
Mr. Sha Min	25,000.00	392,802.40	93,382.92	511,185.32
Ms. Yu Hui	8,333.00	484,604.44	93,382.92	586,320.36
Mr. Zhu Xiang	25,000.00	422,294.42	93,382.92	540,677.34
Sub-total	58,333.00	1,299,701.26	280,148.76	1,638,183.02
Non-executive directors:				
Mr. Ma Jun	20,000.00	-	-	20,000.00
Mr. Chang Yong	25,000.00	404,960.00	93,382.92	523,342.92
Sub-total	45,000.00	404,960.00	93,382.92	543,342.92
Independent non-executive directors:				
Mr. Shum Shing Kei	33,333.00	-	-	33,333.00
Mr. Hu Hanhui	30,000.00	-	-	30,000.00
Mr. Gao Lihui	30,000.00	-	-	30,000.00
Mr. Niu Zhongjie	16,666.70	-	-	16,666.70
Sub-total	109,999.70	-	-	109,999.70
Supervisors:				
Mr. Zou Tao	10,000.00	290,439.00	64,553.16	364,992.16
Independent supervisor:				
Mr. Qiu Xiang Yang	30,000.00	-	-	30,000.00
Mr. Dai Jian Jun	30,000.00	-	-	30,000.00
Sub-total	70,000.00	290,439.00	64,553.16	424,992.16
Senior management:				
Mr. Li Chengyang	-	321,092.00	77,935.78	399,027.78
Mr. Xie Jinliang	10,000.00	323,648.00	77,933.98	411,581.98
Sub-total	10,000.00	644,740.00	155,869.76	810,609.76
Total	293,332.70	2,639,840.26	593,954.60	3,527,127.56

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 53. Directors, supervisors and employees' emoluments (Continued)

#### 2. Particulars of Directors and supervisors' emoluments are as follows: (Continued)

Continued:

Name	Previous year			Total
	Directors and supervisors' fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
Executive Directors:				
Mr. Sha Min	31,250.00	452,072.00	149,504.88	632,826.88
Mr. Chang Yong	31,250.00	456,504.00	149,504.88	637,258.88
Mr. Zhu Xiang	31,250.00	456,504.00	149,504.88	637,258.88
Sub-total	93,750.00	1,365,080.00	448,514.64	1,907,344.64
Non-executive directors:				
Mr. Ma Jun	37,500.00	-	-	37,500.00
Sub-total	37,500.00	-	-	37,500.00
Independent non-executive directors:				
Mr. Shum Shing Kei	62,500.00	-	-	62,500.00
Mr. Hu Hanhui	37,500.00	-	-	37,500.00
Mr. Gao Lihui	37,500.00	-	-	37,500.00
Sub-total	137,500.00	-	-	137,500.00
Supervisors:				
Mr. Dai Jian Jun	37,500.00	-	-	37,500.00
Mr. Zou Tao	12,500.00	245,972.50	83,642.94	342,115.44
Independent supervisor:				
Mr. Qiu Xiang Yang	37,500.00	-	-	37,500.00
Sub-total	87,500.00	245,972.50	83,642.94	417,115.44
Senior management:				
Ms. Miao Yun	-	376,720.00	147,298.76	524,018.76
Ms. Yu Hui	-	511,260.00	149,504.88	660,764.88
Mr. Xie Jinliang	12,500.00	297,706.00	104,398.04	414,604.04
Sub-total	12,500.00	1,185,686.00	401,201.68	1,599,387.68
Total	368,750.00	2,796,738.50	933,359.26	4,098,847.76

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 53. Directors, supervisors and employees' emoluments (Continued)

#### 2. Particulars of Directors and supervisors' emoluments are as follows: (Continued)

Note: According to the Resolution of Election and Confirmation of the new session of the Board of Directors and the Supervisory Committee and Authorization to determine the Directors and supervisors' emoluments that was considered and passed at the annual general meeting convened on 27 May 2019 and the resolution of the first meeting of the seventh session of the Board, the changes of Directors and senior management are as follows: From 27 May 2019, Mr. Chang Yong was appointed as a non-executive Director and was no longer a non-executive Director and vice president of the Company; Ms. Yu Hui was appointed as an executive Director and vice president of the Company; Mr. Niu Zhongjie was appointed as an independent non-executive Director of the Company; Mr. Ma Jun resigned as a non-executive Director of the Company on the expiry of his term; Mr. Shum Shing Kei resigned as an independent non-executive Director of the Company on the expiry of his term; and Mr. Li Chengyang was appointed as chief financial officer of the Company.

#### 3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, four (2018: three) were directors. The emoluments of them are disclosed in the notes above. The emoluments of the remaining one (2018: two) individual are as follows:

Items	2019	2018
Basic salaries and allowance	402,592.00	887,980.00
Contributions to retirement benefits/pensions schemes	90,978.84	296,803.64
Total	493,570.84	1,184,783.64

During the year, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or as incentive upon joining the Company or as compensation for loss of office.

#### 4. Number of individuals with highest emoluments are categorised based on emoluments group as follows:

Items	2019	2018
Nil to HK\$800,000 (equivalent to nil to RMB716,640)	1	2

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 54. Income tax expenses

#### 1. Table of income tax expenses

Items	Current period	Previous period
Income tax for the current period	<b>25,781,486.36</b>	43,154,259.99
Deferred income tax	<b>218,050.45</b>	-6,212,019.69
Total	<b>25,999,536.81</b>	36,942,240.30

#### 2. Reconciliation between total profit and income tax expenses

Items	Current period
Total profit	<b>108,186,854.74</b>
Income tax expenses calculated at statutory tax rates	<b>16,228,028.22</b>
Effect of different tax rates applicable to subsidiaries	<b>-2,676,028.98</b>
Income tax adjustments on prior periods	<b>1,207,413.75</b>
Expenses, costs and losses not deductible for tax purposes	<b>463,351.32</b>
Additional deduction for qualified research and development expenses	<b>-5,204,975.12</b>
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	<b>-285,987.74</b>
Impact of deductible temporary differences or deductible loss for which deferred income tax assets are not recognized in the current period	<b>16,267,735.37</b>
Income tax expenses	<b>25,999,536.81</b>

### Note 55. Dividend

Item	Current year	Previous year
No final dividend is proposed for the current period (2018: RMB0.1 per share)	<b>-</b>	79,205,850.00

The Board recommended not to distribute a final dividend for the year ended 31 December 2019 on 30 March 2020 (2018: RMB0.1 per share).

Items	Current year	Previous year
Final dividend in respect of the previous year approved during the year	<b>79,205,850.00</b>	79,205,850.00
Final dividend in respect of the previous year paid during the year	<b>79,205,850.00</b>	85,894,425.00

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 56. Notes to cash flow statement

#### 1. Cash received relating to other operating activities

Items	Current period	Previous period
Interest income on bank deposits received	3,361,466.47	8,086,569.05
Amounts of current accounts received	41,769,034.37	1,484,618.17
Non-operating income received	114,003.28	2,953,929.37
Retention monies received	170,940,084.64	160,502,741.96
Income-related government subsidies received	3,855,073.96	3,615,539.05
Total	<b>220,039,662.72</b>	176,643,397.60

#### 2. Cash paid relating to other operating activities

Items	Current period	Previous period
Administrative expenses paid	20,160,556.80	27,306,388.10
Selling expenses paid	18,509,162.31	26,012,050.63
Non-operating expenses paid	193,235.42	82,567.67
Amounts of current accounts paid	30,061,077.35	35,577,005.39
Handling charges paid to banks	2,401,192.73	1,119,932.83
Retention monies paid	4,002,150.89	7,796,204.16
Total	<b>75,327,375.50</b>	97,894,148.78

