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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2022 (the “Review Period”) amounted to RMB531,667,245.37, representing a decrease of approximately 7.68% as compared to the corresponding period of last year.

The net loss attributable to owners of the parent company for the six months ended 30 June 2022 was RMB7,108,515.65, as compared to the net profit attributable to shareholders of the parent company of RMB3,077,457.74 for the corresponding period of last year.

The basic loss per share for the six months ended 30 June 2022 was approximately RMB0.009 (corresponding period of 2021: basic earnings per share of RMB0.004).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 together with the comparative figures of 2021 as follows:

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

Consolidated Balance Sheet

At 30 June 2022

| ASSETS | Note | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|--------------------------------------------------------|------|-----------------------------------|-------------------------------------|
| Current assets: | | | |
| Cash at bank and on hand | | 591,965,763.39 | 379,312,843.32 |
| Settlement provisions | | – | – |
| Placements with banks and other financial institutions | | – | – |
| Held-for-trading financial assets | | – | – |
| Derivative financial assets | | – | – |
| Notes receivable | 8 | 6,349,960.00 | 3,600,960.00 |
| Accounts receivable | 8 | 348,015,201.16 | 326,188,720.07 |
| Receivables financing | 8 | 4,200,000.00 | 4,000,000.00 |
| Prepayments | 8 | 140,829,121.74 | 142,015,522.10 |
| Premiums receivable | | – | – |
| Reinsurance receivable | | – | – |
| Reinsurance contract reserve receivable | | – | – |
| Other receivables | 8 | 448,705,011.49 | 821,201,854.95 |
| Financial assets held under resale agreements | | – | – |
| Inventories | | 76,702,195.97 | 70,393,240.44 |
| Contract assets | | 656,310,829.59 | 607,228,964.84 |
| Held-for-sale assets | | 428,077,500.00 | 428,077,500.00 |
| Non-current assets due within one year | | – | – |
| Other current assets | | 61,538,324.69 | 74,216,262.60 |
| Total current assets | | <u>2,762,693,908.03</u> | <u>2,856,235,868.32</u> |

| ASSETS (CONTINUED) | <i>Note</i> | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|-------------------------------------|-------------|--------------------------------------------|-------------------------------------|
| Non-current assets: | | | |
| Loans and advances to customers | | – | – |
| Debenture investments | | – | – |
| Other debenture investment | | – | – |
| Long-term receivables | | – | – |
| Long-term equity investments | | 10,114,791.00 | 114,791.00 |
| Other equity instruments investment | | 5,613,951.53 | 5,613,951.53 |
| Other non-current financial assets | | 121,532,560.62 | 140,947,660.22 |
| Investment property | | 236,490,100.00 | 236,490,100.00 |
| Fixed assets | | 177,978,776.27 | 208,814,233.66 |
| Construction in progress | | 1,317,696.65 | – |
| Productive biological assets | | – | – |
| Oil and gas assets | | – | – |
| Right-of-use assets | | – | – |
| Intangible assets | | 9,740,965.18 | 10,308,157.92 |
| Development expenditures | | – | – |
| Goodwill | | – | – |
| Long-term deferred expenses | | 243,198.84 | 620,319.39 |
| Deferred income tax assets | | 68,544,038.84 | 68,446,098.11 |
| Other non-current assets | | 23,665,787.50 | 23,665,787.50 |
| Total non-current assets | | <u>655,241,866.43</u> | <u>695,021,099.33</u> |
| TOTAL ASSETS | | <u>3,417,935,774.46</u> | <u>3,551,256,967.65</u> |

