



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

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



## Annual Report 2022

\* for identification purpose only

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman &  
Chief Executive Officer)  
Mr. Ma Fengkui (Vice President)  
Mr. Liu Min (Vice President)

## NON-EXECUTIVE DIRECTOR

Ms. Cai Lijuan

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## SUPERVISORS

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

## COMPANY SECRETARY

Ms. Wong Lai Yuk

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Hu Hanhui (Chairman)  
Mr. Ma Fengkui  
Mr. Gao Lihui

## NOMINATION COMMITTEE

Mr. Hu Hanhui (Chairman)  
Mr. Liu Min  
Mr. Niu Zhongjie

## STRATEGIC COMMITTEE

Mr. Sha Min (Chairman)  
Mr. Ma Fengkui  
Mr. Liu Min

## AUTHORISED REPRESENTATIVES

Mr. Ma Fengkui  
Ms. Wong Lai Yuk

## AUDITOR

BDO China Shu Lun Pan Certified  
Public Accountants LLP  
4th Floor, No. 61  
East Nanjing Road,  
Huangpu District, Shanghai,  
the People's Republic of China

## PRINCIPAL BANKERS

Industrial and Commercial Bank  
of China Limited  
(Nanjing Xijiekou Branch)  
95 Hanzhong Road, Nanjing City,  
Jiangsu Province,  
the People's Republic of China

## HONG KONG H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

## LEGAL ADVISER

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

## REGISTERED OFFICE

No. 10 Maqun Avenue,  
Qixia District, Nanjing City,  
the People's Republic of China

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

No. 10 Maqun Avenue,  
Qixia District, Nanjing City,  
the People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3112A, 31/F,  
Shun Tak Centre  
168-200 Connaught Road  
Central, Hong Kong

## STOCK CODE

1708





**Mr. Sha Min** *Chairman*

“

***To all shareholders:  
On behalf of the board of directors (the “Board”) of Nanjing Sample Technology Co., Ltd. (the “Company”), I hereby present the annual report of the Company (with its subsidiaries, referred to collectively as the “Group”) for the year ended 31 December 2022 (the “Review Period”) for your review and consideration.***

”

## RESULTS

For the financial year 2022, the Group recorded a total operating income of RMB512,665,194.01, representing a decrease of approximately 43.91% as compared to the previous year. The net loss attributable to the shareholders of the parent was RMB273,526,467.22, compared to a net loss attributable to the shareholders of the parent of RMB59,244,735.65 for the same period last year.

## DIVIDEND

In view of the impact of the ongoing outbreak of COVID-19 pandemic on the global economy as well as the recent uncertainties in the market, maintaining adequate liquidity is essential for the long-term development of the Group. Therefore, the Board recommended not to pay a final dividend for the year ended 31 December 2022.

## REVIEW OF BUSINESS AND OPERATIONS

Looking back at 2022, the Chinese economy faced strong impacts from multiple internal and external factors such as the COVID-19 pandemic and the Ukraine crisis coupled with the triple pressure of shrinking demand, supply disturbance and weakened expectations. Faced with these unexpected challenges, China efficiently coordinated epidemic prevention and control with economic and social development, maintaining overall economic and social stability.

In 2022, the Group faced multiple challenges in the intelligent transportation and intelligent customs industries, as well as in expanding new businesses. The Company's operations were inevitably affected by factors such as the outbreak of COVID-19 (resulting in lockdowns and production stoppages in China), intensified market competition, continuously rising operating costs and slowdown of China's economic growth. As a result, the overall operating performance was below expectations.

The Group has made every effort to operate prudently with an aim to reducing operating risks and mitigating the impact of the above-mentioned market challenges. During the reporting period, the Company strengthened the project management, standardized project approval management, improved project assessment system, established a new management mechanism for project budgeting. The Company has also enhanced its internal control management level and labor construction cost control capabilities by strictly implementing project budgets approval and execution as well as formulating labor service fee standards.

## PROSPECTS

Despite the continued presence of uncertainties in the short term, as the domestic epidemic situation stabilizes and the resumption of work and production progresses in an orderly manner, market demand is expected to gradually recover. In 2023, the Group has identified six breakthrough actions, which include assets disposal and realization, core business strategic development, transformation of driving forces, property rights governance, achieving dual reductions and compliance governance. Through these series of actions, the Company will achieve its goal of high-quality development: to ensure healthy growth of the core business and secured and stable operation through better liquidity management; to expand efficient interaction and connection with consumers through a greater variety of products; to achieve sustainable development of technology with stronger driving forces; to focus on the core business development and goal achievement through a streamlined organization; to improve the contribution rate of operating profit by reducing the asset-liability ratio and cost ratio; and to promote the rapid and healthy growth of the organization through enhanced compliance management capabilities.

In 2023, the Group will continue to leverage on its core technologies and solutions in the fields of intelligent transportation and smart logistics to carry out production and operation, and continue to strengthen in-depth cooperation with strategic partners and expand its customer base to improve its performance. At the same time, the Group will continue to explore new business opportunities and explore emerging fields such as big data and new energy industries by relying on its relatively strong technology and mature industrial application experience accumulated in the fields of Internet and 5G applications, big data and artificial intelligence, striving to bring greater returns to shareholders in the future.

Lastly, on behalf of Sample Technology, I would like to express my sincere gratitude to all shareholders, customers, suppliers, and business partners for their support over the years. At the same time, I would like to thank the management team and all employees of the Group for their efforts and contributions to the development of the Group.

