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**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 RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

The total operating income of the Group for the year ended 31 December 2020 (the “Review Period”) amounted to approximately RMB945,958,244.32, representing a decrease of approximately 36.39% as compared to the corresponding period of last year.

The net loss attributable to shareholders of the parent company for the year ended 31 December 2020 was approximately RMB139,375,086.61, as compared to the net profit attributable to shareholders of the parent company of approximately RMB107,023,458.97 for the corresponding period of last year.

The basic loss per share for the year ended 31 December 2020 was approximately RMB0.18 (2019: basic earnings per share of approximately RMB0.14).

The Board did not propose the payment of a final dividend for the year ended 31 December 2020.

**ANNUAL RESULTS**

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

(Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi (“RMB”) yuan.)

**Consolidated balance sheet***At 31 December 2020*

<b>ASSETS</b>	<i>Note</i>	<b>2020</b>	2019
<b>Current assets:</b>			
Cash at bank and on hand		<b>396,527,387.13</b>	163,444,153.79
Settlement provisions		–	–
Placements with banks and other financial institutions		–	–
Held-for-trading financial assets		–	–
Financial assets measured at fair value with changes in fair value recognized in profit or loss		–	–
Derivative financial assets		–	–
Notes receivable	3	<b>8,637,671.16</b>	576,000.00
Accounts receivable	3	<b>1,102,051,999.27</b>	1,114,075,029.94
Receivables financing	3	<b>1,988,651.45</b>	1,220,000.00
Prepayments	3	<b>375,556,663.32</b>	206,861,485.08
Premiums receivable		–	–
Reinsurance receivable		–	–
Reinsurance contract reserve receivable		–	–
Other receivables	3	<b>95,973,149.21</b>	139,362,794.66
Financial assets held under resale agreements		–	–
Inventories		<b>173,477,816.65</b>	150,627,602.21
Contract assets		<b>524,489,072.34</b>	1,149,189,607.89
Held-for-sale assets		<b>428,077,500.00</b>	–
Non-current assets due within one year		–	–
Other current assets		<b>68,953,437.14</b>	50,252,379.01
<b>Total current assets</b>		<b><u>3,175,733,347.67</u></b>	<b><u>2,975,609,052.58</u></b>

ASSETS (CONTINUED)	<i>Note</i>	2020	2019
<b>Non-current assets:</b>			
Loans and advances to customers		—	—
Debenture investments		—	—
Available-for-sale financial assets		—	—
Other debenture investment		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments		<b>118,352.11</b>	14,034,388.49
Other equity instruments investment		<b>219,653,402.05</b>	679,253,400.00
Other non-current financial assets		<b>132,643,300.91</b>	125,359,255.07
Investment property		<b>235,215,900.00</b>	230,602,600.00
Fixed assets		<b>244,054,351.67</b>	294,887,205.17
Construction in progress		<b>185,099.99</b>	3,424,335.80
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets		<b>10,587,936.48</b>	11,173,166.61
Development expenditures		—	—
Goodwill		—	526,438.04
Long-term deferred expenses		<b>3,880,507.35</b>	2,182,783.12
Deferred income tax assets		<b>70,233,553.55</b>	49,419,949.36
Other non-current assets		<b>86,906,437.50</b>	73,145,879.55
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b><u>1,003,478,841.61</u></b>	<b><u>1,484,009,401.21</u></b>
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b><u>4,179,212,189.28</u></b>	<b><u>4,459,618,453.79</u></b>

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	<i>Note</i>	<b>2020</b>	2019
<b>Current liabilities:</b>			
Short-term borrowings		<b>756,035,488.89</b>	680,071,088.70
Borrowings from central bank		-	-
Placements from banks and other financial institutions		-	-
Held-for-trading financial liabilities		-	-
Financial liabilities measured at fair value with changes in fair value recognized in profit or loss		-	-
Derivative financial liabilities		-	-
Notes payable	4	-	6,593,170.50
Accounts payable	4	<b>660,645,469.09</b>	898,959,973.99
Advances from customers	4	<b>9,572.20</b>	-
Financial assets sold under repurchase agreements		-	-
Customer deposits and deposits from banks and other financial institutions		-	-
Securities trading of agency		-	-
Securities underwriting		-	-
Staff salaries payable		<b>15,805,390.78</b>	4,804,999.97
Taxes payable		<b>16,655,425.87</b>	26,958,471.76
Other payables	4	<b>81,343,497.87</b>	36,026,989.45
Bank charges and commissions due		-	-
Reinsurers due		-	-
Contract liabilities	4	<b>261,560,369.57</b>	131,652,689.48
Held-for-sale liabilities		-	-
Non-current liabilities due within 1 year		<b>156,000,000.00</b>	356,946,404.90
Other current liabilities		<b>32,368,230.22</b>	25,907,029.50
<b>Total current liabilities</b>		<b><u>1,980,423,444.49</u></b>	<b><u>2,167,920,818.25</u></b>

<b>LIABILITIES &amp; OWNERS' EQUITY (CONTINUED)</b>	<i>Note</i>	<b>2020</b>	2019
<b>Non-current liabilities:</b>			
Insurance contract reserves		—	—
Long-term borrowings		<b>186,250,000.00</b>	136,512,056.75
Bonds payables		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Lease liabilities		—	—
Long-term payables		—	—
Long-term staff salaries payable		—	—
Estimated liabilities		—	—
Deferred income		<b>21,513,196.53</b>	27,140,354.72
Deferred income tax liabilities		<b>13,916,896.54</b>	12,455,217.94
Other non-current liabilities		—	—
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b><u>221,680,093.07</u></b>	<b><u>176,107,629.41</u></b>
<b>Total liabilities</b>		<b><u>2,202,103,537.56</u></b>	<b><u>2,344,028,447.66</u></b>
<b>Owners' 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>103,269,821.12</b>	103,269,821.12
Less: treasury stocks		—	—
other comprehensive income		<b>23,419,490.31</b>	28,782,888.30
Special reserves		—	—
Surplus reserves		<b>104,128,024.15</b>	104,128,024.15
General risk provision		—	—
Undistributed profits		<b>871,694,716.41</b>	1,011,075,961.59
Total owners' equity attributable			
to the parent company	5	<b>1,894,570,551.99</b>	2,039,315,195.16
Minority interest		<b>82,538,099.73</b>	76,274,810.97
		<hr/>	<hr/>
<b>Total owners' equity</b>		<b><u>1,977,108,651.72</u></b>	<b><u>2,115,590,006.13</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b><u>4,179,212,189.28</u></b>	<b><u>4,459,618,453.79</u></b>