| LIABILITIES & OWNERS' EQUITY | <i>Note</i> | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|----------------------------------------------------------------------------------|-------------|--------------------------------------------|-------------------------------------|
| Current liabilities: | | | |
| Short-term borrowings | | 784,770,000.00 | 772,812,942.91 |
| Borrowings from central bank | | - | - |
| Placements from banks and other financial institutions | | - | - |
| Held-for-trading financial liabilities | | - | - |
| Derivative financial liabilities | | - | - |
| Notes payable | 9 | 4,000,000.00 | 4,000,000.00 |
| Accounts payable | 9 | 470,994,303.40 | 547,731,378.35 |
| Advances from customers | 9 | 42,699.00 | 17,872.20 |
| Contract liabilities | 9 | 55,019,253.88 | 53,269,281.83 |
| Financial assets sold under repurchase agreements | | - | - |
| Receipts of deposits and deposits from banks and other financial institutions | | - | - |
| Securities trading of agency | | - | - |
| Securities underwriting | | - | - |
| Salaries payable | | 5,800,178.77 | 16,063,182.97 |
| Taxes payable | | 12,551,264.53 | 7,599,550.52 |
| Other payables | 9 | 37,705,563.55 | 52,244,563.53 |
| Fee and commissions payable | | - | - |
| Reinsurance accounts payable | | - | - |
| Held-for-sale liabilities | | - | - |
| Non-current liabilities due within 1 year | | 46,000,000.00 | 96,000,000.00 |
| Other current liabilities | | 8,210,541.70 | 3,618,602.10 |
| Total current liabilities | | <u>1,425,093,804.83</u> | <u>1,553,357,374.41</u> |

| LIABILITIES & OWNERS' EQUITY (CONTINUED) | <i>Note</i> | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|------------------------------------------------------------|-------------|--------------------------------------------|-------------------------------------|
| Non-current liabilities: | | | |
| Insurance contract reserves | | – | – |
| Long-term borrowings | | 97,250,000.00 | 90,250,000.00 |
| Debentures payables | | – | – |
| Including: Preferred shares | | – | – |
| Perpetual bond | | – | – |
| Lease liabilities | | – | – |
| Long-term payables | | – | – |
| Long-term salaries payable | | – | – |
| Estimated liabilities | | – | – |
| Deferred income | | 11,082,146.51 | 14,385,829.85 |
| Deferred income tax liabilities | | 15,795,089.36 | 15,804,508.85 |
| Other non-current liabilities | | – | – |
| Total non-current liabilities | | <u>124,127,235.87</u> | <u>120,440,338.70</u> |
| Total liabilities | | <u>1,549,221,040.70</u> | <u>1,673,797,713.11</u> |
| Owners' equity: | | | |
| Share capital | | 792,058,500.00 | 792,058,500.00 |
| Other equity instruments | | – | – |
| Including: Preferred shares | | – | – |
| Perpetual bond | | – | – |
| Capital reserves | | 103,269,821.12 | 103,269,821.12 |
| Less: treasury stocks | | – | – |
| Other comprehensive income | | 27,311,452.10 | 25,457,396.42 |
| Special reserves | | – | – |
| Surplus reserves | | 104,128,024.15 | 104,128,024.15 |
| General risk provision | | – | – |
| Undistributed profits | | 805,341,465.11 | 812,449,980.76 |
| Total owners' equity attributable to the parent company | | 1,832,109,262.48 | 1,837,363,722.45 |
| Non-controlling interest | | 36,605,471.28 | 40,095,532.09 |
| Total owners' equity | | <u>1,868,714,733.76</u> | <u>1,877,459,254.54</u> |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | <u>3,417,935,774.46</u> | <u>3,551,256,967.65</u> |