By Order of the Board

**Sha Min**  
*Chairman*

Nanjing, China  
31 March 2023

## FINANCIAL REVIEW

### Total Operating Income

Total operating income of the Group for the year ended 31 December 2022 was RMB512,665,194.01, representing a decrease of approximately 43.91% over last year. The decrease was mainly attributable to the impact of the repeated outbreak of the pandemic and the stoppage of work/production caused by the escalation of epidemic prevention and control measures in various places during the Review Period led to the delay or forced cancellation of bidding for some projects as well as the delay in the work commencement for some projects, finally resulting in a decrease in operating income.

### Gross Profit

Gross profit margin of the Group for the year ended 31 December 2022 was approximately 5.70%, representing a decrease of approximately 12.84% over last year. The main reasons for the decline are 1) the downward pressure on the economy coupled with the negative impact of the epidemic which have intensified the impact on the intelligent transportation and intelligent customs industries, resulting in a decline in the Company's operating income and a decline in gross profit margin; 2) the government actively promoted the concentration of state-owned capital in important industries and key areas, and the deep participation of relevant enterprises in the intelligent transportation and intelligent customs industries to seize the market, which imposed huge impact on the Company's operating market. The market competition became more intense, which further compressed profit and led to a decline in gross profit margins.

### Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2022 was RMB44,130,186.93, representing an increase of approximately 14.49% over last year. The increase was mainly attributable to the impact of ongoing epidemic. New business divisions were commenced during the Review Period in an attempt to exploring new business areas such as low-carbon emission park and intelligent energy, aiming for the expansion and layout of new business areas.

### Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2022 was RMB46,632,855.46, representing a decrease of approximately 19.88% over last year. The decrease was mainly attributable to the reduction of salaries, welfare expenses, office expenses and entertainment expenses as influenced by the lockdown management of the epidemic during the Review Period.

### Research and Development Expenses

The research and development expenses of the Group for the year ended 31 December 2022 was RMB23,139,593.40, representing a decrease of approximately 52.35% as compared to that of last year. The main reason for the decrease was due to the fact that, with the influence of ongoing epidemic, many research and development work could not be carried out as scheduled during the Review Period.

## Net Loss Attributable to Shareholders of the Parent Company

For the year ended 31 December 2022, the Group recorded a net loss attributable to the shareholders of the parent company of RMB273,526,467.22, as compared to the net loss attributable to the shareholders of the parent company of RMB59,244,735.65 for the corresponding period of last year. The increase in loss was primarily attributable to: 1) the increase of provision for impairment losses in 2022 as compared to that of the same period last year; 2) the adverse impact of external factors such as the novel coronavirus pandemic (COVID-19), shrinking market demand and intensified industry competition in 2022 which attributed to a negative impact on the Group's operations and led to decreases of the operating income and gross profit margin of the Group.

## Accounts Receivable

As at 31 December 2022, the Group's accounts receivable amounted to RMB240,880,565.69, representing a decrease of approximately 26.15% as compared with the same period of last year. The decrease was primarily due to the bad debts provision made in accordance with accounting policies.

## Other Receivables

As at 31 December 2022, the Group's other receivables amounted to RMB366,840,678.68, representing a decrease of approximately 55.33% as compared with the same period last year. The decrease was mainly attributable to the receipt of the amount pending for return arising from the termination of an investment agreement and the recovery of part of the consideration in relation to the transfer of creditor's rights.

## Contract Assets

As at 31 December 2022, the Group's contract assets were RMB547,320,001.45, a decrease of approximately 9.87% as compared with the same period last year. The decrease was mainly due to the impact of downward pressure on the economy as well as the negative impact of the epidemic, the bidding of some projects was delayed or forced to be cancelled, resulting the order was reduced.

## Other Equity Instrument Investments

As at 31 December 2022, the Group's other equity instrument investments amounted to RMB502,211,599.45, representing an increase of approximately 8,845.78% over the same period last year. The increase was mainly due to the fact that the re-classification of assets held for sale to other equity instrument investments after completion of formalities for change of the registration for an investment fund by the Company.

## Fixed Assets

As at 31 December 2022, the Group's fixed assets were RMB152,999,306.59, a decrease of approximately 26.73% as compared with the same period last year. The main reason for the decrease was the provision of depreciation made in accordance with accounting policies.



# Management Discussion and Analysis

## Non-current Liabilities Due Within One Year

As at 31 December 2022, the Group's non-current liabilities due within one year amounted to RMB6,000,000.00, representing a decrease of 93.75% over the same period of last year. The decrease was mainly due to the repayment of the loan due..

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, the shareholders' equity of the Group was RMB1,558,592,307.71. Current assets were RMB1,853,670,630.85, comprising cash and bank balances of RMB472,877,356.21. Non-current liabilities were RMB111,677,521.78. Current liabilities were RMB1,328,025,175.21, mainly comprising accounts payable and other payables, contract liabilities and short-term borrowings. As at 31 December 2022, net assets per share of the Group was approximately RMB1.96 (31 December 2021: RMB2.32). The short-term borrowings of the Group were RMB729,107,789.86.

## PLEDGE OF ASSETS

As at 31 December 2022, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB330,199,656.67 (including: investment properties of RMB236,803,100.00, fixed assets of RMB86,181,032.91, intangible assets of RMB7,215,523.76) were pledged to banks to secure outstanding bank loans of RMB137,020,000.00.
- (ii) The bank deposits of RMB163,961,528.06 (as at 31 December 2021: RMB19,435,145.68) were pledged for projects bidding/projects in progress and banking facilities.