#### 3. Cash received relating to other investing activities

Items	Current period	Previous period
Net cash received for purchase of subsidiaries	–	725,781.50
Net cash received for disposal of subsidiaries	781,663.67	–
Total	<b>781,663.67</b>	725,781.50

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 56. Notes to cash flow statement (Continued)

#### 4. Cash paid relating to other investing activities

Item	Current period	Previous period
Net cash paid for disposal of subsidiaries and other operating entities	-	870,895.03
Total	<u>-</u>	<u>870,895.03</u>

#### 5. Cash received relating to other financing activities

Item	Current period	Previous period
Guarantee deposits for bank loans	<u>1,500,000.00</u>	-
Total	<u>1,500,000.00</u>	-

#### 6. Cash paid relating to other financing activities

Items	Current period	Previous period
Guarantee deposits for bank loans etc.	-	5,286,592.60
External loan	<b>411,478,400.00</b>	-
Fundraising advisory fee paid	-	4,030,000.00
Total	<u><b>411,478,400.00</b></u>	<u>9,316,592.60</u>

Note: External loan is the external loan that had existed when the Company acquired Nanjing Dongbang Equipment Co., Ltd., which was paid by the acquirer.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 57. Supplementary information of cash flow statement

#### 1. Supplementary information of cash flow statement

Items	Current period	Previous period
Net profit	<b>82,187,317.93</b>	192,696,218.69
Add: Provision for assets impairment	<b>20,060,805.42</b>	3,805,844.66
Credit impairment loss	<b>56,469,888.08</b>	46,362,563.43
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	<b>63,548,211.71</b>	37,727,393.91
Amortization of intangible assets	<b>998,262.18</b>	2,752,375.05
Amortization of long-term deferred expenses	<b>2,012,380.34</b>	3,956,999.91
Losses from disposal of fixed assets, intangible assets and other long-term assets (with "-" for gains)	<b>-1,331,128.22</b>	-62,859.80
Losses from write-off fixed assets (with "-" for gains)	<b>1,242.92</b>	3,002,405.19
Losses on change in fair value (with "-" for gains)	<b>-7,932,904.53</b>	-8,767,392.27
Financial expenses (with "-" for gains)	<b>67,432,228.72</b>	64,526,002.23
Investment losses (with "-" for gains)	<b>5,385,066.67</b>	-961,306.91
Decrease in deferred tax assets (with "-" for increase)	<b>-773,763.23</b>	-7,516,195.48
Increase in deferred tax liabilities (with "-" for decrease)	<b>1,008,878.98</b>	1,294,071.28
Decrease in inventories (with "-" for increase)	<b>-34,041,356.82</b>	-85,604,399.97
Decrease of operating receivables (with "-" for increase)	<b>244,268,802.79</b>	-999,505,086.20
Increase of operating payables (with "-" for decrease)	<b>-289,481,242.79</b>	261,955,533.58
Others		
Net cash flows from operating activities	<b>209,812,690.15</b>	-484,337,832.70
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents:		
Cash at the end of the period	<b>135,920,529.76</b>	496,544,201.65
Less: cash at the beginning of period	<b>496,544,201.65</b>	726,084,254.20
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the period	-	-
Net increase in cash and cash equivalents	<b>-360,623,671.89</b>	-229,540,052.55

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 57. Supplementary information of cash flow statement (Continued)

#### 2. Net cash paid for the acquisition of subsidiaries during the current period

Items	Current period
Cash or cash equivalents paid by the business combination during the current period	26,000,000.00
Less: Cash and cash equivalents held by the subsidiaries on acquisition date	13,547,067.08
Including: Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	13,547,067.08
Net cash paid for acquisition of subsidiaries	<u>12,452,932.92</u>

#### 3. Net cash received from the disposal of subsidiaries during the current period

Items	Current period
Cash or cash equivalents received from the disposal of subsidiaries during the current period	782,160.00
Including: Nanjing Senyuansheng Business Information Consulting Partnership (limited partnership) (南京森遠勝商務信息諮詢合夥企業(有限合夥))	782,160.00
Less: Cash and cash equivalents held by the subsidiary at the date of loss of control	496.33
Including: Nanjing Senyuansheng Business Information Consulting Partnership (limited partnership) (南京森遠勝商務信息諮詢合夥企業(有限合夥))	496.33
Net cash received from disposal of subsidiaries	<u>781,663.67</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 57. Supplementary information of cash flow statement (Continued)

#### 4. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
<b>I. Cash</b>	<b>135,920,529.76</b>	496,544,201.65
Including: Cash on hand	<b>296,584.00</b>	138,218.04
Bank deposit available for payment at any time	<b>135,580,205.01</b>	496,350,458.75
Other monetary funds available for payment at any time	<b>43,740.75</b>	55,524.86
<b>II. Cash equivalents</b>	<b>-</b>	-
Including: Bond investment due in three months	<b>-</b>	-
<b>III. Cash and cash equivalents at end of the period</b>	<b>135,920,529.76</b>	496,544,201.65
Including: Restricted cash and cash equivalents that can be used by the parent company or subsidiaries within the Group	<b>-</b>	-

### Note 58. Assets with restricted ownership or right of use

Items	Closing balance	Reasons for restriction
Cash	<b>27,523,624.03</b>	Retention monies
Investment property	<b>230,602,600.00</b>	Pledged for borrowing
Fixed assets	<b>107,626,471.10</b>	Pledged for borrowing
Intangible assets	<b>7,937,846.74</b>	Pledged for borrowing
Accounts receivable	<b>37,939,200.00</b>	Pledged for borrowing
Total	<b>411,629,741.87</b>	

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VI. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Note 59. Foreign currency monetary items

#### 1. Foreign currency monetary items

Items	Balance of foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand			
Including: Hong Kong dollars	4,663,934.46	0.8958	4,177,952.49
Other receivables			
Including: Hong Kong dollars	244,300.00	0.8958	218,843.94
Accounts payable			
Including: Hong Kong dollars	54,560.00	0.8958	48,874.85

#### 2. Foreign Operating Entities

The major overseas companies of the Company are Sample HK, Federal and Sun Supreme which operate in Hong Kong. The three companies operate and finance in Hong Kong dollars for pricing and settlement. Therefore, all three companies use Hong Kong dollars as the reporting currency. The reporting currency of the three companies has no change during the reporting period.

### Note 60. Government subsidies

Items presented as government subsidies	Current period	Amount included in profits and losses of the current period	Remark
Government subsidies included in deferred income	140,000.00	7,318,474.37	See Note VI/Note 32
Government subsidies included in other income	11,033,548.33	11,033,548.33	See Note VI/Note 44
Total	11,173,548.33	18,352,022.70	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VII. CHANGE OF THE SCOPE OF CONSOLIDATION

### (I) Business combinations involving entities not under common control

#### 1. Business combinations involving entities not under common control happened in the current period

Name of acquiree	Time of acquisition of the equity interests	Cost of acquisition of the equity interests	Percentage of acquisition of the equity interests (%)	Method of acquisition of the equity interests	Acquisition date	Determination basis at the acquisition date	Income of acquiree from the date of acquisition to the end of the period	Net profit of acquiree from the date of acquisition to the end of the period
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	2019.9.18	26,000,000.00	60.33	Acquired from third parties	2019.9.18	Actual control changed	-	-36,167.64

Note: Nanjing Dongbang Equipment Co., Ltd. held 63% of contribution in Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd. (徐州廣弘城東綜合管廊建設有限公司) on acquisition date.