Consolidated Income Statement

For the six months ended 30 June 2022

| ITEMS | Note | Six months ended 30 June | |
|--------------------------------------------------------------------------|------|--------------------------|---------------------|
| | | 2022 (Unaudited) | 2021 (Unaudited) |
| I. Total operating income | 2 | 531,667,245.37 | 575,885,384.90 |
| Including: Operating income | | 531,667,245.37 | 575,885,384.90 |
| Interest income | | — | — |
| Premiums earned | | — | — |
| Fee and commission income | | — | — |
| II. Total operating cost | | 548,896,804.47 | 578,571,517.53 |
| Including: Operating costs | 2 | 485,659,525.85 | 490,144,729.86 |
| 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 | | 2,575,861.42 | 3,136,968.64 |
| Selling expenses | | 15,541,968.31 | 15,667,964.66 |
| Administrative expenses | | 18,434,711.70 | 25,635,448.19 |
| R&D expenses | | 10,124,745.82 | 26,234,605.84 |
| Finance costs | 4 | 16,559,991.37 | 28,475,856.07 |
| Including: Interest expense | 4 | 19,905,565.78 | 29,306,083.47 |
| Interest income | 4 | 3,456,819.29 | 1,163,241.77 |
| Add: Other income | | 4,830,055.93 | 4,861,979.41 |
| Investment income (losses are represented by “-”) | | 675,165.71 | — |
| Including: Investment income of associates and joint ventures | | — | — |
| Gains from derecognition of financial assets at amortized costs | | — | — |
| Exchange gain (losses are represented by “-”) | | — | — |
| Gains on net exposure hedging (losses are represented by “-”) | | — | — |
| Gains arising from changes in fair value (losses are represented by “-”) | | — | — |
| Credit impairment loss (losses are represented by “-”) | | — | 10,739,956.85 |
| Asset impairment loss (losses are represented by “-”) | | — | -15,901.12 |
| Gains on disposal of assets (losses are represented by “-”) | | — | 19,983.08 |

| ITEMS | Note | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------------------------------|------|--------------------------|---------------------|
| | | 2022 (Unaudited) | 2021 (Unaudited) |
| III. Operating profit (losses are represented by “-”) | | -11,724,337.46 | 2,195,829.86 |
| Add: Non-operating income | | 828.65 | 274,913.14 |
| Less: Non-operating expenses | | 0.09 | 80.51 |
| IV. Total profit (total losses are represented by “-”) | | -11,723,508.90 | 2,470,662.49 |
| Less: Income tax expense | 5 | -1,124,932.44 | 925,819.85 |
| V. Net profit (net losses are represented by “-”) | | -10,598,576.46 | 1,544,842.64 |
| (I) Classified the business continuity | | | |
| 1. Net profit from continuing operations (net losses are represented by “-”) | | -10,598,576.46 | 1,544,842.64 |
| 2. Net profit from discontinued operation (net losses are represented by “-”) | | — | — |
| (II) Classified by the attribution of the ownership | | | |
| 1. Net Profit attributable to the equity owners of the parent company (net losses are represented by “-”) | | -7,108,515.65 | 3,077,457.74 |
| 2. Non-controlling interests profit and loss (net losses are represented by “-”) | | -3,490,060.81 | -1,532,615.10 |
| VI. Net other comprehensive income after tax | | 1,854,055.68 | 312,981.87 |
| Net other comprehensive income after tax attributable to owners of the parent company | | 1,854,055.68 | 312,981.87 |
| (I) Other comprehensive income which will not be reclassified subsequently to profit and loss | | — | — |
| 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 | | — | — |
| 4. Changes in fair value of the enterprise’s own credit risk | | — | — |

| ITEMS | Note | Six months ended 30 June | |
|---------------------------------------------------------------------------------------------------------------|------|--------------------------|----------------------|
| | | 2022 (Unaudited) | 2021 (Unaudited) |
| (II) Other comprehensive income which will be reclassified to profit and loss | | 1,854,055.68 | 312,981.87 |
| 1. Other comprehensive income accounted for using equity method which will be reclassified to profit and loss | | — | — |
| 2. Changes in fair value of other debt investment | | — | — |
| 3. Amount of financial assets reclassified to other comprehensive income | | — | — |
| 4. Provision for credit impairment of other debt investment | | — | — |
| 5. Cash flow hedging reserve | | — | — |
| 6. Translation difference of financial statements in foreign currencies | | 1,854,055.68 | 312,981.87 |
| 7. Others | | — | — |
| Net other comprehensive income after tax attributable to minority shareholders | | — | — |
| VII.Total comprehensive income | | -8,744,520.78 | 1,857,824.51 |
| (I) Total comprehensive income attributable to the owners of the parent company | | -5,254,459.97 | 3,390,439.61 |
| (II) Total comprehensive income attributable to minority shareholders | | -3,490,060.81 | -1,532,615.10 |
| VIII.Earnings per share: | | | |
| (I) Basic earnings per share (Yuan/share) | 6 | -0.009 | 0.004 |
| (II) Diluted earnings per share (Yuan/share) | | -0.009 | 0.004 |

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company – Financial Reporting General Provisions (2014 Amendments) 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”).