## GEARING RATIO

For the year ended 31 December 2022, 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 0.33 (2021: 0.32).

## 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.

# Management Discussion and Analysis

## Summary of key financial ratios

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

### Key financial ratios

	2022 <sup>(7)</sup>	2021 <sup>(8)</sup>
Net profit ratio (%) <sup>(1)</sup>	<b>-62.53%</b>	-6.29%
Return on net assets ratio (%) <sup>(2)</sup>	<b>-19.30%</b>	-2.98%
Return on equity ratio (%) <sup>(3)</sup>	<b>-19.30%</b>	-2.98%
Debt ratio (%) <sup>(4)</sup>	<b>48.02%</b>	47.13%
Current ratio <sup>(5)</sup>	<b>1.40</b>	1.84
Quick ratio <sup>(6)</sup>	<b>0.96</b>	1.40

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 2022 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2022
- (8) The 2021 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2021

### Net profit ratio

During the reporting period, the Group's net profit ratio decreased from -6.29% in the same period of the previous year to -62.53%. The decrease was mainly due to the fact that the increase in net loss for the current period resulted by the increase in the provision of impairment loss, the decreases of operating income and the gross profit margin in 2022 as compared with the same period last year.

### Return on net assets ratio

During the reporting period, the Group's return on net assets ratio decreased from -2.98% in the same period of the previous year to -19.30%, which was mainly due to the fact that the increase in net loss for the current period resulted by the increase in the provision of impairment loss, the decreases of operating income and the gross profit margin in 2022 as compared with the same period last year.

### Return on equity ratio

The Group's return on equity ratio decreased from -2.98% in the same period of last year to -19.30%, which was mainly due to the fact that the increase in net loss for the current period resulted by the increase in the provision of impairment loss, the decreases of operating income and the gross profit margin in 2022 as compared with the same period last year.

### Debt ratio

The Group's debt ratio increased from 47.13% in the same period of last year to 48.02%.

# Management Discussion and Analysis

## Current ratio

The Group's current ratio decreased from 1.84 in the same period of last year to 1.40, which was mainly due to the decreases of accounts receivable and other receivables during the reporting period.

## Quick ratio

The Group's quick ratio decreased from 1.40 in the same period of last year to 0.96, which shares the same reason for the decrease in current ratio as abovementioned.

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, the Group held the following significant investments accounted for 5% or above of the Group's total assets and classified as other equity instrument investments:

Name of investment	Investment cost	Fair value at 31 December 2022	Percentage of holding as at 31 December 2022	Changes in fair value for the year ended 31 December 2022	Percentage to the Group's total assets	Total dividends received for the year ended 31 December 2022
Jianan Xuyi Equity Fund No. 1 Contractual Type Private Equity Investment Fund	450,000,000.00	454,761,800.00	N/A	4,761,800.00	15.17%	-

### Investments description:

Jianan Xuyi Equity Fund No. 1 contractual type private equity investment fund ("Xuyi Fund") was issued by Jiangsu Jianan Investment Development Co., Ltd.\* (江蘇迦南投資發展有限公司) (as the fund manager) in October 2017. The total amount of Xuyi Fund is RMB450,000,000.00 which operates as a close-end fund for a term of 6 years. Fund is specifically invested in the equity interest of Xuyi County Sizhou Port Co., Ltd., a Xuyi Port industrial park PPP project company, while its idle fund would be invested in low risk products with stable income such as publicly offered money market funds, principal-guaranteed wealth management products and trust products (including trust beneficiary rights) through Jiangsu Bank.

On 19 March 2020, the Company entered into a "Equity Acquisition and Cooperation Agreement" and a "Fund Transfer Agreement" with China Overseas Development and Construction Group Co., Ltd.\* (中海外開發建設集團有限公司) ("China Overseas") and other parties, intended to transfer all units of Xuyi Fund originally held by Nanjing Dongbang Equipment Co., Ltd.\*, a former subsidiary, at a consideration of RMB450,000,000.00 to China Overseas. Meanwhile, China Overseas was provided an option, which is exercisable by China Overseas within 90 days after the "Equity Acquisition and Cooperation Agreement" came into effect to decide whether the "Fund Transfer Agreement" is effective. On 17 June 2020, it further extended the option period to 180 days. Further details of the matter can be referred to the Company's announcements dated 19 March 2020 and 17 June 2020.

The Company classified Xuyi Fund as assets held for sale. Following the expiry of the option period, the parent company of China Overseas was changed to Zhongcheng Chuangzhan Urban Development Group Co., Ltd.\* (中城創展城市開發集團有限公司) ("Zhongcheng Chuangzhan"). When the option period and the extension period expired, Zhongcheng Chuangzhan did not exercise the option right. Xuyi Fund and the right of receiving its income has been owned by the Company. On 9 January 2023, the Company completed the formality for change of its registration and re-classified the Xuyi Fund from assets held for sale to other equity instrument investments.

As of 31 December 2022, save as disclosed above, there were no other investments held with a value of 5% or more of the Group's total assets.

## SUBSTANTIAL ACQUISITION AND DISPOSAL

### The Acquisition

On 28 December 2022, the Company (as the "Purchaser") and Nanjing Sample Digital Technology Co., Ltd.\* (南京三寶數碼科技有限公司) ("Sample Digital") (as "Vendor I") entered into the Equity Transfer Agreement I whereby the Company agreed to acquire and Sample Digital I agreed to sell 12.00% equity interests in 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)) ("Qingdao Smart Fund") at a consideration of RMB36,401,800.00.