#### 2. Combination cost and goodwill

	<b>Nanjing Dongbang Equipment Co., Ltd.</b>
<b>Combination cost</b>	
Cash	26,000,000.00
Total combination cost	<u>26,000,000.00</u>
Less: Fair value of the share of identifiable net assets acquired	25,473,561.96
Goodwill/combination cost less than the amount of fair value of the share of identifiable net assets acquired	<u>526,438.04</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VII. CHANGE OF THE SCOPE OF CONSOLIDATION (Continued)

### (I) Business combinations involving entities not under common control (Continued)

#### 3. Identifiable assets, liabilities of the acquiree at the date of acquisition

Items	Nanjing Dongbang Equipment Co., Ltd.	
	Fair value at the date of acquisition	Book value at the date of acquisition
<b>Assets:</b>		
Cash at bank and on hand	5,519.15	5,519.15
Other assets	460,460,500.00	460,460,500.00
Total assets	<u>460,466,019.15</u>	<u>460,466,019.15</u>
<b>Liabilities</b>		
Other payables	411,478,400.00	411,478,400.00
Total liabilities	<u>411,478,400.00</u>	<u>411,478,400.00</u>
<b>Net assets</b>	48,987,619.15	48,987,619.15
Less: Minority interests	23,514,057.19	23,514,057.19
Net assets acquired	<u>25,473,561.96</u>	<u>25,473,561.96</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VII. CHANGE OF THE SCOPE OF CONSOLIDATION *(Continued)*

### (I) Business combinations involving entities not under common control *(Continued)*

#### 4. Single disposal in subsidiaries

Name of subsidiary	Consideration of the equity disposal	Equity disposal percentage (%)	Method of equity disposal	Time of losing control	Determination basis at the time of losing control	Difference between the disposal consideration and the share of the net assets corresponding to the disposal of the investment at the level of the consolidated financial statement
Jiangsu Siruide IOT Technology Co., Ltd. (江蘇思瑞德物聯科技有限公司)	-	100.00	Deregistration	2019.12.23	Deregistration certificate	-
Nanjing Senyuansheng Business Information Consulting Partnership (limited partnership) (南京森遠勝商務信息諮詢合夥企業(有限合夥))	782,160.00	75.00	Sale	2019.7.30	Transfer of control	-

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES

### (I) Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Registered capital	Business Nature	Percentage of shareholding (%)		Way of procurement
					Direct	Indirect	
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	Nanjing, PRC	Nanjing, PRC	220,000,000.00	Intelligent transportation	100.00	-	business combination of enterprises not under common control
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	Nanjing, PRC	Nanjing, PRC	114,000,000.00	Computer software	100.00	-	Established by investment
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	Nanjing, PRC	Nanjing, PRC	100,000,000.00	IOT technology	100.00	-	Established by investment
Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司)	Nanjing, PRC	Nanjing, PRC	100,000,000.00	Information Technology	-	65.00	business combination of enterprises not under common control
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Hong Kong, PRC	Hong Kong, PRC	78000 (Hong Kong dollars)	Consultation and investment	100.00	-	Established by investment
Federal International Enterprise Limited (永鴻國際企業有限公司)	Hong Kong, PRC	Hong Kong, PRC	10000 (Hong Kong dollars)	Electronic products	-	100.00	business combination of enterprises not under common control
Jiangsu Ruitu Intelligent Tech. Co., Limited (江蘇瑞福智能科技有限公司)	Nanjing, PRC	Nanjing, PRC	31,344,734.83	Electronic products	-	100.00	business combination of enterprises not under common control
Sun Supreme Enterprises Limited (新興企業有限公司)	Hong Kong, PRC	BVI	1 (US\$)	Consultation and investment	-	100.00	Established by investment
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	Nanjing, PRC	Nanjing, PRC	100,000,000.00	Municipal investment	70.00	-	business combination of enterprises not under common control
Xuzhou Sample Intelligent Technology Development Co., Ltd. (徐州三寶智能科技發展有限公司)	Xuzhou, PRC	Xuzhou, PRC	10,000,000.00	Intelligent transportation	100.00	-	Established by investment

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### (I) Interests in subsidiaries (Continued)

#### 1. Structure of the Group (Continued)

Name of subsidiaries	Principal place of business	Place of registration	Registered capital	Business Nature	Percentage of shareholding (%)		Way of procurement
					Direct	Indirect	
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	Nanjing, PRC	Nanjing, PRC	8,000,000.00	Information technology	100.00	-	business combination of enterprises not under common control
Lianyungang International Trade Information Technology Co., Ltd. (連雲港海國貿信息技術有限公司)	Lianyungang, PRC	Lianyungang, PRC	5,010,000.00	Software and information technology	-	100.00	Established by investment
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	Nanjing, PRC	Nanjing, PRC	726,000,000.00	Manufacturing	60.33	-	business combination of enterprises not under common control
Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd. (徐州廣弘城東綜合管廊建設有限公司)	Xuzhou, PRC	Xuzhou, PRC	166,040,000.00	Construction	-	63.00	business combination of enterprises not under common control
Xuzhou City North Bus Station Project Management Co., Ltd. (徐州市城北汽車客運站項目管理有限公司)	Xuzhou, PRC	Xuzhou, PRC	277,437,400.00	Service Industry	61.99	-	business combination of enterprises not under common control

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### (I) Interests in subsidiaries (Continued)

#### 2. Significant non-wholly-owned subsidiaries

Name of subsidiaries	Percentage of minority shareholdings (%)	Total profit or loss attributable to minority interests in the current period	Dividends declared to minority shareholders in the current period	Balance of minority interests at the end of period	Remark
Nanjing City Intelligent Transportation Co., Ltd. (南京市智能交通股份有限公司)	35.00	- 23,021,170.50	-	31,521,516.99	

#### 3. Key financial information of significant non-wholly-owned subsidiaries

Items	Nanjing City Intelligent Transportation Co., Ltd. (南京市智能交通股份有限公司)	
	Closing balance	Opening balance
Current assets	<b>55,926,767.52</b>	90,309,740.87
Non-current assets	<b>49,832,650.75</b>	90,581,222.78
Total assets	<b>105,759,418.27</b>	180,890,963.65
Current liabilities	<b>14,648,325.06</b>	23,247,430.92
Non-current liabilities	<b>2,937,779.50</b>	3,695,446.17
Total liabilities	<b>17,586,104.56</b>	26,942,877.09
Operating income	<b>22,922,566.41</b>	125,635,874.27
Net profit	<b>-65,774,772.85</b>	7,362,869.08
Total comprehensive income	<b>-65,774,772.85</b>	7,362,869.08
Cash flows from operating activities	<b>-1,871,609.62</b>	-12,034,245.00

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### (II) Interests in joint arrangement or associates

#### 1. Major joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business Nature	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	Nanjing, PRC	Nanjing, PRC	Information technology	-	41.00	Equity method

#### 2. Key financial information of major associates

Items	Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	
	Closing balance	Opening balance
Current assets	<b>37,186,139.93</b>	50,344,149.19
Non-current assets	<b>12,271,752.18</b>	16,213,237.20
Total assets	<b>49,457,892.11</b>	66,557,386.39
Current liabilities	<b>23,358,619.57</b>	27,349,675.46
Non-current liabilities	-	-
Total liabilities	<b>23,358,619.57</b>	27,349,675.46
Shareholders' equity	<b>26,099,272.54</b>	39,207,710.93
Carrying amount of investments in associates	<b>13,883,799.45</b>	17,707,164.41
Net profit	<b>-3,823,364.96</b>	-9,325,280.38
Other comprehensive income	-	-
Total comprehensive income	<b>-3,823,364.96</b>	-9,325,280.38

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include cash at bank and on hand, equity investments, debt investment, loans, accounts receivable, accounts payable, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the Board. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

### (I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include cash at bank and on hand, other receivables and debt investment. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (I) Credit risk (Continued)

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the impairment loss of accounts receivable and other receivables based on aging. Accounts receivable and other receivables of the Company involves a large number of customers and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account the current and future forecast economic conditions, such as national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust expected loss rate. For contract assets and long-term receivables, the Company conducted reasonable evaluation to the adjusted expected credit loss after comprehensive consideration of the settlement period, the contractual payment period, the financial position of debtors and the economic situation of the debtors' industry, and takes into account the above forward-looking information.