The accounting policies and calculation methods used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2021. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

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

(1) Operating income and operating cost

| Items | Six months ended 30 June | |
|----------------------------|--------------------------|-----------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Principal operating income | 517,271,286.11 | 560,978,985.14 |
| Other operating income | 14,395,959.26 | 14,906,399.76 |
| Total operating income | <u>531,667,245.37</u> | <u>575,885,384.90</u> |
| Principal operating cost | 481,669,678.92 | 488,650,639.28 |
| Other operating cost | 3,989,846.93 | 1,494,090.58 |
| Total operating cost | <u>485,659,525.85</u> | <u>490,144,729.86</u> |

(2) Principal operations (by product)

| Name of Products | Six months ended 30 June 2022 (Unaudited) | | Six months ended 30 June 2021 (Unaudited) | |
|----------------------------|-------------------------------------------------|-----------------------|-------------------------------------------------|-----------------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| System integration | 276,744,641.29 | 240,421,368.36 | 388,222,021.67 | 336,706,393.84 |
| Intelligent terminal sales | 217,647,167.88 | 215,573,288.79 | 130,618,244.86 | 127,584,690.01 |
| Service | 22,879,476.94 | 25,675,021.77 | 42,138,718.61 | 24,359,555.43 |
| Total | <u>517,271,286.11</u> | <u>481,669,678.92</u> | <u>560,978,985.14</u> | <u>488,650,639.28</u> |

3. SEGMENTS INFORMATION

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 Review Period is only derived from system integration, intelligent terminal sales, service businesses. In addition, the Company's operations are situated in the PRC in which its income was derived principally therefrom. Accordingly, no separate segments are presented.

4. FINANCE COSTS

| Items | Six months ended 30 June | |
|-----------------------|--------------------------|----------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Interest expenses | 19,905,565.78 | 29,306,083.47 |
| Less: interest income | 3,456,819.29 | 1,163,241.77 |
| Exchange gain or loss | 560.70 | — |
| Others | 110,684.18 | 333,014.37 |
| Total | <u>16,559,991.37</u> | <u>28,475,856.07</u> |

5. INCOME TAX EXPENSES

| Items | Six months ended 30 June | |
|------------------------------------------------------------------------|--------------------------|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Current income tax calculated based on tax law and related regulations | -1,124,932.44 | 925,819.85 |
| Deferred income tax adjustment | — | — |
| Total | <u>-1,124,932.44</u> | <u>925,819.85</u> |

Approved by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and Jiangsu Provincial Taxation Bureau of State Administration of Taxation, the Company passed the re-evaluation of its High-New Technology Enterprise status on 2 December 2020. It holds a Certification of High-New Technology Enterprise (code: GR202032002979) with a valid period of 3 years. From 2 December 2020 to 2 December 2023, the Company enjoys the preferential income tax rate of 15% for State's key support High-New Technology Enterprise.

Approved by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and Jiangsu Provincial Taxation Bureau of State Administration of Taxation, Jiangsu Intellitrans Company Ltd., a subsidiary of the Company, passed the re-evaluation of its High-New Technology Enterprise status on 2 December 2020. It holds a Certification of High-New Technology Enterprise (code: GR202032000060) with a valid period of 3 years. From 2 December 2020 to 2 December 2023, the company enjoys the preferential income tax rate of 15% for State's key support High-New Technology Enterprise.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

6. EARNINGS/LOSS PER SHARE

The calculation of the earnings/loss per share is based on the net loss attributable to the owners of the parent company for the six months ended 30 June 2022 of RMB7,108,515.65 (corresponding period of 2021: net profit for the period attributable to the owners of the parent company of RMB3,077,457.74) and weighted average number of issued ordinary shares of 792,058,500 (2021: 792,058,500) during the Review Period.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the periods ended 30 June 2022 and 2021.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