On 28 December 2022, the Company (as the "Purchaser") and Qingdao Baohao Technology Co., Ltd.\* (青島寶昊科技有限公司) ("Qingdao Baohao") (as "Vendor II") entered into the Equity Transfer Agreement II whereby the Company agreed to acquire and Qingdao Baohao agreed to sell 50.50% equity interests in Qingdao Haifa Data Technology Industry Investment Development Partnership (Limited Partnership)\* (青島海發數科產業投資發展合夥企業(有限合夥)) ("Qingdao Data Technology Partnership") at a consideration of RMB64,504,300.00.

For details of the above-mentioned acquisitions, please refer to the announcement of the Company dated 28 December 2022.

### 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, the 15.1236% equity interest in Nanjing Informatization Investment Holding Co., Ltd.\* (南京市信息化投資控股有限公司) at the consideration of RMB41,263,200. For details of this disposal, please refer to the announcements of the Company dated 23 May 2022 and 28 June 2022.

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

## CAPITAL COMMITMENT

As at 31 December 2022, the Group did not have any material capital commitment.

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, total employees' remuneration of the Group was RMB59,242,390.13 (2021: RMB68,909,057.67) and the number of employees was 261 (2021: 272). 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

In 2022, the internal and external environment for China's economic development became more complex and severe due to the repeated impact of multiple unexpected factors such as the spreading of the COVID-19 pandemic and extreme high temperature weather. With the turbulent international environment and the arduous tasks of reform as well as maintaining stability for national development, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, the whole Party and the entire nation faced up to the difficulties and forged ahead, managing the complicated situations within the country and abroad, coordinating pandemic prevention and control with economic and social development, balancing development and security, stepping up macro-control efforts, dealing with the impact of unexpected factors, and maintaining the general stability of the economy and society. Despite the difficulties and pressures, China's economy is moving forward while maintaining stability.

### Business development

In 2022, due to the repeated outbreaks of the pandemic and the economic impact of the stoppage of work and production caused by the escalation of preventive and control measures against the pandemic in various regions, the intelligent transportation and intelligent customs industries as a whole were in a relatively sluggish state, with the pace of development slowing down and problems of fewer projects, project delays and uncertainties over payment collection becoming more prominent. Some projects have been postponed or cancelled, and ongoing projects have been significantly affected. In addition, the government actively promoted the concentration of state-owned capital in important industries and key areas, and related enterprises participated deeply in the intelligent transportation and intelligent customs industries to capture the market, which had great impact on the markets where the Company has operations and intensified market competition, further compressing the profit margin and leading to a decline in gross profit margin.

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 integrated solutions for customers, which included integrated services such as cloud monitoring system, communication system, toll system, tunnel despatch 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 electrical and mechanical engineering project in Changning-Boashan Expressway, Yunnan province (section JD2), the electrical and mechanical engineering expansion projects for G3W Chizhou-Qimen section of the Dezhou-Shangrao Expressway and G5011 Wuhu-Lintou section of the Wuhu-Hefei Expressway commenced operation; and progress was made in the construction of the half-span lighting project of the Highway 309 project, the construction of the ZC4 section of the Yancheng City Construction Dynamic Weighing Inspection System project, the additional project of the intelligence panel of the Zhenli section of the 2021 Ningchang section of the Nanjing-Shanghai Company, tender for the construction of the Yancheng City Construction Dynamic Weighing Inspection System project ZC3, and the construction of the centralised inspection platform of the Henan-Shandong provincial border station.

Meanwhile, the Group has entered into the electrical and mechanical engineering construction project of Section JD01 of Lin'an-Jiande Section of Linan-Jinhua 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, modification and expansion of the communication system for the Xinyi-Jiangdu section of the Beijing-Shanghai Expressway project, construction of the JHK-JDSG21 section of the ETC gantry system and Tongjing Road Northern extension project - electrical and mechanical installation and other projects.

In the urban intelligent transportation sector of intelligent transportation, the Group provides customers with comprehensive intelligent solution by the offering of intelligent despatch center, intelligent public transportation system, electronic police system and other products, making 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 newly 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 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 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 informatization system, informatization of original inspection laboratory, and customs finance informatization. During the Review Period, the Group completed the acceptance of the equipment procurement project for the cross-border e-commerce supervision centre in Zhenjiang Comprehensive Bonded Zone, the information technology project for the cross-border e-commerce supervision centre in Zibo Comprehensive Bonded Zone, and the card gate system for the north cargo area and flight area supporting project of the third phase expansion project of Zhengzhou Xinzheng International Airport - civil aviation air traffic control project and airport weak power system project. Meanwhile, the Group has newly entered into EPC project for the first section of the import and export processing industrial park (Phase I) of Ganzhou International Land Port - subcontracting of customs informatization project, procurement of informatization system for the railway supervision site of Yingtan International Integrated Port, and EPC project for the Yangtze River Delta Integrated Industrial Park in Xuancheng High-tech Zone.