## Consolidated income statement

For the year ended 31 December 2020

ITEMS	Note	2020	2019
<b>1. Total operating income</b>	6	<b>945,958,244.32</b>	1,487,129,114.80
Including: Operating income		<b>945,958,244.32</b>	1,487,129,114.80
Interest income		–	–
Premiums earned		–	–
Fee and commission income		–	–
<b>2. Total operating cost</b>		<b>990,718,296.77</b>	1,319,404,657.09
Including: Operating costs	6	<b>769,579,900.68</b>	1,087,821,112.21
Interest expenses		–	–
Fee and commission expense		–	–
Surrenders		–	–
Net payment from indemnity		–	–
Net provisions for insurance contract		–	–
Insurance policy dividend payment		–	–
Reinsurance cost		–	–
Tax and surcharges		<b>6,151,373.92</b>	5,903,146.59
Selling expenses		<b>43,387,695.10</b>	39,240,810.95
Administrative expenses		<b>53,317,746.78</b>	51,773,501.21
R&D costs		<b>49,325,225.35</b>	66,827,257.85
Financial expenses	9	<b>68,956,354.94</b>	67,838,828.28
Including: Interest expense		<b>64,037,991.38</b>	68,798,047.07
Interest income		<b>1,623,915.92</b>	3,361,466.47
Add: Other gains		<b>16,636,795.77</b>	13,094,118.16
Investment income (losses are represented by “-”)		<b>10,032,865.37</b>	-5,385,066.67
Including: Investment income of associates and joint ventures		<b>-32,236.93</b>	-7,616,321.07
Gains arising from derecognition of financial assets at amortised cost		–	–
Exchange gain		–	–
Income on hedging the net exposure (losses are represented by “-”)		–	–
Gains arising from changes in fair value (losses are represented by “-”)		<b>11,897,345.84</b>	7,932,904.53
Credit impairment loss (losses are represented by “-”)		<b>-166,588,245.21</b>	-56,469,888.08
Asset impairment loss (losses are represented by “-”)		<b>1,349,404.06</b>	-20,060,805.42
Gains on disposal of assets (losses are represented by “-”)		<b>41,024.18</b>	1,331,128.22

ITEMS	<i>Note</i>	2020	2019
<b>3. Operating profit (losses are represented by “-”)</b>		<b>-171,390,862.44</b>	108,166,848.45
Add: Non-operating income		<b>462,992.57</b>	214,484.63
Less: Non-operating expenses		<b>6,851.82</b>	194,478.34
		<hr/>	<hr/>
<b>4. Total profit (total losses are represented by “-”)</b>		<b>-170,934,721.69</b>	108,186,854.74
Less: Income tax expense	<i>10</i>	<b>-18,773,255.16</b>	25,999,536.81
		<hr/>	<hr/>
<b>5. Net profit (net losses are represented by “-”)</b>		<b>-152,161,466.53</b>	82,187,317.93
(1) Classified the business continuity			
1. Net profit for going concern (net losses are represented by “-”)		<b>-152,161,466.53</b>	82,187,317.93
2. Net profit for discontinued operation (net losses are represented by “-”)		-	-
(2) Classified by the attribution of the ownership			
1. Net Profit attributable to the equity shareholders of the parent company		<b>-139,375,086.61</b>	107,023,458.97
2. Minority interests		<b>-12,786,379.92</b>	-24,836,141.04
		<hr/>	<hr/>
<b>6. Net other comprehensive income after tax</b>		<b>-5,274,666.96</b>	-716,521.87
(1) Net other comprehensive income after tax attributable to owners of the parent company		<b>-5,274,666.96</b>	-716,521.87
1. Other comprehensive income which will not be reclassified subsequently to profit and loss		<b>-3,701,086.19</b>	-1,966,919.39
(1) Changes as a result of re-measurement of defined benefit plan		-	-
(2) Other comprehensive income accounted for using equity method which will not be reclassified to profit and loss		-	-
(3) Changes in fair value of other equity instruments investment		<b>-3,701,086.19</b>	-1,966,919.39
(4) Changes in fair value of the enterprise’s own credit risk		-	-

ITEMS	Note	2020	2019
2. Other comprehensive income which will be reclassified to profit and loss		-1,573,580.77	1,250,397.52
(1) Other comprehensive income accounted for using equity method which will be reclassified to profit and loss		-	-
(2) Changes in fair value of other equity instruments investment		-	-
(3) Gain or loss from fair value changes of available-for-sale financial assets		-	-
(4) Amount of financial assets reclassified to other comprehensive income		-	-
(5) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		-	-
(6) Provision for credit impairment of other bonds investment		-	-
(7) Cash flow hedging reserve		-	-
(8) Translation difference of financial statements in foreign currencies		-1,573,580.77	1,250,397.52
(9) Others		-	-
<b>7. Total comprehensive income</b>		<b>-157,436,133.49</b>	<b>81,470,796.06</b>
Total comprehensive income attributable to the equity holders of the parent company		-144,649,753.57	106,306,937.10
Total comprehensive income attributable to minority shareholders		<u>-12,786,379.92</u>	<u>-24,836,141.04</u>
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)	11	-0.18	0.14
(2) Diluted earnings per share (RMB/share)		<u>-0.18</u>	<u>0.14</u>



## Notes to the financial statements

For the year ended 31 December 2020

### 1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Co., Limited\*) (the “Company”, together with its subsidiaries, the “Group”) 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 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 addresses of the registered office and principal place of business of the Company are located at No. 10 Maqun Avenue, Qixia District, Nanjing City.