As of 31 December 2019, the carrying amount and expected credit impairment loss of related assets are as follows:

Aging	Carrying amount	Impairment provision
Bills receivable	600,000.00	24,000.00
Accounts receivable	1,296,531,239.84	182,456,209.90
Other receivables	159,063,772.32	24,220,310.72
Interest receivable	5,021,481.18	502,148.12
Contract assets	1,211,884,152.11	62,694,544.22
Total	2,673,100,645.45	269,897,212.96

For details of the top five customers of the Company, please refer to Note VI/Note 6 Accounts receivable. The major customers of the Company have reliable and good reputation. Therefore, the Company is of the view that these customers do not have material credit risk. There is no material credit concentration risk as the Company has a broad customer base.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (II) Liquidity risk

Liquidity risk refers to the risk of short of funds when the Company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate financial department is responsible for their respective cash flow projections. Based on the results thereof, the Company continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitoring the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. In addition, the Company entered into a credit line banking facilities agreement with principal business banks to provide support for the Company's obligations related to commercial bills.

As of 31 December 2019, all the financial liabilities and off balance sheet guarantees of the Company are presented at undiscounted contractual cash flows by maturity date as follows:

Items	2019 Carrying amount	Total contractual discounted cash flow	Closing balance		
			Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year
Notes payable	6,593,170.50	6,593,170.50	2,269,286.85	4,323,883.65	-
Accounts payable	898,959,973.99	898,959,973.99	697,944,932.50	38,354,366.45	162,660,675.04
Other payables	36,026,989.45	36,026,989.45	15,672,298.31	1,655,344.08	18,699,347.06
Short-term borrowings	680,071,088.70	680,071,088.70	96,987,787.67	177,059,402.08	406,023,898.95
Non-current liabilities due within one year	356,946,404.90	356,946,404.90	32,609,540.83	8,142,060.53	316,194,803.54
<b>Total</b>	<b>1,978,597,627.54</b>	<b>1,978,597,627.54</b>	<b>845,483,846.16</b>	<b>229,535,056.79</b>	<b>903,578,724.59</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (III) Market risk

#### 1. Exchange rate risk

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HK dollar) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk.

As of 31 December 2019, the carrying amounts in RMB equivalent of the Company's financial assets and liabilities denominated in foreign currencies are summarized below:

Items	Closing balance	
	Items in HK dollar	Total
<b>Foreign currency financial assets:</b>		
Cash at bank and on hand	4,177,952.49	4,177,952.49
Other receivables	218,843.94	218,843.94
	<hr/>	<hr/>
Sub-total	4,396,796.43	4,396,796.43
	<hr/> <hr/>	<hr/> <hr/>
<b>Foreign currency financial liabilities:</b>		
Accounts payable	48,874.85	48,874.85
	<hr/>	<hr/>
Sub-total	48,874.85	48,874.85
	<hr/> <hr/>	<hr/> <hr/>

Sensitivity analysis:

On 31 December 2019, with all other variables remaining unchanged, the net profits of the Company will decrease or increase by RMB184,800 (31 December 2018: RMB370,500) if RMB appreciate or depreciate by 5% against HKD. The management is of the view that an appreciation or a depreciation of 5% reasonably reflected the reasonable range of change for RMB against HKD in the following year.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (III) Market risk *(Continued)*

#### 2. Interest rate risk

The interest rate risk of the Company mainly associates with bank borrowings, etc. Floating rate financial liabilities expose the Company to cash flow interest rate risk, while fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions.

The finance department of the Company constantly monitors the interest rate level of the Company. A rise in the interest level will increase the costs of additional interest-bearing debts and the interest expenses on the Company's outstanding floating rate debts, and may have a material adverse impact on the financial results of the Company. The management will make timely adjustment according to the latest market conditions, such as interest rate swap arrangements to mitigate interest rate risk.

Sensitivity analysis:

As at 31 December 2019, the Company's interest-bearing debts are all RMB fixed-rate loan contracts, with a total amount of RMB1,173,529,600 (31 December 2018: RMB1,296,631,800).

As at 31 December 2019, with all other variables remaining unchanged, if the RMB benchmark interest rate rose by 1% or decreased by 1%, the Company's net profit would reduce or increase by RMB9,975,000 (31 December 2018: RMB11,021,400). The management considers that the increase or decrease of the benchmark interest rate by 1% reasonably reflects the reasonable range in which the borrowing interest rate may change in the next year.

#### 3. Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## X. FAIR VALUE

### (I) Financial instruments measured at fair value

The Company presents the book value of the financial asset instruments measured at fair value on 31 December 2019 at three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: unadjusted quotations for identical assets or liabilities that can be obtained on the measurement date in an active market;

Level 2: input value that is directly or indirectly observable for underlying assets or liabilities other than the input value of the level 1;

Input values of Level 2 includes: 1) quotations for similar assets or liabilities in an active market; 2) quotations for identical or similar assets or liabilities in an inactive market; 3) observable inputs other than quotations, including observable interest rate and yield curves, implied volatility and credit spreads during normal quotations interval; 4) market-proven input values, etc.

Level 3: unobservable input value of underlying assets or liabilities.

### (II) Fair value measurement at the end of the period

Items	Closing fair value			Total
	Level 1	Level 2	Level 3	
<b>Continuous fair value measurement</b>				
Sub-total of financial assets measured at fair value and its change included into current profit or loss	-	-	126,579,255.07	126,579,255.07
Including: Other non-current financial assets	-	-	125,359,255.07	125,359,255.07
Receivable financing	-	-	1,220,000.00	1,220,000.00
Sub-total of financial assets measured at fair value and its change included into other comprehensive income	-	-	679,253,400.00	679,253,400.00
Including: Other equity instrument investment	-	-	679,253,400.00	679,253,400.00
Investment property	-	-	230,602,600.00	230,602,600.00
Including: Investment property measured at fair value	-	-	230,602,600.00	230,602,600.00
Total	-	-	1,036,435,255.07	1,036,435,255.07

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## X. FAIR VALUE (Continued)

### (III) Continuing and non-continuing level 3 fair value measurement items, the adopted valuation techniques and qualitative and quantitative information of important parameters

Items	Closing fair value	Valuation techniques	Unobservable inputs	Range
Other non-current financial assets	125,359,255.07	Market approach and cost approach	–	–
Other equity instrument investment	679,253,400.00	Market approach and cost approach	–	–
Receivable financing	1,220,000.00	Market approach and cost approach	–	–
Leased property	230,602,600.00	Discounted cash flow method	Long-term net operating profit margin Interest rate used to calculate the residual value of assets	7%

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) General information of the parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital (RMB'000)	Equity interests held in the Company (%)	Voting right in the Company (%)
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing, PRC	Investment and development of high-tech industry; investment advisory services, asset management etc.	163,300.00	50.22	50.22

### (II) For details of the subsidiaries of the Company, please refer to Note VIII (I) Interests in subsidiaries.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (III) Particulars of joint ventures and associates of the Company

For details of the significant joint ventures or associates of the Company, please refer to Note VIII (II) Interests in joint arrangement or associates.