8. TRADE AND OTHER RECEIVABLES

| Items | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|-------------------------------------------------------|-----------------------------------|-------------------------------------|
| Accounts receivable | 575,617,720.64 | 553,791,272.94 |
| Less: Provision for bad debts for accounts receivable | 227,602,519.48 | 227,602,552.87 |
| Receivable financing | 4,200,000.00 | 4,000,000.00 |
| Notes receivable | 6,349,960.00 | 3,600,960.00 |
| Prepayments | 140,829,121.74 | 142,015,522.10 |
| Other receivables | 513,178,268.91 | 907,584,591.12 |
| Less: Provision for bad debts for other receivables | 64,473,257.42 | 86,382,736.17 |
| Interest receivable | – | – |
| Dividends receivable | – | – |
| Total | <u>948,099,294.39</u> | <u>1,297,007,057.12</u> |

The aging of accounts receivable based on the recognition date

| Items | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|------------------------------------|-----------------------------------|-------------------------------------|
| Within 1 year (including one year) | 108,262,555.48 | 130,360,129.59 |
| 1 to 2 years | 51,305,772.63 | 101,924,499.52 |
| 2 to 3 years | 100,168,750.67 | 166,512,465.46 |
| Over 3 years | <u>315,880,641.86</u> | <u>154,994,178.37</u> |
| Sub-total | 575,617,720.64 | 553,791,272.94 |
| Less: Provision for bad debts | <u>227,602,519.48</u> | <u>227,602,552.87</u> |
| Total | <u>348,015,201.16</u> | <u>326,188,720.07</u> |

9. TRADE AND OTHER PAYABLES

| Items | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|-------------------------|--------------------------------------------|-------------------------------------|
| Accounts payable | 470,994,303.40 | 547,731,378.35 |
| Notes payable | 4,000,000.00 | 4,000,000.00 |
| Advances from customers | 42,699.00 | 17,872.20 |
| Other payables | 37,705,563.55 | 52,244,563.53 |
| Interest payable | - | - |
| Dividend payable | - | - |
| Contract liabilities | 55,019,253.88 | 53,269,281.83 |

| | | |
|-------|-----------------------|----------------|
| Total | 567,761,819.83 | 657,263,095.91 |
|-------|-----------------------|----------------|

The aging analysis of accounts payable

| Items | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|---------------|--------------------------------------------|-------------------------------------|
| Within 1 year | 248,737,685.58 | 247,841,605.01 |
| 1 to 2 years | 7,000,985.85 | 116,605,931.56 |
| Over 2 years | 215,255,631.97 | 183,283,841.78 |

| | | |
|-------|-----------------------|----------------|
| Total | 470,994,303.40 | 547,731,378.35 |
|-------|-----------------------|----------------|

The aging analysis of notes payable

| Items | At 30 June 2022 (Unaudited) | At 31 December 2021 (Audited) |
|---------------|--------------------------------------------|-------------------------------------|
| Within 1 year | 4,000,000.00 | 4,000,000.00 |
| 1 to 2 years | - | - |
| Over 2 years | - | - |

| | | |
|-------|---------------------|--------------|
| Total | 4,000,000.00 | 4,000,000.00 |
|-------|---------------------|--------------|

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total Operating Income

For the six months ended 30 June 2022 (the “Review Period”), the total operating income of the Group amounted to RMB531,667,245.37, representing a decrease of approximately 7.68% over that of the corresponding period of last year. The decrease was mainly due to the impact of the ongoing pandemic during the period resulted to the bidding of some projects have been delayed or cancelled and commencement of project work have been deferred which led to a decline in the revenue.

Gross Profit Margin

The gross profit margin for the Review Period decreased from approximately 14.89% for the corresponding period of last year to approximately 8.65% which was mainly due to the decrease of the operating income as influenced by the ongoing pandemic and the increases of procurement cost of equipment and labor outsourcing expenses, resulting in a decrease in operating profit.

Selling and Distribution Expenses

Selling and distribution expenses for the six months ended 30 June 2022 was RMB15,541,968.31 which is in line with that of the corresponding period of last year.

Administrative Expenses

The administrative expenses recorded a decrease of approximately 28.09% from RMB25,635,448.19 in the corresponding period of last year to RMB18,434,711.70 for the Review Period. This was mainly attributable to the decline in office expenses, travelling expenses, technical service fees and entertainment expenses as impacted by the control and lockdown measures implemented during the period.