## Research and development

During the Review Period, the Group, as a partner of the Official Participant of the European Union “Horizon 2020” Programme, jointly launched the key project of the National Key R&D Programme “Intergovernmental International Cooperation on Science and Technology Innovation (政府間國際科技創新合作)” – “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)” with the School of Transportation of Southeast University. At the same time, the Group has actively proceeded with the research work under the “Special Pilot Project for the Construction of a Powerful Transportation Country with Big Data for Integrated Transportation (綜合交通運輸大數據專項交通強國建設試點)” led by China Academy of Transportation Science. The Group also cooperated with the School of Electronic Science & Engineering of Southeast University in joint application for the project of “Provincial Demonstrating Platform of High-value Patent Cultivation for 2021 (Upgrade) (2021年度省高價值專利培育示範平臺(升級版))” for the Intellectual Property Office of Jiangsu Province, continuing to promote in-depth exploration and application of patents. A project was successfully selected as one of the “National Internet of Things Demonstration Projects (國家物聯網示範項目名單)” by the Ministry of Industry and Information Technology. Dr. Liang Biao of the Group was awarded “Senior Engineer” in the field of Digital Economy (Electronic Information) Engineering and “Senior Engineer” in the field of New Generation Information Technology; Dr. Zou Tao was awarded “Senior Engineer” in the field of Computer and Networking.

During the Review Period, the “Jiangsu Intelligent High Speed Engineering Technology Research Centre” project undertaken by Jiangsu Intellitrans Company Limited, a subsidiary of the Group, was formally approved by the Department of Science and Technology of Jiangsu Province for construction.

During the Review Period, the project on “Robust multimode wireless sensing theory and method for the Internet of Things (物聯網穩健多模無線感知理論與方法)” jointly conducted by the Group and Nanjing University of Posts and Telecommunications and other entities, achieved a large number of scientific research results and application was made for the Jiangsu Provincial Science and Technology Award. During the Review Period, the Group successfully passed the “Intellectual Property Management System” recertification audit; 3 new invention patents were granted (including 1 from Southeast University), 1 utility model patent was granted, 14 software copyrights were registered and 4 software products were evaluated.

## Business Outlook

### Future business development plan

A number of international financial institutions expect China's economy to rebound steadily in 2023 as the country optimizes its pandemic prevention policies and introduces favourable economic measures. As the pandemic enters a new phase of prevention and control, China's economic development faces a number of risks and challenges in the pursuit of multiple objectives: the world's economic growth momentum is slowing down, with the World Bank's latest report lowering its global economic growth forecast to 1.7% in 2023, the third lowest level in the past 30 years. The domestic economy is not yet on a solid footing for recovery. The more risks and challenges we face, the more confident we should be, the more difficulties we have to overcome and move steadily towards quality development.

In 2023, the Group will continue to focus on two core businesses of intelligent transportation and intelligent customs, insist on serving clients as the core and meeting the customer needs and market demand. 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 respect of the intelligent transportation segment, in the coming years, with the relaxation of pandemic control, the suppressed policy and demand are expected to recover gradually. The Group will strengthen the implementation of various projects to ensure the construction progress will not be affected by the 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, rural roads, intelligent buildings, smart lighting systems, data room and other fields.

In respect of the intelligent customs segment, after the relief of the pandemic, China has continued to release a number of supportive policies to strengthen exchanges with foreign countries and support the development of cross-border e-commerce, which will lead to faster customs clearance. 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, to better realise the digitalisation, automation and intelligentization of customs clearance and management, and to continuously improve the efficiency of supervision.

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.

## Research and development planning

In 2023, the Group will take the approval of the “Jiangsu Smart Highway Engineering Technology Research Centre” as an opportunity to break through key technologies in the industry chain, accelerate the deep integration of new generation information technologies such as artificial intelligence, big data, cloud platform, wireless communication and edge computing in the application of smart highway vehicle and road collaboration industry, combine traffic intelligence and networking to create a new scene of smart highway application and build a demonstration application project of vehicle and road collaboration. At the same time, the Company will deepen its cooperation with universities and research institutes such as Southeast University and Nanjing University of Posts and Telecommunications to fully exploit its leading position in the field of Internet of Things technology.

The Group will give full play to the technical advantages of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, to deepen the research work in the field of robust multimode sensing in the Internet of Things, focus on the theories and methods of robust multimode sensing in the Internet of Things, carry out in-depth research in sensing data reconstruction, sensing state detection and sensing target localization, promote the development of Internet of Things perception and its related fields, and focus on the research and development of new automatic identification systems for smart card entrances, intelligent access control, passive sensor localization systems, etc., which will be widely used in practical businesses such as intelligent transportation, smart logistics and smart cities, and are expected to achieve significant economic and social benefits.

## EXECUTIVE DIRECTORS

**Mr. Sha Min (沙敏)**, aged 58, a senior engineer and senior economist, received postgraduate education, is an executive Director, Chairman & chief executive officer and the chairman of the strategic committee of the Company. Mr. Sha obtained a master's degree in signal circuits and systems from Southeast University in 1990. He joined the Company in December 1997 and was first appointed as an executive Director and Chairman in December 1999. He is currently the president of China RFID Association, vice-chairman of Federation of Industry and Commerce of Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing City, vice president of Nanjing Software Industry Association, vice-chairman of Nanjing Enterprises Association, president of Jiangsu Badminton Association and President of Nanjing Alumni Association of Southeast University etc. Mr. Sha is currently a non-executive director of Jiangsu NandaSoft Technology Company Limited\* (江蘇南大蘇富特科技股份有限公司) (a company listed on the Hong Kong Stock Exchange, Hong Kong stock code: 8045). Mr. Sha currently holds directorship in Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd.\* (南京物聯網研究院發展有限公司) and Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司), subsidiaries of the Company.