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design, installation; electronic products, electronic computer development, manufacture, testing, sale of self-production products, system integration; electronic computer technology consulting and information services; technology testing of electronic products and technical services; computer software development; security engineering design, construction, maintenance; research and development of ITS-based basic information collection technology and equipment. The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and other application areas.

The reporting currency of the Company is Renminbi (“RMB”). The reporting currency for the overseas businesses is the currency of the place in which they operate. The currency used by the Group in the preparation of the financial statements is RMB.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance of the People’s Republic of China and the specific accounting standards, application guidelines of Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant provision (collectively “Accounting Standards for Business Enterprises”) and “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports” issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”) and the following major accounting policies and estimates.

#### Changes in significant accounting policies and accounting estimates

##### (I) Changes in significant accounting policies

###### 1. Implementation of “Interpretation of Accounting Standards for Business Enterprises No. 13”

The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 13 (Cai Kuai [2019] No. 21, hereinafter referred to as “Interpretation No. 13”) on 10 December 2019, which took effect on 1 January 2020 and does not require retroactive adjustment.

### ① *The identification of related parties*

Interpretation No. 13 makes it clear that the following circumstances constitute a related party: a joint venture or an associated company between the enterprise and other members of the enterprise group (including the parent company and subsidiaries); Joint ventures of an enterprise and other joint ventures or associated companies of an enterprise. In addition, Interpretation No. 13 also makes it clear that two or more enterprises that are materially affected by one party only do not constitute related parties, and it also adds that joint ventures include joint ventures and their subsidiaries, and associated companies include associated companies and their subsidiaries.

### ② *Definition of business*

Interpretation No. 13 improves the three elements of business composition, elaborates the judgment conditions of business composition, and introduces the choice of “concentration test” to simplify the judgment of whether a portfolio acquired under different control constitutes business to a certain extent.

The Company has implemented Interpretation No. 13 since 1 January 2020, and the comparative financial statements have not been adjusted. The implementation of Interpretation No. 13 has not had a material impact on the Company’s financial position and results of operations.

## **2. Implementation of “Interim Provisions on Accounting Treatment Related to Carbon Emission Permit Trading”**

On 16 December 2019, the Ministry of Finance issued the Interim Provisions on Accounting Treatment Related to Carbon Emission Permit Trading (Cai Kuai [2019] No.22), which is applicable to relevant enterprises that are engaged in trading carbon emission permit of key emission units (hereinafter referred to as “key emission enterprises”) in accordance with the Interim Measures for the Administration of Carbon Emission Permit Trading. Such provisions took effect on 1 January 2020 and shall be applied by the key emission enterprises with the adoption of the prospective application method.

The Company has implemented such provisions since 1 January 2020, and the comparative financial statements have not been adjusted. The implementation of such provisions has not had a material impact on the Company’s financial position and results of operations.

## **3. Implementation of “Provisions on the Accounting Treatment of Rental Concession Related to COVID-19 Pandemic”**

On 19 June 2020, the Ministry of Finance issued the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 10), with effect from 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the implementation date of this regulation. According to such provisions, enterprises can choose to adopt a simplified method for accounting treatment of rent concessions, such as rent remission and deferred payment, which are directly caused by COVID-19 Pandemic.

As the Company does not have any rental concessions that fall within the applicable scope of such provisions, the implementation of such provisions has not had a material impact on the Company’s financial position and results of operations.

## **(II) Changes in major accounting estimates**

There were no changes in major accounting estimates for this period.

### 3. TRADE AND OTHER RECEIVABLES

	2020	2019
Accounts receivable	1,377,022,471.96	1,296,531,239.84
Less: Provision for bad debts for accounts receivable	274,970,472.69	182,456,209.90
Receivable financing	1,988,651.45	1,220,000.00
Notes receivable	8,637,671.16	576,000.00
Prepayments	375,556,663.32	206,861,485.08
Other receivables	129,625,205.63	159,063,772.32
Less: Provision for bad debts for other receivables	33,652,056.42	24,220,310.72
Interest receivable	—	4,519,333.06
Total	<u>1,584,208,134.41</u>	<u>1,462,095,309.68</u>

The aging analysis of accounts receivable		2020		2019	
Type	Book value	Provision for bad debts	Book value	Provision for bad debts	
Within 1 year (including one year)	538,432,355.50	21,381,350.86	702,842,316.76	28,436,318.95	
1 to 2 years	336,816,974.25	29,770,800.69	436,111,052.22	51,144,784.18	
2 to 3 years	361,725,374.63	83,770,553.56	78,146,805.86	23,444,041.77	
Over 3 years	140,047,767.58	140,047,767.58	79,431,065.00	79,431,065.00	
Total	<u>1,377,022,471.96</u>	<u>274,970,472.69</u>	<u>1,296,531,239.84</u>	<u>182,456,209.90</u>	

### 4. TRADE AND OTHER PAYABLES

Item	2020	2019
Accounts payable	660,645,469.09	898,959,973.99
Notes payable	—	6,593,170.50
Advances from customers	9,572.20	—
Other payables	81,343,497.87	36,026,989.45
Contract liabilities	261,560,369.57	131,652,689.48
Total	<u>1,003,558,908.73</u>	<u>1,073,232,823.42</u>

#### The aging analysis of accounts payable

Within 1 year	231,085,935.02	605,157,534.69
1 to 2 years	138,743,655.80	155,235,187.65
Over 2 years	290,815,878.27	138,567,251.65
Total	<u>660,645,469.09</u>	<u>898,959,973.99</u>