Other joint ventures or associates in which the Company has a related party transaction or balances caused by a related party transaction in the previous period are as follows:

<b>Name of joint venture or associate</b>	<b>Relationship with the Company</b>
Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	Associate of the Company
Panche Data Technology (Nanjing) Co., Ltd. (盤車數據科技(南京)有限公司)	Associate of the Company
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	Associate of the Company

### (IV) Particulars of other related party

<b>Name of other related party</b>	<b>Relationship between other related parties and the Company</b>
Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	Enterprise controlled by the same parent company
Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)	Enterprise controlled by the same parent company
Xuzhou Xingshanzi Bus Terminal Shoumo Stores Project Management Co., Ltd. (徐州市杏山子公交首末店項目管理有限公司)	Enterprise controlled by the same parent company
Xuzhou Jiuli Bus Terminal Shoumo Station Project Management Co., Ltd. (徐州市九裡公交首末站項目管理有限公司)	Enterprise controlled by the same parent company
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Enterprise controlled by the same parent company
Du Yu	Spouse of Sha Min
Zhong Jian Zhi Kang Supply Chain Service Company Limited	Enterprise controlled by the same parent company
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馮道數據科技有限公司)	Enterprise controlled by the same parent company

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions

- For the subsidiaries which are controlled by the Company and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and them have been eliminated.

#### 2. Particulars of leasing with related party

Name of the lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the previous period
Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	Property leasing	310,629.60	258,858.00
Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)	Property leasing	88,476.00	2,085.71
Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	Property leasing	142,576.26	139,280.75
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Property leasing	713,141.86	292,000.00
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Property leasing	771,182.23	857,506.67
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Property leasing	388,264.63	415,467.33
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Equipment leasing	1,949,805.29	–
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	Property leasing	128,480.00	112,977.33
Total		<u>4,492,555.87</u>	<u>2,078,175.79</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees

(1) The Company acts as the guarantor

Name of guaranteed party	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Company Limited	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2019/1/16	2020/1/15	No
Nanjing Sample Technology Company Limited	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	10,000,000.00	2019/1/17	2020/1/15	No
Nanjing Sample Technology Company Limited, Sha Min, Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2019/2/2	2020/2/1	No
Nanjing Sample Technology Company Limited, Sha Min, Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	50,000,000.00	2019/12/19	2020/6/17	No
Nanjing Sample Technology Company Limited, Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2019/6/5	2020/6/5	No
Nanjing Sample Technology Company Limited	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2019/10/16	2020/10/15	No
Nanjing Sample Technology Company Limited, Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2019/10/18	2020/10/17	No
Nanjing Sample Technology Company Limited, Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	21,900,000.00	2019/1/10	2021/1/10	No
Nanjing Sample Technology Company Limited, Sha Min, Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2018/2/7	2019/2/6	Yes

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

(1) The Company acts as the guarantor (Continued)

Name of guaranteed party	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Company Limited, Sha Min, Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2018/6/1	2019/6/1	Yes
Nanjing Sample Technology Company Limited	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	22,000,000.00	2018/8/15	2019/8/14	Yes
Nanjing Sample Technology Company Limited, Sha Min, Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	50,000,000.00	2019/4/12	2019/12/19	Yes
	Total	<u>363,900,000.00</u>			

Particulars of guarantees provided for letter of guarantee and bills:

As of 31 December 2019, the Company provided guarantee to Jiangsu Intellitrans Company Limited, a subsidiary of the Company, for their issuance of letter of guarantee for a total of RMB100,844,155.39 to the bank.

As of 31 December 2019, the Company provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange of RMB5,994,300 issued by the Hunan Road Branch of CITIC Bank, of which RMB3,077,507.05 was paid and deposited by Jiangsu Intellitrans Company Limited as retention monies for bills of exchange.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

(2) The Company act as the guaranteed party

Guarantor	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	20,000,000.00	2019/9/29	2020/9/27	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	10,000,000.00	2019/1/15	2020/1/14	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	40,000,000.00	2019/2/2	2020/2/1	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	30,000,000.00	2019/5/22	2020/2/22	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	50,000,000.00	2019/6/6	2020/6/6	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min, Du Yu	Nanjing Sample Technology Company Limited	35,000,000.00	2019/6/18	2020/6/17	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	16,770,000.00	2019/8/9	2020/2/5	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min, Zhong Jian Zhi Kang Supply Chain Service Company Limited	Nanjing Sample Technology Company Limited	70,000,000.00	2019/12/19	2020/6/17	No

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (V) Related party transactions *(Continued)*

#### 3. Related party guarantees *(Continued)*

(2) The Company act as the guaranteed party *(Continued)*

Guarantor	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	96,110,623.29	2019/11/18	2020/11/18	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	5,300,000.00	2018/3/9	2019/3/8	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	100,000,000.00	2018/4/3	2019/4/2	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	30,000,000.00	2018/4/10	2019/4/9	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	18,000,000.00	2018/6/13	2019/6/13	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	32,000,000.00	2018/6/22	2019/6/22	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	100,000,000.00	2018/6/20	2019/6/20	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	12,000,000.00	2018/6/29	2019/4/29	Yes

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

##### (2) The Company act as the guaranteed party (Continued)

Guarantor	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	35,000,000.00	2018/8/8	2019/8/7	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	20,000,000.00	2018/10/12	2019/10/9	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	100,000,000.00	2018/10/22	2019/10/22	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	40,000,000.00	2018/10/30	2019/1/29	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	30,000,000.00	2018/12/3	2019/5/23	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	10,000,000.00	2019/1/4	2019/9/30	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	10,000,000.00	2019/1/7	2019/9/30	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	100,000,000.00	2019/5/23	2019/11/18	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min, Zhong Jian Zhi Kang Supply Chain Service Company Limited	Nanjing Sample Technology Company Limited	70,000,000.00	2019/9/29	2019/12/19	Yes

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

(2) The Company act as the guaranteed party (Continued)

Guarantor	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	30,000,000.00	2018/3/30	2019/3/30	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	11,000,000.00	2018/10/12	2019/9/20	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	9,000,000.00	2018/9/20	2019/9/20	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	120,000,000.00	2018/9/17	2019/9/17	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min, Du Yu	Nanjing Sample Technology Company Limited	30,000,000.00	2018/3/30	2020/3/30	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min, Du Yu	Nanjing Sample Technology Company Limited	90,000,000.00	2018/3/30	2021/3/30	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Sha Min	Nanjing Sample Technology Company Limited	120,000,000.00	2018/9/17	2020/9/17	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	13,500,000.00	2018/9/20	2020/3/20	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	67,500,000.00	2018/9/20	2020/9/18	No

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

##### (2) The Company act as the guaranteed party (Continued)

Guarantor	Guarantee for	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	16,500,000.00	2018/10/12	2020/3/20	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	22,000,000.00	2018/10/12	2020/9/18	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited	60,500,000.00	2018/10/12	2020/10/12	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Chain Information Co., Ltd. (南京三寶鏈式數據有限公司)	5,000,000.00	2019/1/31	2020/1/30	No
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Nanjing Sample Chain Information Co., Ltd. (南京三寶鏈式數據有限公司)	5,000,000.00	2018/3/29	2019/3/29	Yes
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司)	Jiangsu Intellitrans Company (江蘇智運科技發展有限公司)	96,423,333.34	2019/10/14	2020/10/14	No
Total		<u>1,776,603,956.63</u>			

As of 31 December 2019, Sample Group provided guarantee to the Company for its issuance of letter of guarantee for a total of RMB2,176,603 in the bank, of which RMB2,990,680 was paid and deposited by that Company as retention monies for bills of exchange.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 4. Receivables and payables of related party

##### (1) Receivables from related parties of the Company

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	10,986,705.91	549,335.30	-	-
	Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	12,266,619.44	613,330.98	16,750,518.43	837,525.92
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	134,904.00	6,745.20	-	-
	Panche Data Technology (Nanjing) Co., Ltd. (盤車數據科技(南京)有限公司)	8,500,000.00	425,000.00	-	-
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	374,399.48	18,719.97	-	-
Other receivables	Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司)	39,145.87	1,957.29	-	-
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	12,848,561.31	642,428.07	-	-
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	96,137.68	4,806.88	-	-
	Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	78,375.38	3,918.77	-	-
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	67,536.96	3,376.85	-	-

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 4. Receivables and payables of related party (Continued)

##### (2) Payables to related parties of the Company

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Other payables					
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	3,879.90	-	-	-
	Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)	2.00	-	-	-

#### 5. Equity transfer

Related parties	Subject of connected transaction	Current period	Previous period
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)	Equity	75,237,266.51	-
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd.(徐州市九里公交首末站項目管理有限公司)	Equity	59,296,925.37	-
Total		<b>134,534,191.88</b>	-

Note: In September 2019, the Company sold its 46.24% equity interests in Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd.\* (徐州市杏山子公交首末站項目管理有限公司) and 64.86% equity interests in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd.\* (徐州市九里公交首末站項目管理有限公司) to Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司).