**Mr. Ma Fengkui (馬風奎)**, aged 49, holds a master's degree and a EMBA from Cheung Kong Graduate School of Business. Mr. Ma is an executive Director and vice president, members of strategic committee and remuneration committee of the Company. Mr. Ma graduated from South China Normal University with a master's degree in business administration in 2015. Mr. Ma worked in TCL Computer Technology (Shenzhen) Co., Ltd.\* (TCL電腦科技(深圳)有限公司) from 1999 to 2005 and served as the service manager and chief service officer. From 2005 to 2009, he served in Nanjing JoyMain Science and Technology Development Co. Ltd.\* (南京中脈科技發展有限公司) in the positions of director of the information center and customer service center and deputy general manager. From 2009 to 2014, he served in Beijing Baidu Netcom Science and Technology Co., Ltd.\* (北京百度網訊科技有限公司) as sales director, deputy general manager of Shenzhen branch and deputy general manager of Guangzhou branch. From November 2014 to November 2017, he served as assistant to the chairman of Nanjing Sample Technology Company Limited\* (南京三寶科技股份有限公司), and from November 2017 to January 2020, he worked for several subsidiaries of Nanjing Sample Technology Group Co., Ltd.\* (南京三寶科技集團有限公司) ("Sample Group"), the controlling shareholder of the Company, as the general manager of Jiangsu Cross-border e-Commerce Services Co., Ltd.\* (江蘇跨境電子商務服務有限公司), general manager of Sumpower Gsun Holdings Limited\* (三寶金山控股有限公司). Mr. Ma has been working in the Company since February 2020 and has successively served as the assistant to the chairman and the chief executive officer of the Company. Mr. Ma is currently a director of Jiangsu Intellitrans Company Ltd.\* (江蘇智運科技發展有限公司), a director and general manager of Nanjing Internet of Things Research Institution Development Co., Ltd.\* (南京物聯網研究院發展有限公司), the chairman of Jiangsu Zhiyun Weiying Data Technology Co., Ltd. (江蘇智運唯盈數據科技有限公司), all of which are subsidiaries of the Company.



**Mr. Liu Min (劉民)**, aged 48, holds a bachelor's degree in engineering, senior engineer (specialized in intelligent transportation). Mr. Liu is an executive Director and vice president, members of strategic committee and nomination committee of the Company. Mr. Liu graduated from Nanjing University of Science and Technology in July 1996 majoring in computer science and application. From August 1996 to August 1997, he worked as an office secretary in the Qinglin railway transportation management division of Shandong Local Railway Bureau\* (山東省地方鐵路局). From September 1997 to July 1999, he worked in the Nanjing office of Tsinghua Ziguang Co., Ltd.\* (清華紫光股份有限公司) and served as the manager of the sales department and the manager of the after-sales service department. He worked with the Company from August 1999 to July 2017 serving as the channel manager of the graphics and image business department, the marketing manager of the transportation technology business department, the deputy general manager of Jiangsu Intellitrans, a wholly-owned subsidiary of the Company, the deputy general manager of strategic promotion center, the general manager of Nanjing Intelligent Urban Constructive Investment Co., Ltd.\* (南京數字城市投資建設有限公司), a holding subsidiary of the Company. From August 2017 to August 2019, he acted as a director and the general manager of Jiangsu Yudao Data Technology Co., Ltd.\* (江蘇馭道數據科技有限公司) ("Jiangsu Yudao"). From October 2019 to July 2020, he acted as a director and the general manager of Qingdao Big Data Technology Development Group Co., Ltd.\* (青島大數據科技發展有限公司) ("Qingdao Big Data"). From August 2020 to 3 March 2023, he worked with Sample Group as an assistant to the chairman. Jiangsu Yudao and Qingdao Big Data are the subsidiaries of Samples Group, the controlling Shareholder of the Company.

### NON-EXECUTIVE DIRECTOR

**Ms. Cai Lijuan (蔡麗娟)**, aged 48, holds a bachelor's degree, intermediate economist. Ms. Cai is a non-executive Director of the Company. She graduated from the Central Party School of the Communist Party of China. From August 1997 to June 2003, she worked as office director in Nanjing Hanghai Low Voltage Electrical Appliance Co., Ltd.\* (南京航海低壓電器有限責任公司). From April 2005 to September 2008, she worked as a director of human resources administration in Jiangsu Intellitrans. Since September 2008, she has been working in Sample Group serving as the secretary of the board of directors, office director and administrative director etc.

Ms. Cai is currently the chairman of Sample Supply Chain Management (Nanjing) Co., Ltd.\* (三寶供應鏈管理(南京)有限公司); a director of Nanjing Wuzhou Refrigeration Group Co., Ltd. (南京五洲製冷集團有限公司) and Qingdao Baohao Technology Co., Ltd.\* (青島寶昊科技有限公司); a director and the general manager of Qingdao Big Data and Nanjing Chengyi New Energy Technology Co., Ltd.\* (南京承一新能源科技有限公司); a supervisor of Sample Group, Sample Jinshan Holding Co., Ltd.\* (三寶金山控股有限公司), Nanjing Wuzhou Sample Enterprise Development Group Co., Ltd.\* (南京五洲三寶企業發展集團有限公司) and Jiangsu Sample Jinshan Supply Chain Management Co., Ltd.\* (江蘇三寶金山供應鏈管理有限公司), all the above-mentioned companies are Samples Group, the controlling Shareholder of the Company, and its subsidiaries. In addition, Ms. Cai is currently a director of Nanjing Cultural Venture Capital Co., Ltd.\* (南京文化創業投資有限公司).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hu Hanhui (胡漢輝)**, aged 66, professor and instructor of doctorate students, is an independent non-executive Director, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company. He had served as the Associate Head of Department of Management Science and Engineering in Nanjing Institute of Technology, the Deputy Director of the Technology Research Institution and the president of the University's Union in Southeast University, a part-time researcher of the Humanities and Social Science Research Institution of Education Department in Dongbei University of Finance and Economics, a member of Professional Committee in China Development Bank and a member of the "Expert Group of Basic Requirements on Entrepreneurship Education in High Schools" in Ministry of Education and a Director of the Research Institution of Entrepreneur Group Economics and Industrial Organization of School of Economics and Management in Southeast University. Mr. Hu was appointed as an independent non-executive Director of the Company in May 2016.