## 5. UNDISTRIBUTED PROFITS

	2020	2019
Undistributed profit at the beginning of the year	<b>1,011,075,961.59</b>	990,758,260.44
Change of accounting standards	-	-
Add: Net profit attributable to shareholders of the Company for the current period	<b>-139,375,086.61</b>	107,023,458.97
Less: Provision of statutory surplus reserves	-	7,501,585.14
Less: Ordinary shares dividends payable	-	79,205,850.00
Less: Undistributed profit converted into share capital	-	-
Add: Others	<b>-6,158.57</b>	1,677.32
	<b><u>871,694,716.41</u></b>	<b><u>1,011,075,961.59</u></b>

## 6. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales and service businesses.

### (1) Operating income and operating cost

Items	2020	2019
Principal operating income	<b>917,681,360.77</b>	1,455,495,474.22
Other operating income	<b>28,276,883.55</b>	31,633,640.58
Total operating income	<b><u>945,958,244.32</u></b>	<b><u>1,487,129,114.80</u></b>
Principal operating cost	<b>767,879,612.53</b>	1,077,966,980.58
Other operating cost	<b>1,700,288.15</b>	9,854,131.63
Total operating cost	<b><u>769,579,900.68</u></b>	<b><u>1,087,821,112.21</u></b>

### (2) Principal operations (by product)

Name of Products	2020		2019	
	Operating income	Operating cost	Operating income	Operating cost
System integration	<b>546,794,375.65</b>	<b>415,292,338.02</b>	835,303,273.00	600,804,948.19
Intelligent terminal sales	<b>308,021,954.84</b>	<b>299,664,492.81</b>	436,610,687.23	369,482,783.10
Service	<b>62,865,030.28</b>	<b>52,922,781.70</b>	183,581,513.99	107,679,249.29
Total	<b><u>917,681,360.77</u></b>	<b><u>767,879,612.53</u></b>	<b><u>1,455,495,474.22</u></b>	<b><u>1,077,966,980.58</u></b>

## 7. SEGMENT INFORMATION

Information regarding the Group's reportable operating segments as provided to the Group'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 Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

## 8. GROSS PROFIT

	2020	2019
Operating income	945,958,244.32	1,487,129,114.80
Operating cost	<u>769,579,900.68</u>	<u>1,087,821,112.21</u>
Gross profit	<u><u>176,378,343.64</u></u>	<u><u>399,308,002.59</u></u>

## 9. FINANCIAL EXPENSES

Items	2020	2019
Interest expenses	64,037,991.38	68,798,047.07
Less: interest income	1,623,915.92	3,361,466.47
Exchange gain and loss	2,659.45	733,795.41
Others	<u>6,539,620.03</u>	<u>1,668,452.27</u>
Total	<u><u>68,956,354.94</u></u>	<u><u>67,838,828.28</u></u>

## 10. INCOME TAX EXPENSES

Items	2020	2019
Current income tax	-530,794.44	25,781,486.36
Deferred income tax	<u>-18,242,460.72</u>	<u>218,050.45</u>
Total	<u><u>-18,773,255.16</u></u>	<u><u>25,999,536.81</u></u>

**Reconciliation between total profit and income tax expenses is as follows**

<b>Items</b>	<b>2020</b>	<b>2019</b>
Total profit	<b>-170,934,721.69</b>	108,186,854.74
Income tax expenses calculated at statutory tax rates	<b>-25,640,208.25</b>	16,228,028.22
Effect of different tax rates applicable to subsidiaries	<b>369,466.87</b>	-2,676,028.98
Effect of non-taxable income	–	–
Income tax adjustments on prior periods	<b>-1,473,023.61</b>	1,207,413.75
Expenses, costs and losses not deductible for tax purposes	<b>343,613.25</b>	463,351.32
Additional deduction for qualified research and development expenses	<b>-6,454,565.89</b>	-5,204,975.12
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	<b>-1,038,042.37</b>	-285,987.74
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized in the current period	<b>15,119,504.84</b>	16,267,735.37
	<b><u>-18,773,255.16</u></b>	<b><u>25,999,536.81</u></b>

**11. BASIC EARNINGS PER SHARE**

Basic earnings per share is calculated by consolidated net profit for the current year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding:

<b>Items</b>	<b>2020</b>	<b>2019</b>
Consolidated net profit attributable to ordinary shareholders of the Company	<b>-139,375,086.61</b>	107,023,458.97
Weighted average number of ordinary shares outstanding of the Company	<b>792,058,500.00</b>	792,058,500.00
Basic earnings per share (RMB/share)	<b>-0.18</b>	0.14

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2020 and 2019.

The calculation of the weighted average number of ordinary shares is as follows:

<b>Items</b>	<b>2020</b>	<b>2019</b>
Ordinary shares issued at the beginning of the year	<b>792,058,500.00</b>	792,058,500.00
Add: Weighted average number of ordinary shares issued during the current period	–	–
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
	<b><u>792,058,500.00</u></b>	<b><u>792,058,500.00</u></b>

## 12. DIVIDENDS

Items	2020	2019
No final dividend proposed (2019: nil)	<u>–</u>	<u>–</u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 on 31 March 2021 (2019: nil).