# Notes to the Financial Statements

For the year ended 31 December 2019  
(All amounts in Renminbi yuan unless otherwise stated)

## XII. COMMITMENTS AND CONTINGENCIES

### (I) Significant commitments

#### 1. Pledged assets

As of 31 December 2019, pledged assets of the Company can be referred to Note VI/Note 58.

#### 2. Guarantee provided

As of 31 December 2019, the Company provided guarantee of a total of RMB83,984,714.39.

Save as the commitment disclosed above, as of 31 December 2019, the Company has no significant commitment which needs to be disclosed.

### (II) Significant contingent events as at the Balance Sheet Date

#### 1. Guarantee provided for the debts of related parties (subsidiary)

For the particulars of the guarantees provided to the related parties, Jiangsu Intellitrans Company Limited by the Company as of 31 December 2019, please refer to Note XI(V).3.

#### 2. As of 31 December 2019, the Company has endorsed undue bank accepted bills (was derecognized) with a total of RMB50,637,588.65.

Save as the above contingent events, as of 31 December 2019, the Company has no other significant contingent events which needs to be disclosed.

## XIII. EVENTS AFTER BALANCE SHEET DATE

As of the approval date of this financial report, there is no significant post balance sheet event which needs to be disclosed.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. OTHER IMPORTANT MATTERS

### (I) Segment information

#### 1. Determination criteria and accounting policies of the reporting segments

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

- (1) Its business activities are engaged to earn revenue and incur expenses;
- (2) Its operating results are regularly reviewed by the management to make decisions on resources allocation and performance assessment;
- (3) Its financial information, operating results, cash flow and related accounting information is available to the Company.

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

- (1) The segment income of the operating segment accounts for 10% or more of total income of all segments;
- (2) The absolute amount of profits (losses) of the segment account for 10% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

Where the proportion of the total external revenue of the operating segment determined to be reporting segments according to the accounting policies above does not amount to 75%, the number of reporting segments should be increased; operating segments that are not determined to be reporting segments can be included in the scope of reporting segments according to the following rules till the proportion reaches 75%:

- (1) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;
- (2) One or more operating segments with similar economic features that are qualified for combination of the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used jointly by segments and relevant expenses are distributed among segments according to the proportion of income.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. OTHER IMPORTANT MATTERS (Continued)

### (I) Segment information (Continued)

#### 2. Factors considered when determining reportable segments of the Company, types of products and services of reportable segments

Information regarding the Company's reportable operating segments as provided to the Company's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales and service businesses. In addition, the Company's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

#### 3. Financial information of reporting segments

Name of product	Current year		Previous year	
	Operating income	Operating cost	Operating income	Operating cost
System integration	835,303,273.00	600,804,948.19	952,694,796.64	692,242,932.99
Intelligent terminal sales	436,610,687.23	369,482,783.10	672,386,173.60	568,724,504.26
Service business	183,581,513.99	107,679,249.29	190,981,114.00	55,649,281.69
Total	<u>1,455,495,474.22</u>	<u>1,077,966,980.58</u>	<u>1,816,062,084.24</u>	<u>1,316,616,718.94</u>

### (II) Particulars of equity transfer

On 18 September 2019, shareholders of Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司) were Nanjing Sample Investment Group Co., Ltd.\* (南京三寶投資集團有限公司), Qiushan Machinery Manufacturing Jiangsu Co., Ltd.\* (秋山機械製造江蘇有限公司), and Shanghai Yanchuang Investment Management Co., Ltd.\* (上海燕創投資管理有限公司), representing 48%, 42%, and 10% of the registered capital, respectively. On 18 September 2019, Nanjing Sample Investment Group Co., Ltd. (currently renamed as Nanjing Sample Corporate Development Co., Ltd.\* (南京三寶企業發展有限公司), of which Nanjing Sample Technology Group Company Limited, parent of the Company, held 80.95% of its capital contribution) transferred 48% of its capital contribution in Nanjing Dongbang Equipment Co., Ltd. (with a registered capital of RMB600,000,000 on 18 September 2019) to Jiangsu Zhongyi Smart City Construction Co., Ltd.\* (江蘇中詣智慧城市建設有限公司). On 23 September 2019, Qiushan Machinery Manufacturing Jiangsu Co., Ltd.\* (秋山機械製造江蘇有限公司) and Shanghai Yanchuang Investment Management Co., Ltd.\* (上海燕創投資管理有限公司) transferred a total of 52% capital contribution they held in Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司) to Nanjing Sample Technology Company Limited. On 29 November 2019, Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司) additionally invested RMB126,000,000, which was fully contributed by Nanjing Sample Technology Company Limited.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. OTHER IMPORTANT MATTERS (Continued)

### (II) Particulars of equity transfer (Continued)

On 23 March 2020, Nanjing Sample Technology Company Limited transferred 60.33% of its capital contribution in Nanjing Dongbang Equipment Co., Ltd. (with a registered capital of RMB726,000,000) to China Overseas Development & Construction Group Co., Ltd\* (中海外開發建設集團有限公司).

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### Note 1. Accounts receivable

#### 1. Accounts receivable disclosed based on aging

Aging	Closing balance	Opening balance
Within 1 year	<b>380,028,421.72</b>	401,101,400.22
1 to 2 years	<b>269,786,844.84</b>	30,895,541.17
2 to 3 years	<b>28,298,274.62</b>	11,465,878.55
Over 3 years	<b>26,799,922.25</b>	29,183,066.30
Sub-total	<b>704,913,463.43</b>	472,645,886.24
Less: Provision for bad debts	<b>74,554,866.30</b>	51,016,200.50
Total	<b>630,358,597.13</b>	421,629,685.74

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 1. Accounts receivable (Continued)

#### 2. Disclosed based on classification of provision method for bad debts

Classification	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable subjected to provision for expected credit losses on individual basis	6,600,000.00	0.94	2,671,500.00	40.48	3,928,500.00
Accounts receivable subjected to provision for expected credit losses on portfolio basis	698,313,463.43	99.06	71,883,366.30	10.29	626,430,097.13
Including: Engineering and sales receivable from related party within the scope of consolidation	20,878.00	-	-	-	20,878.00
Engineering and sales receivable from related party outside the scope of consolidation	33,871,232.89	4.80	1,693,561.64	5.00	32,177,671.25
Engineering and sales receivable from non-related party	664,421,352.54	94.26	70,189,804.66	10.56	594,231,547.88
<b>Total</b>	<b>704,913,463.43</b>	<b>100.00</b>	<b>74,554,866.30</b>	<b>-</b>	<b>630,358,597.13</b>

Continued:

Classification	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable subjected to provision for expected credit losses on individual basis	-	-	-	-	-
Accounts receivable subjected to provision for expected credit losses on portfolio basis	472,645,886.24	100.00	51,016,200.50	10.79	421,629,685.74
Including: Engineering and sales receivable from related party within the scope of consolidation	7,363,626.40	1.56	7,363,626.40	-	7,363,626.40
Engineering and sales receivable from related party outside the scope of consolidation	17,221,638.43	3.64	861,081.92	5.00	16,360,556.51
Engineering and sales receivable from non-related party	448,060,621.41	94.80	50,155,118.58	11.19	397,905,502.83
<b>Total</b>	<b>472,645,886.24</b>	<b>100.00</b>	<b>51,016,200.50</b>	<b>-</b>	<b>421,629,685.74</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 1. Accounts receivable (Continued)

#### 3. Accounts receivable subjected to provision for expected credit losses on individual basis

Name of units	Carrying balance	Closing balance		Reasons for provision
		Provision for bad debts	Provision proportion (%)	
Changzhou Haide Real Estate Co., Ltd. (常州海德置業有限公司)	4,850,000.00	921,500.00	19.00	Remark 1
Jiaxing Dongxing Real Estate Co., Ltd. (嘉興東興置業有限公司)	1,750,000.00	1,750,000.00	100.00	Remark 2
Total	6,600,000.00	2,671,500.00	-	

Remark 1: Financial operations deteriorated and third-party debt restructuring proposal was initially acquired.

Remark 2: Financial operations deteriorated, and no property is enforceable.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 1. Accounts receivable (Continued)

#### 4. Accounts receivable subjected to provision for expected credit losses on portfolio basis

- (1) Engineering and sales receivable from related party inside the scope of consolidation

Item	Carrying balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	20,878.00	-	-
Total	20,878.00	-	-

- (2) Engineering and sales receivable from related party outside the scope of consolidation

Items	Carrying balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Related parties portfolio outside the scope of consolidation	33,871,232.89	1,693,561.64	5.00
Total	33,871,232.89	1,693,561.64	

- (3) Engineering from non-related party and sales receivable

Aging	Carrying balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	346,136,310.83	13,845,452.43	4.00
1 to 2 years	263,186,844.84	21,054,947.59	8.00
2 to 3 years	28,298,274.62	8,489,482.39	30.00
Over 3 years	26,799,922.25	26,799,922.25	100.00
Total	664,421,352.54	70,189,804.66	

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 1. Accounts receivable (Continued)

#### 5. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period		Other movement	Closing balance
			Recovered or reversed	Written off		
Accounts receivable subjected to provision for expected credit losses on individual basis	-	2,671,500.00	-	-	-	2,671,500.00
Accounts receivable subjected to provision for expected credit losses on portfolio basis	51,016,200.50	20,867,165.80	-	-	-	71,883,366.30
Including: Engineering and sales receivable from related party outside the scope of consolidation	861,081.92	832,479.72	-	-	-	1,693,561.64
Engineering and sales receivable from non-related party	50,155,118.58	20,034,686.08	-	-	-	70,189,804.66
<b>Total</b>	<b>51,016,200.50</b>	<b>23,538,665.80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,554,866.30</b>

#### 6. Particulars of the top five of accounts receivable at the end of the period

Name of units	Closing balance	Percentage to the closing balance of accounts receivable (%)	Provision for bad debts provided
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	174,526,996.14	24.76	13,962,159.69
Zhongji Guoneng Power Engineering Co., Ltd. (中機國能電力工程有限公司)	131,216,000.00	18.61	5,248,640.00
Zhongji Huaxingcheng Power Engineering Co., Ltd. (中機華信誠電力工程有限公司)	57,463,043.33	8.15	2,298,521.73
Shenyang Jiatian Technology Co., Ltd. (瀋陽迦天科技有限公司)	46,000,000.00	6.53	1,962,000.00
China Energy Engineering Group Co., Ltd. (中國能源工程集團有限公司)	36,062,312.08	5.12	1,442,492.48
<b>Total</b>	<b>445,268,351.55</b>	<b>63.17</b>	<b>24,913,813.90</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 2. Other receivables

Item	Closing balance	Opening balance
Other receivables	<b>88,325,785.54</b>	156,654,737.12
Total	<b>88,325,785.54</b>	156,654,737.12

#### 1. Other receivables

(1) Other receivables disclosed based on aging

Aging	Closing balance	Opening balance
Within 1 year	<b>24,541,524.59</b>	37,522,233.04
1 to 2 years	<b>1,064,738.35</b>	59,150,781.11
2 to 3 years	<b>217,200.00</b>	2,138,977.88
Over 3 years	<b>68,689,705.19</b>	70,871,296.41
Sub-total	<b>94,513,168.13</b>	169,683,288.44
Less: Provision for bad debts	<b>6,187,382.59</b>	13,028,551.32
Total	<b>88,325,785.54</b>	156,654,737.12

(2) Classification by nature

Nature	Closing balance	Opening balance
Related parties within the consolidation	<b>63,977,169.63</b>	65,328,751.78
Equity transfer	–	58,155,312.00
Retention monies	<b>13,574,245.68</b>	12,337,677.86
Refund for contract terminated	–	30,927,837.00
Disposal of fixed assets	<b>12,825,106.94</b>	–
Other	<b>4,136,645.88</b>	2,933,709.80
Total	<b>94,513,168.13</b>	169,683,288.44

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 2. Other receivables (Continued)

#### 1. Other receivables (Continued)

(3) Disclosed based on the three stages of financial asset impairment

Items	Closing balance			Opening balance		
	Carrying balance	Provision for bad debts	Book value	Carrying balance	Provision for bad debts	Book value
First stage	6,975,173.22	348,758.66	6,626,414.56	3,957,141.60	197,857.08	3,759,284.52
Second stage	87,537,994.91	5,838,623.93	81,699,370.98	165,726,146.84	12,830,694.24	152,895,452.60
Third stage	-	-	-	-	-	-
Total	<u>94,513,168.13</u>	<u>6,187,382.59</u>	<u>88,325,785.54</u>	<u>169,683,288.44</u>	<u>13,028,551.32</u>	<u>156,654,737.12</u>

(4) Particulars of provision for bad debts of other receivables

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Opening balance	197,857.08	12,830,694.24	-	13,028,551.32
Opening balance during the period that:				
- transferred to second stage	-	-	-	-
- transferred to third stage	-	-	-	-
- reversed to second stage	-	-	-	-
- reversed to first stage	-	-	-	-
Provision for the period	150,901.58	-	-	150,901.58
Reversal in the current period	-	6,992,070.31	-	6,992,070.31
Charge-off in the current period	-	-	-	-
Write-off in the current period	-	-	-	-
Other movement	-	-	-	-
Closing balance	<u>348,758.66</u>	<u>5,838,623.93</u>	<u>-</u>	<u>6,187,382.59</u>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 2. Other receivables (Continued)

#### 1. Other receivables (Continued)

(5) Particulars of the top five of other receivables at the end of the period

Name of units	Nature	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of provision for bad debts
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Related parties within the consolidation	63,942,751.78	Over 3 years	67.65	-
China Nuclear Northwest Construction Group Co., Ltd. (中核西北建設集團有限公司)	Retention monies	4,000,000.00	Within 1 year	4.23	200,000.00
Nanjing Airport Pilot Development Co., Ltd. (南京空港領航發展有限公司)	Retention monies	1,770,000.00	Within 1 year	1.87	88,500.00
Financial settlement center of Changchun Economic and Technological Development Zone (長春經濟技術開發區財務結算中心)	Retention monies	901,485.20	Over 3 years	0.95	92,574.26
Xuzhou Government Procurement Center (徐州市政府採購中心)	Retention monies	800,000.00	Over 3 years	0.85	800,000.00
Total		71,414,236.98		75.55	1,181,074.26