**Mr. Gao Lihui (高立輝)**, aged 59, received doctoral education, is a senior economist and an independent non-executive Director and a member of the audit committee and the nomination committee of the Company. Mr. Gao holds a diploma from The Business School of Yangzhou University in the PRC, a master degree in Business Administration from The School of Business and Economics of Maastricht University in the Netherlands and a doctoral degree in management from The School of Business of Nanjing University. Mr. Gao worked at Jiangsu Branch of Bank of China from 1991 to 1992 and was mainly responsible for the management of foreign exchange, finance and Japanese Yen sub-ledgers. He served as General Ledger Accountant of Jiangsu Branch of Bank of China\* (中國銀行) from 1992 to 1995 and was responsible for the management of foreign exchange and finance. In addition, Mr. Gao had been appointed as the deputy manager of the Gulou branch of Bank of Nanjing\* (南京銀行), the manager of Danfeng Street branch of Bank of Nanjing and the general manager of the Business department of HengFeng Bank\* (恒豐銀行). Mr. Gao was appointed as an independent non-executive Director of the Company in May 2017.

**Mr. Niu Zhongjie (牛鐘潔)**, aged 55, is an independent non-executive Director and a member of the audit committee and nomination committee of the Company. Mr. Niu has worked with various financial institutions and has extensive experience in equity capital markets. He is currently the responsible officer of Vision Finance International Company Limited to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and the responsible officer for type 4 (advising on securities) and type 9 (asset management) regulated activities of Vision Finance Asset Management Limited. Mr. Niu also serves as an independent non-executive director of Peiport Holdings Ltd. (stock code: 2885.HK). Mr. Niu obtained a bachelor's degree in business administration and a master degree in business administration from Northeast Missouri State University and the University of Hong Kong, respectively. Mr. Niu was appointed as an independent non-executive Director of the Company in May 2019.

## SUPERVISORS

**Mr. Qiu Xiang Yang (仇向洋)**, aged 67, received doctoral education, is the chairman of the supervisory committee of the Company. Mr. Qiu was an EMBA graduate. He is now the president of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From February 1991 to June 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate strategic management and industrial development. He was first appointed as a supervisor of the Company in August 2007. He is currently a director of Zhongdian Environmental Protection Co., Ltd.\* (中電環保股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300172) and an independent director of Nanjing Public Utilities Development Co., Ltd.\* (南京公用發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000421).

**Mr. Dai Jian Jun (戴建軍)**, aged 53, a practising lawyer, is a supervisor of the Company. He was educated in Jiangsu Police Institute from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a practicing lawyer of Jiangsu Zhi Bang Law Firm\* (江蘇致邦律師事務所) since 1996. He was appointed as a supervisor of the Company in August 2003.

**Mr. Zou Tao (鄒濤)**, aged 53, received doctoral education and is a senior engineer. Mr. Zou graduated from the Xidian University in 1996 with a Master degree in Computer Device and Equipment Professional and graduated from the Nanjing University in 1999 with a doctor's degree in Computer Application Professional. He worked as the head of the development department of Fujitsu Nanda Software Technology, Co., Ltd.\* (南京富士通南大軟件技術有限公司) from July 1999 to August 2003. In 2003, he departed to Japan and worked as project officer in the SOFTWISE Corporation in Japan. He joined Research Institution of the Company in 2011, and acted as Associate Dean of the Research Institution and deputy director of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center. He is currently a member of the state IOT basic standard working group, a deputy director of Jiangsu software engineering standardization technical committee, a member of Jiangsu Internet of Things Standardized Technology Committee and an off-campus doctoral supervisor at Southeast University. Mr. Zou was appointed as a supervisor of the Company in May 2016.

## SENIOR MANAGEMENT

**Ms. Xu Yonghui (徐永慧)**, aged 54, obtained MBA from Inter American University, intermediate accountant. From October 1998 to February 1999, she served as a general ledger accountant in the finance department of Nanjing Hualianxing Electronics Co., Ltd.\* (南京華聯興電子有限公司). From March 1993 to February 2000, she worked in Nanjing Tianjia Air Conditioning Equipment Co., Ltd.\* (南京天加空調設備有限公司) as the general ledger accountant of the Finance Department. From February 2000 till now, she has been working in the Company and has served as the financial manager, the general manager of the investment and financing center and the financial director of the strategic promotion department. From 8 June 2022, she took the position as the chief financial officer of the Company.

The Board present the annual report and audited financial statements for the year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2022 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 6 to 16. An analysis of the Group's performance during the year ended 31 December 2022 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 220. In addition, the risks in relation to financial instruments of the Group can be referred in note VIII to the financial statements on pages 184 to 189.