Items	2020	2019
Final dividend in respect of the previous year approved during the year	–	79,205,850.00
Final dividend in respect of the previous year paid during the year	–	79,205,850.00
Final dividend in respect of the previous year unpaid during the year	<u>–</u>	<u>–</u>

## 13. NET CURRENT ASSETS

	2020	2019
Current assets	<b>3,175,733,347.67</b>	2,975,609,052.58
Less: current liabilities	<b><u>1,980,423,444.49</u></b>	<u>2,167,920,818.25</u>
Net current assets	<b><u>1,195,309,903.18</u></b>	<u>807,688,234.33</u>

## 14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2020	2019
Total assets	<b>4,179,212,189.28</b>	4,459,618,453.79
Less: current liabilities	<b><u>1,980,423,444.49</u></b>	<u>2,167,920,818.25</u>
Total assets less current liabilities	<b><u>2,198,788,744.79</u></b>	<u>2,291,697,635.54</u>

## 15. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### ***Total Operating Income***

Total operating income of the Group for the year ended 31 December 2020 was approximately RMB945,958,244.32, representing a decrease of approximately 36.39% over last year. The decrease was mainly due to the fact that various cities adopted lockdown and quarantine measures to inbound travelers under the impact of the COVID-19 pandemic (“COVID-19”), delaying the commencement of tendering and construction of some of the projects. Accordingly, the overall income of the Group decreased.

#### ***Gross Profit***

Gross profit margin of the Group for the year ended 31 December 2020 was approximately 18.65%, representing a decrease of approximately 8.21% over last year. The decrease was mainly due to a delay in the commencement of tendering and construction of some of the projects under the impact of COVID-19, and an increase in the procurement cost arising from expenses continuously incurred by some projects during the Review Period.

#### ***Selling and Distribution Costs***

Selling and distribution costs of the Group for the year ended 31 December 2020 was approximately RMB43,387,695.10, representing an increase of approximately 10.57% over last year. The increase was mainly attributable to more efforts made in sales and distribution and an increase in cost of sales staff during the Review Period.

#### ***Administrative Expenses***

Administrative expenses of the Group for the year ended 31 December 2020 was approximately RMB53,317,746.78, which is in line with that of last year.

#### ***Net Loss Attributable to Shareholders of the Parent Company***

For the year ended 31 December 2020, the Group recorded a net loss attributable to the shareholders of the parent company of approximately RMB139,375,086.61, as compared to the net profit attributable to the shareholders of the parent company of approximately RMB107,023,458.97 for the corresponding period of last year. The turnaround from profit to loss was mainly attributable to 1) a decrease in the operating income of the Group; and 2) an increase in impairment provisions due to unsatisfactory progress in recovering amounts resulted from a delay in payment from customers, under the impact of COVID-19 during the Review Period.



### ***Other Equity Instrument Investment***

As at 31 December 2020, the Group's other equity instrument investment amounted to RMB219,653,402.05, representing a decrease of approximately 67.66% over the same period last year. The decrease was mainly due to the fact that the Group transferred the equity interests it held in its subsidiary Nanjing Dongbang Equipment Co., Ltd.\* ("Nanjing Dongbang", 南京動邦裝備有限公司) to China Overseas Development and Construction Group Co., Ltd.\* ("China Overseas", 中海外開發建設集團有限公司) during the Review Period.

### ***Other Receivables***

As at 31 December 2020, the Group's other receivables amounted to RMB95,973,149.21, representing a decrease of 31.13% over the same period of last year. The decrease was mainly due to the recovery of guarantee deposits for a projects.

### ***Non-current Liabilities Due Within One Year***

As at 31 December 2020, the Group's non-current liabilities due within one year amounted to RMB156,000,000, representing a decrease of 56.30% over the same period of last year. The decrease was mainly due to the repayment of long-term borrowings due within one year.

## **FINANCIAL RESOURCES AND LIQUIDITY**

For the year ended 31 December 2020, the shareholders' equity of the Group was approximately RMB1,977,108,651.72. Current assets were approximately RMB3,175,733,347.67, comprising cash and bank balances of approximately RMB396,527,387.13. Non-current liabilities were approximately RMB221,680,093.07. Current liabilities were approximately RMB1,980,423,444.49, mainly comprising accounts payable and other payables, contract liabilities, short-term borrowings and tax payable. As at 31 December 2020, net assets per share of the Group was approximately RMB2.39 (31 December 2019: RMB2.57). The short-term borrowings of the Group were RMB756,035,488.89 .

## **PLEDGE OF ASSETS**

As at 31 December 2020, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB556,551,187.31 (including: investment properties of RMB235,215,900.00, fixed assets of RMB100,158,214.83, intangible assets of RMB7,697,072.48, other equity instruments investment of RMB213,480,000.00) were pledged to banks to secure outstanding bank loans of approximately RMB152,250,000.
- (ii) The bank deposits of RMB17,304,750.44(as at 31 December 2019: RMB27,523,624.03) were pledged for projects bidding/projects in progress and banking facilities.

## **GEARING RATIO**

For the year ended 31 December 2020, 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 0.36 (2019: 0.49).

## 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 are 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

	2020 <sup>(7)</sup>	2019 <sup>(8)</sup>
Net profit ratio (%) <sup>(1)</sup>	<b>-16.58%</b>	5.65%
Return on net assets ratio (%) <sup>(2)</sup>	<b>-7.70%</b>	3.88%
Return on equity ratio (%) <sup>(3)</sup>	<b>-7.70%</b>	3.88%
Debt ratio (%) <sup>(4)</sup>	<b>52.69%</b>	52.56%
Current ratio <sup>(5)</sup>	<b>1.60</b>	1.37
Quick ratio <sup>(6)</sup>	<b>1.25</b>	0.77

*Note:*

- (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 2020 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2020
- (8) The 2019 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2019

### Net profit ratio

During the reporting period, the Group's net profit margin decreased from 5.65% in the same period of the previous year to -16.58%. The decrease was mainly due to the fact that the net profit of the Group for the reporting period turned to a loss as a result of a decrease in its operating income and an increase in provisions for impairment made under the impact of COVID-19.

### RETURN ON NET ASSETS RATIO

During the reporting period, the Group's return on net assets decreased from 3.88% in the same period of the previous year to -7.70%, which was mainly due to the fact that the net profit of the Group for the reporting period turned to a loss as a result of a decrease in its operating income and an increase in provisions for impairment made under the impact of COVID-19.