R&D Expenses

The research and development expenses for the six months ended 30 June 2022 was RMB10,124,745.82, representing a decrease of approximately 61.41% as compared with the same period last year. The decrease was mainly due to most of the research & development work has not been carried out as scheduled as affected by the ongoing pandemic.

Finance Costs

The finance costs for the six months ended 30 June 2022 was RMB16,559,991.37, representing a decrease of approximately 41.85% as compared with the same period last year. The main reason for the decrease was attributable to the decrease in the total borrowings for the current period which led to the decrease in interest expenses.

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group's working capital (being current assets less current liabilities) as at 30 June 2022 was RMB1,337,600,103.20 (At 31 December 2021: RMB1,302,878,493.91).

As at 30 June 2022, the bank balances and cash of the Group amounted to RMB591,965,763.39 (At 31 December 2021: RMB379,312,843.32).

Capital Structure

As at 30 June 2022, the total bank borrowings of the Group was RMB928,020,000.00 (At 31 December 2021: RMB959,062,942.91), which included secured bank borrowings of RMB140,020,000.00 with annual interest rates ranging from 4.35% to 4.41% and are repayable within 12 years. The remaining of RMB788,000,000.00 was unsecured bank borrowings, including bank borrowings of RMB778,000,000.00 with annual interest rates ranging from 4% to 7% and are repayable within one year, bank borrowings amounted to RMB10,000,000 with annual interest rate at 5.55% and are repayable within two years. During the Review Period, the bank borrowings was mainly used in support of the Group's business development and the funds obtained was mainly used for project procurement and prepayments for projects.

As at 30 June 2022, the registered and issued share capital of the Company was RMB792,058,500.00 which was divided into 229,500,000 H Shares and 562,558,500 Domestic Shares.

Pledge of Assets of the Group

As at 30 June 2022, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB333,501,339.30 (including: investment property of RMB236,490,100.00, fixed assets of RMB89,675,328.39, intangible assets of RMB7,335,910.91) were pledged to banks to secure outstanding bank loans of approximately RMB140,020,000.00.
- (ii) The bank deposits of RMB9,673,715.24 (As at 31 December 2021: RMB19,435,145.68) were pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2022, the Group has an aggregate of 275 employees (At 30 June 2021: 290 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB24,424,214.22 (corresponding period of 2021: RMB27,804,547.37).

The salary and bonus policy of the Group is principally determined by the performance of the individual employee.

Gearing Ratio

The gearing ratio (being short-term borrowings plus long-term borrowings plus non-current liabilities due within one year less cash and cash equivalents divided by equity) of the Group as at 30 June 2022 was approximately 18.50% (At 31 December 2021: approximately 31.91%). This was mainly attributable to the decrease of total amount of loans as the Group repaid the matured borrowings.

Risk in Foreign Exchange

The revenue and expenses of the Group were denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant.

Significant Investments Held

As of 30 June 2022, there were no investments held with a value of 5% or more of the Group's total assets.

Substantial Acquisition and Disposal and Significant Investment

The Disposal

On 28 June 2022, the Company (as the vendor) and Nanjing Zijin Investment Group Co., Ltd.* (南京紫金投資集團有限責任公司) ("Zijin Investment") (as the purchaser) entered into the Asset Transaction Agreement, pursuant to which, the Company has agreed to sell, and Zijin Investment has agreed to acquire, 15.1236% equity interest of Nanjing Informatization Investment Holding Co., Ltd.* (南京市信息化投資控股有限公司) ("Informatization Company") at the Consideration of RMB41,263,200.00. Upon completion of the Disposal, the Company no longer held any equity interest in Informatization Company. For details of the Disposal can be referred to the Company's announcements dated 23 May 2022 and 28 June 2022.