### Note 3. Long-term equity investments

Nature	Closing balance			Opening balance		
	Carrying balance	Provision for bad debts	Book value	Carrying balance	Provision for bad debts	Book value
Investment in subsidiaries	946,379,734.82	-	946,379,734.82	418,933,234.82	-	418,933,234.82
Investment in associates and joint ventures	150,589.04	-	150,589.04	21,116,348.75	-	21,116,348.75
Total	946,530,323.86	-	946,530,323.86	440,049,583.57	-	440,049,583.57

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 3. Long-term equity investments (Continued)

#### 1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment for the current period	Closing balance of provision for impairment
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	250,000,000.00	250,000,000.00	-	-	250,000,000.00	-	-
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	14,625,546.82	14,625,546.82	970,000.00	-	15,595,546.82	-	-
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	35,830,000.00	35,830,000.00	-	-	35,830,000.00	-	-
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	100,000,000.00	100,000,000.00	-	-	100,000,000.00	-	-
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	8,400,000.00	8,400,000.00	90,000,000.00	-	98,400,000.00	-	-
Xuzhou Sample Intelligent Technology Development Co., Ltd. (徐州三寶智能科技發展有限公司)	10,000,000.00	10,000,000.00	-	-	10,000,000.00	-	-
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	77,688.00	77,688.00	-	-	77,688.00	-	-
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	-	-	436,476,500.00	-	436,476,500.00	-	-
<b>Total</b>	<b>418,933,234.82</b>	<b>418,933,234.82</b>	<b>527,446,500.00</b>	<b>-</b>	<b>946,379,734.82</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 3. Long-term equity investments (Continued)

#### 2. Investment in associates and joint ventures

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the period	
				Investment gains and losses recognized using equity method	Other comprehensive income adjustment
Associates:					
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	1,921,121.77	-	-	-1,921,121.77	-
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)	-	76,864,370.03	76,864,370.03	-	-
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	-	100,000.00	-	50,589.04	-
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)	19,195,226.98	41,073,000.00	60,266,925.37	-1,301.61	-
<b>Total</b>	<b>21,116,348.75</b>	<b>118,037,370.03</b>	<b>137,131,295.40</b>	<b>-1,871,834.34</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 3. Long-term equity investments (Continued)

#### 2. Investment in associates and joint ventures (Continued)

Continued:

Investee	Increase/decrease during the period				Closing balance	Closing balance of impairment provision
	Other changes in equity	Cash dividend declared or profits	Impairment provision	Other		
Associates:						
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	-	-	-	-	-	-
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)	-	-	-	-	-	-
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	-	-	-	-	150,589.04	-
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,589.04</b>	<b>-</b>

### Note 4. Operating income and operating cost

#### 1. Operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	579,916,122.99	447,823,513.31	762,382,750.91	597,336,794.09
Other operation	32,306,716.37	9,854,131.63	20,219,802.26	1,822,655.81
<b>Total</b>	<b>612,222,839.36</b>	<b>457,677,644.94</b>	<b>782,602,553.17</b>	<b>599,159,449.90</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 4. Operating income and operating cost (Continued)

#### 2. Income derived from contracts

Items	Current year		Previous year	
	Income	Cost	Income	Cost
System integration	120,531,945.45	79,269,308.72	123,991,507.25	86,078,572.84
Intelligent terminal sales	350,287,149.25	326,251,196.83	556,813,280.57	506,746,216.09
Service business	109,097,028.29	42,303,007.76	81,577,963.09	4,512,005.16
Total	<b>579,916,122.99</b>	<b>447,823,513.31</b>	<b>762,382,750.91</b>	<b>597,336,794.09</b>

#### 3. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Note 4. Operating income and operating cost (Continued)

#### 4. Particulars of operating income from the top five customers of the Company of the period

Name of the customers	Current year	
	Total operating income	Percentage to the total operating income of the Company (%)
Zhongji Guoneng Power Engineering Co., Ltd. (中機國能電力工程有限公司)	118,289,655.20	19.32
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	79,329,077.40	12.96
China Energy Engineering Group Co., Ltd. (中國能源工程集團有限公司)	61,048,739.44	9.97
Zhongji Huaxingcheng Power Engineering Co., Ltd. (中機華信誠電力工程有限公司)	54,210,418.23	8.85
Shenyang Jiatian Technology Co., Ltd. (瀋陽迦天科技有限公司)	37,965,250.22	6.20
Total	<b>350,843,140.49</b>	<b>57.30</b>

### Note 5. Investment income

Items	Current period	Previous period
Investment income from long-term equity investment under cost method	50,000,000.00	100,000,000.00
Investment income from long-term equity investment under equity method	-1,871,834.34	-3,757,402.34
Investment income from disposal of long-term equity investment	2,656,726.70	-3,075,411.45
Investment income of held-for-trading financial assets during the holding period	68,200.00	68,200.00
Investment income from disposal of held-for-trading financial assets	43,474.24	-
Investment income from other equity instruments investment during the holding period	745,200.00	-
Total	<b>51,641,766.60</b>	<b>93,235,386.21</b>

# Notes to the Financial Statements

For the year ended 31 December 2019

(All amounts in Renminbi yuan unless otherwise stated)

## XVI. SUPPLEMENTAL INFORMATION

### (I) Summary of non-recurring profit or loss of the period

Items	Current period	Remark
Profits or losses on disposal of non-current assets	1,331,128.22	
Government subsidies recognised in profits or losses of the current period	11,033,548.33	
Investment income from other equity instruments investment during the holding period	744,794.34	
Disposal of held-for-trading financial assets	43,474.24	
Investment income from disposal of long-term equity investments	1,376,840.61	
Gain or loss from changes in fair value of investment property arising from subsequent measurement using the fair value model	3,099,300.00	
Investment income from held-for-trading financial assets during the holding period	68,200.00	
Investment income from disposal of other non-current financial assets	-2,054.79	
Gains and losses arising from changes in fair value of held-for-trading financial assets	4,833,604.53	
Other non-operating income and expenses other than the aforementioned items	20,006.29	
Impact on income tax	3,156,858.75	
Impact on minority interests (after-tax)	524,297.46	
Total	<u>26,229,997.98</u>	

### (II) Return on net assets and earnings per share

Profit during the reporting period	Weighted average return rate on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.32	0.14	0.14
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	4.01	0.10	0.10

# Five-Year Financial Summary

## RESULTS

	2019 RMB'000	Year ended 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total operating income	<b>1,487,129</b>	1,834,488	1,716,863	1,483,379	1,226,308
Total profit	<b>108,187</b>	229,638	262,341	212,052	188,392
Net profit	<b>82,187</b>	192,696	217,092	178,818	167,178
Net profit attributable to shareholders of the parent Company	<b>107,023</b>	195,992	222,099	175,826	164,469
Minority interests	<b>-24,836</b>	-3,296	-5,007	2,992	2,709
Basic earnings per share (Renminbi Yuan)	<b>0.14</b>	0.25	0.28	0.23	0.532

## ASSETS AND LIABILITIES

	2019 RMB'000	At 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Current assets	<b>2,975,609</b>	3,656,893	3,003,436	2,855,062	2,483,585
Non-current assets	<b>1,484,009</b>	1,154,799	682,545	581,146	702,203
Current liabilities	<b>2,167,921</b>	2,212,333	1,486,565	1,490,990	1,305,962
Net current assets	<b>807,688</b>	1,444,560	1,516,871	1,364,072	1,177,624
Total owners' equity attributable to the parent Company	<b>2,039,315</b>	2,005,738	1,950,293	1,753,956	1,669,546
Total owners' equity	<b>2,115,590</b>	2,080,992	2,084,346	1,816,752	1,723,376