## RETURN ON EQUITY RATIO

The Group's return on equity decreased from 3.88% in the same period of last year to -7.70%, which was mainly due to the fact that the net profit of the Group for the reporting period turned to a loss as a result of a decrease in its operating income and an increase in provisions for impairment made under the impact of COVID-19.

## DEBT RATIO

The Group's debt ratio increased from 52.56% in the same period of last year to 52.69%.

## CURRENT RATIO

The Group's current ratio increased from 1.37 in the same period of last year to 1.60, which was due to the increase in current assets during the reporting period.

## QUICK RATIO

The Group's quick ratio increased from 0.77 in the same period of last year to 1.25, which shares the same reason for the increase in current ratio as abovementioned.

## SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2020, the Group had the following significant investments held with a value of 5% or more of the Group's total assets which were classified as financial assets measured at fair value with changes in fair value recognized in profit or loss:

							Unit: RMB
Name of the investments	Investment costs	Fair value as at 31 December 2020	Shareholding percentage as of 31 December 2020	Change in fair value for the year ended 31 December 2020	Percentage of total assets of the Group	Total amount of dividends received for the year ended 31 December 2020	
Jiangsu Minying Investment Holding Co., Ltd. * (江蘇民營投資控股有限公司)	220,000,000.00	213,480,000.00	2.00%	-4,286,900.00	5.11%	0	

Description of the investments:

Jiangsu Minying Investment Holding Co., Ltd. is a limited company established in the PRC and is principally engaged in the business of equity investment and debt investment.

As of 31 December 2020, except for the aforementioned investments, there were no other investments held with a value of 5% or more of the Group's total assets.

## **SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT**

On 19 March 2020, the Company (as the seller) and China Overseas (as the purchaser), Jiangsu Zhongyi Smart City Construction Co., Ltd. \* (“Jiangsu Zhongyi”, 江蘇中詣智慧城市建設有限公司) (as the seller) and Nanjing Dongbang (the target company) entered into the Acquisition and Cooperation Agreement, pursuant to which, China Overseas conditionally agreed to purchase and the Company and Jiangsu Zhongyi conditionally agreed to sell approximately 60.33% and 39.45% equity interests in Nanjing Dongbang held by them respectively at a total consideration of RMB460,460,000, of which the transfer of the approximately 60.33% equity interest (of which RMB438,000,000 is paid-up capital) in Nanjing Dongbang held by the Company to China Overseas (the “Disposal”) is at a consideration of RMB438,027,500 and the transfer of the approximately 39.45% equity interest (of which RMB22,431,000 is paid-up capital and RMB264,000,000 is unpaid capital) in Nanjing Dongbang held by Jiangsu Zhongyi to China Overseas is at a consideration of RMB22,432,500. On 23 March 2020, the above Disposal has completed registration with the Nanjing Yuhuatai District Market Supervision and Administration Bureau for the change in shareholdings. For details of the Disposal, please refer to the Company’s announcement dated 19 March 2020.

On 19 March 2020, the Company (as the transferee) and Nanjing Dongbang, (as the transferor) and the fund manager signed the Fund Transfer Agreement, pursuant to which, the Company agreed to purchase all units of the Xuyi Fund (the “Possible Acquisition”) at a consideration of RMB450,000,000. Pursuant to the Acquisition and Cooperation Agreement, the parties agreed to provide an option to China Overseas (the “Option”), which is exercisable by China Overseas within 90 days after the Acquisition and Cooperation Agreement comes into effect (the “Option Period”) to decide whether the Fund Transfer Agreement is lapsed. If China Overseas uses the Option to decide that the Fund Transfer Agreement is lapsed, it will mean that China Overseas will continue to hold the Xuyi Fund through Nanjing Dongbang. If China Overseas decides that the Fund Transfer Agreement is effective, it will mean that the Company shall purchase the Xuyi Fund held by Nanjing Dongbang and pay the consideration of RMB450,000,000 to Nanjing Dongbang pursuant to the Fund Transfer Agreement. In view of China Overseas’s intention to keep holding Xuyi Fund through Nanjing Dongbang, and owing to the relatively large scale of the fund, China Overseas expressed that they need more time to conduct the relevant internal evaluation process so as to form a final decision on the acquisition of the fund.

The Company considered that disposal of the equity interests of Nanjing Dongbang together with the Xuyi Fund held by it is in line with the Company’s development strategy, so the Company agreed to extend the Option Period to facilitate China Overseas to complete its internal decision-making process in relation to the acquisition of the fund. As the result of Possible Acquisition remains uncertain, subsequent further confirmation is required.

On 30 September 2020, the Company and Qingdao West Coast Development Group Co., Ltd.\* (“West Coast Development Group”, 青島西海岸發展(集團)有限公司) entered into the Equity Transfer and Subscription Agreement, pursuant to which the Company agreed to acquire and West Coast Development Group agreed to sell 60% equity interests it holds in Qingdao Big Data Technology Development Group Co., Ltd.\* (“**Big Data Company**”, 青島大數據科技發展有限公司) for a consideration of RMB30,000,000. Meanwhile, the Company and West Coast Development Group agreed to increase the capital of Big Data Company by RMB25,000,000 and to make capital contribution by cash in accordance with their capital ratio after the completion of the equity transfer, and the registered capital of Big Data Company will be increased from RMB50,000,000 to RMB75,000,000, i.e. West Coast Development Group will contribute capital by RMB10,000,000, and the Company will contribute capital by RMB15,000,000 million. Upon the completion of the Equity Transfer and Subscription, the Company will hold 60% of the equity interests in Big Data Company, and Big Data Company will become a subsidiary of the Company. On 10 October 2020, the above acquisition has completed registration with the Administrative Vetting Service Bureau of Qingdao Huangdao District for the change in shareholdings. For details of the acquisition, please refer to the Company’s announcement dated 30 September 2020.