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

Future Plans Relating to Material Investment or Capital Asset

As at the date of this announcement, the Group has not executed any agreement in respect of proposed acquisition and did not have any other future plan of material investment or capital asset.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

In the first half of 2022, the prolonged pandemic with widespread COVID-19 variants, the severe and complicated international situation and the escalation of Russian-Ukrainian crisis dealt a heavy blow to the development of the global economy. The risk of global stagflation increased significantly, and the international financial market was highly volatile. In the face of a new round of COVID-19 outbreak, coupled with the complexity and severity of external development, the Chinese government continued to adhere to the keynote of seeking progress while maintaining stability and put more emphasis on maintaining stable growth. China has adopted proactive fiscal policies, enhanced its policy effectiveness, introduced prudent monetary policy and deepened supply-side structural reform to drive the economy forward in a stable manner. China's economy has stabilized and recovered from the unsettled environment with a steady and stable progress, and the major economic indicators continued to improve, resulted in the continuation of a high-quality development trend and social stability.

Business development

The impact of the resurgence of the pandemic has increased the economic downward pressure significantly. In the first half of 2022, profit margin shrank as a result of the slowdown in development pace of the intelligent transportation and the intelligent customs industry; postponement or cancellation of the bidding of some projects; delay in commencement of project work and intensified market competition. During the Review Period, the Company strengthened project management, standardized project setup management, tightened its project examination system, formulated a new project budget management mechanism, strictly granted approval to project budgets and implementation of budget, formulated labor service fee standard, improved the Company's internal control management and reinforced its ability in controlling construction cost in a bid to maintain stable operation, reduce the operational risk and secure its profitability.

In the intelligent expressway sector of intelligent transportation, by implementing various major projects, the Group has provided intelligent solutions for customers, which included integrated services such as cloud monitoring system, communication system, toll system, tunnel dispatch commanding system and vehicle-road collaboration system. Such systems could improve the traffic efficiency, road safety, operational efficiency and driving experience on highways, bridges and in tunnels.

During the Review Period, the Group effectively advanced the settlement and inspection of the installation of equipment and cable laying construction project of the JD1 contract section of mechanical engineering project of Yan'an-Yanchuan (Shaanxi-Shanxi Boundary) Expressway, the pilot project of the traffic safety guidance system of the Qingyin Branch of Hebei Expressway Group Co., Ltd. (河北高速公路集團有限公司青銀分公司), and the ETC and MTC lane construction project of the toll station of Shaanxi Yulin Yushen Expressway Co., Ltd. (陝西榆林榆神高速公路有限公司).

Meanwhile, the Group has entered into the electrical and mechanical engineering construction project of Section JD01 of Lin'an-Jiande Section of Linjin Expressway, Shanghai power monitoring system upgrade project, the electrical and mechanical engineering construction project of Section LN-92 of Jiangsu Section of Liyang-Ningde Highway, and labor service construction of EHJD1-EHJD13 of the electrical and mechanical engineering construction project of Emei to Hanyuan Expressway.

In the urban intelligent transportation sector of intelligent transportation, the Group provides customers with comprehensive intelligent solution by the offering of intelligent despatching center, intelligent public transportation system, electronic police system and other products, marking use of early alert, collaborative intelligent system, intelligent diversion and other approaches to improve traffic efficiency and alleviate urban traffic jam.

During the Review Period, the Group entered into the project of installing traffic signal lights (including monitoring systems) at 9 intersections with Traffic Police Detachment of Xiantao Public Security Bureau.

As for the intelligent customs business, the Group has been dedicated to provide 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 to facilitate trade flows.

During the Review Period, the Group continuously optimized existing products, innovated models and extended scenarios. In addition to smart checkpoints, artificial intelligence products and station products, the Group proactively explored business scenarios like maritime information system, information of original inspection laboratory, and customs finance information. During the Review Period, the Group completed the acceptance of projects such as the integrated hub terminal at the Hongguang operation area in Pengze Port Zone, Jiujiang Port and coastal port opening project. At the same time, the Group entered into projects like cross-border e-commerce in Zhenjiang comprehensive bonded zone and smart checkpoints system in Xiongan comprehensive bonded zone.