On 30 September 2020, the Company and Qingdao Jufuhuiyin Asset Management Co., Ltd.\* (“Jufuhuiyin”, 青島聚富匯銀資產管理有限公司) (as the General Partner and fund manager), Qingdao West Coast Finance Development Co., Ltd.\* (青島西海岸金融發展有限公司) (as the Limited Partner), Nanjing Sample Digital Technology Co., Ltd.\* (南京三寶數碼科技有限公司) (as the Limited Partner) and Qingdao High Innovation Sci-Tech Capital Operation Co., Ltd.\* (青島高創科技資本運營有限公司) (as the Limited Partner) entered into the Partnership Agreement, pursuant to which the parties shall contribute an aggregate amount of RMB500,000,000 for the establishment of Qingdao Smart Data Technology Venture Capital Partnership (Limited Partnership)\* (青島智慧數科創業投資合夥企業(有限合夥)) (the “Partnership Fund”), among which the Company shall contribute RMB25,000,000. Upon establishment, the Partnership Fund will not become a subsidiary of the Company nor be included in the Company’s consolidated financial statements. On 10 October 2020, the above investment has completed registration with the Qingdao Huangdao District Market Supervision and Administration Bureau. For details of the investment, please refer to the Company’s announcement dated 30 September 2020.

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

## **CAPITAL COMMITMENT**

As at 31 December 2020, the Group did not have any material capital commitment.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any material contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, total employees' remuneration of the Group was approximately RMB65,274,729.05 (2019: RMB64,047,722.15) and the number of employees was 290 (2019: 306). 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**

During the reporting period, various cities adopted lockdown and quarantine measures to inbound travelers due to the COVID-19 pandemic, delaying the commencement of tendering and construction of some of the projects, which in turn significantly affected the project progress. In the midst of such severe challenge, the Group and its employees continue to serve their customers without interruption while maintain a high morale and keep motivated to devise various solutions that help overcoming challenges and alleviating adverse impact, achieving positive progress for various projects along the way. In April 2020, the Group 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 utilization of internet-of-things and business expertise for epidemic prevention and control.

As for the expressway intelligent transportation business segment, the Group continued to optimize its business plan in the market and strove to penetrate further into the markets where we have competitive edges, consistently consolidated the Group's market leading position. To explore new business segments and development directions, we strive to change the project tendering dynamic in markets with intense competition while seeking breakthrough in individual project in markets where we possess competitive disadvantages.

During the reporting period, the Group made progress in the construction of the capacity expansion of the Hangzhou section of the Deqing-Fuyang section of the G25 Changshen Expressway; the JD05 section of the G25 Fuyang-G60 Zhuji Expressway link (mechanical and electrical engineering project); the PY-JD3 mechanical and electrical engineering project for the Pusi Overpass on National Highway 104; the ZM01 section of the East Section of the Jiaojiang Hongjia- Wenlingcheng Expressway of the Yinzhou-Yuhuan Expressway (mechanical and electrical engineering project); and the QHJD03 section of Liyang-Ningde National Expressway (mechanical and electrical engineering project) in Chun'an, Zhejiang Province (Hangzhou Qianhuang Expressway Company Limited).



The Group also entered into several new contracts, including the mechanical and electrical engineering for the Sanmingjing Youxi Zhongxian-Jianning Lixin section of the Puyan Expressway (the first new project the Group secured in four years since it won the 2016 bid for projects in Fujian Province); the integrated mechanical and electrical engineering for the Xintai-Taierzhuang Malantun section of the Xintai-Taierzhuang (the junction of Shandong Province and Jiangsu Province) Highway (our first project in Shandong Province's market area); the intelligent construction of the water pipeline for the Linhe-Baigeda section (within the Alxa League) of the Beijing-Xinjiang Expressway – the Group's first successfully tendered intelligent water treatment project; and the construction of the provincial video cloud networking center of the Henan Province Expressway – the Group's first successfully tendered video cloud networking project. 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. The Group commenced a range of major projects, providing clients with integrated system services comprising highway monitoring, communications, tolls and tunnel electromechanical work. In addition to continuing to improve its project management and data collection capabilities, the Group explored big data analysis applications relating to transportation in new frontiers and incorporated the intelligent transportation concept into every business segment.

As for the customs intelligent logistics business, the Group has been leveraging RFID core technology while providing packaged intelligent solutions such as information planning, software, hardware, integration of information system and operation and maintenance services for logistics customers such as the customs, the customs special regulatory districts (including bonded zone, cross-border comprehensive experimental zone, etc.), port terminals and airports to enhance regulatory efficiency, reduce regulatory costs and improve the convenience of customs clearance, thus facilitating trade flows.

During the reporting period, the Group explored new business and strove to maintain its competitive advantages in the customs intelligent logistic business. This was demonstrated by increased investment in artificial intelligence and video technologies, including the development and successful launches of AI container number identification, container inspection, empty container identification, railway and cross-border express systems. Many of these new products have been successfully launched to the market with orders secured to gradually build up the Group's business niche and differentiated competitive advantage. During the reporting period, the Group secured the communication control installation project of Phase 1 of the integrated hub terminal at the Hongguang operation area in Pengze Port Zone, Jiujiang Port, the customs monitoring information system at the main checkpoint on the south side of the Zibo Comprehensive Bonded Zone, the control communication purchase and installation project of the terminal project at Zhujiaqiao Foreign Trade Comprehensive Logistics Park, Wuhu Port and the information system integration project of the Jiaxing Cross-border E-commerce Industrial Park.

### ***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 officially implemented from 1 March 2020.

During the reporting period, the Group, in conjunction with Southeast University and Nanjing Jingwei Patent & Trademark Agency Co., Ltd.\* (南京經緯專利商標代理有限公司), completed the inspection and acceptance of the “High-value Patent Cultivation Center for Core Devices of the Internet-of-things” under the “2017 High-value Patent Cultivation Project of Jiangsu Province” for the Jiangsu Province Intellectual Property Office. The Group also actively implemented various government projects such as the “2019 Provincial Industry and Information Transformation and Upgrade Project Fund”, completed and participated in the relevant evaluation of the “Thirteenth Five-Year Plan” for the Internet-of-things project of MIIT and successfully passed the re-identification of the “High-tech Enterprise” qualification. Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained “AA” rating in the comprehensive national credit evaluation results for highway construction enterprises in 2019.

During the reporting period, the Group was admitted to the national “List of Key Secured Enterprises for the Prevention and Control of Novel Coronavirus Pneumonia Epidemic (the Fifth Batch)” organized by the MIIT, the “Top 100 Hi-Tech Enterprises in Nanjing 2019” and the “Model of Developing Corporate Social Responsibility in Jiangsu Province 2019”. During the reporting period, the Group attached great importance to the application and protection of intellectual property rights, filed new applications for 25 software copyrights and was granted 3 invention patents.

## **Business Outlook**

### ***Future business development plan***

In 2021, 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 and realize technology-driven product and solution innovation under specific scenarios. The Group would build the ecological system of an intelligent city by focusing on both technological and business model innovation, centralizing the Group’s resources and using information technologies such as the internet-of-things and “internet +” as its core.

In 2021, in respect of the intelligent transportation segment, the Group will, on the one hand, strengthen its interaction and cooperation with competent authorities, design institutes, intermediaries and leading enterprises, with the aim to continuously provide specialized and customized solutions for transport administration department, maintain its market backlog, strive for steady growth in its market backlog, keep its share in markets where it has competitive edges, venture into other markets and achieve breakthrough in markets with competitive disadvantages while, on the other hand, reshape its research and development system, with the aim to concentrate on specific scenarios to create core products and establish presence in “big transportation” business, including the formulation and generation of intelligent and instant solutions that have specific features, essence, leading technology and are customer-oriented as well as the research and development of urban intelligent expressway network monitoring software platform under existing scenarios.



In 2021, in respect of the intelligent logistics segment, the Group will continue to adhere to the philosophy of “connection, development and sharing”, leveraging on its core technology to carry out model innovation and scenario extension in conjunction with customs, develop new products and explore new solutions on an ongoing basis and promote industrial efficiency driven by technology, data and scenarios. On the foundation of consolidating its existing businesses, the Group will attach great importance to project quality management and service standard for further enhancement of the market reputation of its customs logistics business. The Group will engage customs experts to conduct policy research so as to further enhance the project output and endurance.

In 2021, the Group will, in accordance with the development strategy it recognized in the second half of 2020, continue to concentrate on its two core segments, namely intelligent transportation and intelligent logistics, while extend its presence in supply chain service business, with the aim to horizontally develop industrial ecology and vertically create a flexible structure for application ecology. By implementing the strategy of gradually integrating the “intelligent supply chain” and reinforcing effort in the researching and developing the digitalization of new supply chains, the Group will concentrate on the innovation of credit and information transmission as driven by scenario and data to constantly empower the innovation of the “intelligent supply chain” on the basis of underlying technology.

### ***Research and development planning***

In 2021, the Group will commence research and development on intelligent and instant technology as well as participating in its standard formulation and establishment of demonstration projects. Through full-factor perception, full spectrum of services, comprehensive process management and control, full-digitalized operation and vehicle-road synergy, the Group is able to improve expressway traffic safety, efficiency and service, which in turn is beneficial to ensuring road safety in severe weather conditions and sophisticated environment, improving traffic rate at key conjunctions and road sections, and realizing the digitization and intelligence movement of the entire life cycle of road construction, management, maintenance and operation.

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 implementation needs for the “new supply chain” strategy 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 segments, 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.

## **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 expire on 31 December 2021 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

Save as disclosed above, no Directors and Supervisors has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

## **COMPETING BUSINESS AND CONFLICTS OF INTERESTS**

None of the Directors or substantial shareholders or any of their respective associates (as defined in the rules governing the listing of securities on the Stock Exchange (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.

## **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, the internal control and risk management 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.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE AUDITOR**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regards did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

## **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 30 September 2020, the Company (as a limited partner) and Qingdao Jufuhuiyin Asset Management Co., Ltd. (as a general partner and fund manager), Qingdao West Coast Finance Development Co., Ltd. (as a limited partner), Nanjing Sample Digital Technology Co., Ltd. (as a limited partner) and Qingdao High Innovation Sci-Tech Capital Operation Co., Ltd (as a limited partner) have entered into a partnership agreement, pursuant to which the parties shall contribute an aggregate amount of RMB500,000,000 for the establishment of Qingdao Smart Data Technology Venture Capital Partnership (Limited Partnership), among which the Company shall contribute RMB25,000,000.

Each of Mr. Sha Min, the chairman of the Board and an executive Director of the Company, and Mr. Chang Yong, the vice chairman of the Board and a non-executive Director of the Company, 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 49% of equity interest in Sample Group, a controlling shareholder of the Company, and Sample Group owns 100% of equity interest in Nanjing Sample Digital Technology Co., Ltd.. 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.

## **CORPORATE GOVERNANCE CODE**

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions of 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.

## **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed in the financial statements, the Company did not commit any future plan for material investment or capital assets.

## **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 2020.

## **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.

## **FINAL DIVIDEND**

In consideration of the impacts brought by the outbreak of COVID-19 pandemic on global economy, and the various market uncertainties, it would be crucial for the Group to keep adequate liquidity. Thus, at the Board meeting held on 31 March 2021, the Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

## **PUBLICATION OF ANNUAL REPORT**

The 2020 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.sampletech.cn> in due course.

By Order of the Board  
**Nanjing Sample Technology Company Limited\***  
**Sha Min**  
*Chairman*

Nanjing, the PRC  
31 March 2021

*As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Ma Fengkui and Mr. Zhang Junmin, the non-executive director is Mr. Chang Yong; and the independent non-executive directors are Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Niu Zhongjie.*

\* For identification purpose only