Research and development

During the Review Period, the Group cooperated closely with Southeast University and other institutions, and continued to promote the national key project “Research on Key Technologies for Correcting Driver Behaviors for the Purpose of Low Emission (面向低排放的駕駛員行為修正關鍵技術研究)” of the specialised projects of “Intergovernmental International Cooperation on Science and Technology Innovation” (政府間國際科技創新合作) of the 2021 National Key Research and Development Programme of China; proactively implemented the “high-value patent cultivation project for Jiangsu Province Intellectual Property Strategic Promotion Plan 2021 (Upgrade)”. Such application for joint construction of provincial “High-Value Patent Cultivation Demonstration Centre” strived to achieve exemplary results in optimising the cultivation system of high-value patents in the field of “core devices for the Internet of Things”, with the use of patent information to carry out key core (common) technology research. Meanwhile, the Group entered into agreement with Southeast University to jointly establish the “Postgraduate Workstation in Jiangsu Province” and “Postgraduate Practice Base”.

On 23 June 2022, the Ministry of Industry and Information Technology issued the “List of Internet of Things Demonstration Projects in 2021”, the project “R&D and industrialization of safety monitoring vehicle terminal and cloud platform based on vehicle-human collaboration” undertaken by the Company has been selected.

During the Review Period, the Group continued to promote the planning work for products of intelligent transportation, intelligence customs and other segments, and successfully developed the “Expressway Guidance Information Release System”, “Expressway Command and Control System”, “Highway Patrol Maintenance System”, “Expressway Incidents Monitoring System”, “Food Safety Supervision Platform” and other products, and some of these products have already been put into application, which has fostered the technology progress and business expansion of the Group. During the Review Period, the Group continued to strengthen the application and protection of intellectual property rights, and filed applications for three software copyright and was granted one utility model patent, two invention patents and one software copyright.

Future prospects

In the second half of the year, the Group will continuously strive to adhere to the customer-centric principle and adopt the customer-orientated approach and market-demand-oriented target while continuing to focus on two core businesses of intelligent transportation and intelligent customs in line with the strategies set at the beginning of the year. Through the planning and design of comprehensive solutions, the Group will give full play to the latest technical products in the industry, improve the management efficiency of the transportation industry and the customs logistics industry, and help customers fully realise the operation and management objectives of reducing costs and increasing efficiency.

In the second half of the year, in respect of the intelligent transportation segment, the Group will strengthen the implementation of various projects to ensure the construction progress will not be affected by the pandemic and external environment. We will increase market exploration in deprived regions and strive for breakthroughs in business results. We will closely focus on the digital transformation goal set out in the “14th Five-Year Plan” for strategic planning, fully promote the upgrading of various businesses, and actively expand new business directions, including but not limited to urban transportation, municipal machinery and electricity, intelligent lighting, data room and other fields.

In respect of the intelligent customs segment, the Group will continue to hold on to the objective of “enhancing regulatory efficiency, reducing regulatory costs and improving the convenience of customs clearance to facilitate trade flow”, carry out modes innovation and scenario extension, continuously develop new products and offer new solutions to focus on providing more intelligent solution services for customs logistics industry customers, closely follow the development trend of the industry, and obtain more in-depth understanding of the requirements of the industry customers.

At the same time, with the proposal of “Carbon Peak Emissions and Carbon Neutrality”, “Green” operations have become the “new coordinate” for high quality development of Chinese enterprises. The Group will attempt to expand into and formulate plans in new business areas such as low-carbon emission park and intelligent energy by keeping abreast of carbon peaking and carbon neutrality policies, focus on the zero-carbon emission economy and make vertical market expansion in line with the strategies established at the beginning of the year.

Share Option Scheme

On 18 October 2011, the Board passed the resolution to terminate the execution of the share option scheme of the Company which was approved by the shareholders of the Company by way of resolution on 24 April 2004. The resolution was passed at the general meeting on 30 December 2011.

The Company has not granted any option under the share option scheme since the adoption of the scheme.

Competing Business and Conflicts of Interests

None of the Directors or substantial shareholders of the Company 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 any other conflicts of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the six months ended 30 June 2022.

Audit Committee

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duty of the audit committee is to supervise the financial reporting process and internal control of the Company.

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

Corporate Governance Code

For the six months ended 30 June 2022, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Change in Constitutional Document

During the Review Period, there has been no significant change in the Company's Articles of Association.

Purchase, Redemption or Sales of Listed Securities of the Company

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

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

30 August 2022
Nanjing, the PRC

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

* *For identification purpose only*