## Key risks and uncertainties affecting the Company

### 1. Policy risk

The downstream customers of the Group are mainly concentrated in industries such as road transportation, customs logistics, and urban construction. The Company's operating performance is closely related to the policy orientation of the state's investment in the above industries. Therefore, the national economic development in different periods, the changes of policy on infrastructure investment will have a certain impact on the Company's performance. At the same time, the government actively promoted the concentration of state-owned capital in important industries and key areas, and the deep participation of relevant enterprises in the intelligent transportation and intelligent customs industries to seize the market, which imposed huge impact on the Company's operating market.

Counter-measures: The Group will further strengthen the research on the forward-looking of policies and markets so as to grasp the direction of national macroeconomic policies, and actively develop new businesses that meet the policy direction. At the same time, the Group will continue to consolidate and make full use of its advantages on technology research and development, its own qualifications in comprehensive business, the brand's awareness, business management. On the basis of establishing long-term friendly cooperative relations with the important customers, we will continue to attach importance to and actively promote the market development to reducing the impact of policy risks on the Company's operating performance.

### 2. Epidemic risk

In 2022, as influenced by the repeated outbreak of the pandemic and the stoppage of work/production caused by the escalation of epidemic prevention and control measures in various places which has had a great impact on the economy. The intelligent transportation and intelligent customs industries as a whole are in a relatively sluggish condition which led to the slowdown of the overall development, with the problems of fewer projects, project delays, and no guarantee of payment becoming more prominent. Some projects have been postponed or cancelled, and ongoing projects have also been significantly affected.

Counter-measures: At present, the Company is facing both challenges and opportunities. The Company will continue to pay close attention to the development of the epidemic, closely monitor and evaluate the epidemic, and effectively strengthen the cost and working capital management to ensure the sustainable development of the Company. At the same time, according to the development of the epidemic, we will adjust the production and operation arrangements in a timely manner. The Company strengthened the project management, standardized project approval management, improved project assessment system, established a new management mechanism for project budgeting. The Company has also enhanced its internal control management level and labor construction cost control capabilities by strictly implementing project budgets approval and execution as well as formulating labor service fee standards.

### 3. Other risks

The Company has the risks, such as risk of customer changes, risk of technology research and development, management risks, and the loss risks of bad debt of accounts receivables.

Counter-measures: The Group will continuously increase the investment in technology research and development, strengthen the protection and daily management of core technologies, further improve and strictly implement the various internal control systems, attach importance to the recruitment and training of outstanding management talents, and strengthen the overall strategic development planning on the internal departments and subsidiaries, the co-ordination and management of resources integration and sharing so as to further improve the Company's profitability and comprehensive competitiveness and protect the long-term interests of shareholders.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company integrates the concept of sustainable development into corporate strategy and business operation management, and is committed to building a resource-saving and environment-friendly enterprise through scientifically managing important environmental factors by setting environmental goals, indicators, and management plans, reducing pollution emissions and carrying out effective control during the operation process, as well as improving resources utilization. During the year, the Group has complied with the applicable laws and regulations relating to environmental protection, social and employment and has been operated in compliance with relevant industry standards and requirements.

For details, please refer to the 2022 Environmental, Social and Governance Report of Nanjing Sample Technology Co., Ltd. which has been uploaded to the website of the Company ([www.samples.com.cn](http://www.samples.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) together with this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

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



## MAJOR RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

## RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2022 are set out on pages 55 to 219 of this annual report.

The Board decided not to propose distribution of a final dividend for the year ended 31 December 2022 (2021: nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the note V(XVI) to the financial statements.

## INVESTMENT PROPERTY

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

# Report of the Directors

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of printing of this annual report (i.e. 22 April 2023) were:

### Executive Directors

Mr. Sha Min (*Chairman & Chief Executive Officer*) (*Appointed as Chief Executive Officer on 3 March 2023*)

Mr. Ma Fengkui (*Resigned as Chief Executive Officer on 3 March 2023*)

Mr. Liu Min (*Appointed on 17 April 2023*)

Mr. Zhang Junmin (*Resigned on 3 March 2023*)

### Non-executive Director

Ms. Cai Lijuan (*Appointed on 17 April 2023*)

Mr. Chang Yong (*Resigned on 12 August 2022*)

### Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie

### Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Zou Tao

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2024 and the further renewal of a term of 3 years shall be subject to the shareholders' approval at the general meeting of the Company.

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

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

Save as disclosed below, as at 31 December 2022, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## Long Positions in Shares

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

Note: Mr. Sha Min ("Mr. Sha") directly holds 3,375,000 Domestic Shares and is indirectly interested in 60.40% of equity interest of Jiangsu Sample Holding Limited\* (江蘇三寶控股有限公司) ("Jiangsu Sample") which in turn owns 49% of the equity interest in Nanjing Sample Technology Group Company Limited ("Sample Group") which in turn owns directly 397,821,000 Domestic Shares and owns indirectly 4,310,000 H Shares. Under the SFO, Mr. Sha is deemed to be interested in all 401,196,000 Domestic Shares and 4,310,000 H Shares. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 401,196,000 Domestic Shares and 4,310,000 H Shares in which Mr. Sha is interested.

Sample Group directly holds 397,821,000 Domestic Shares, representing approximately 50.22% of the issued share capital of the Company and Sample Group owns indirectly 4,310,000 H Shares, representing approximately 0.54% of the issued share capital of the Company and Sample Group is owned as to 49% by Jiangsu Sample which in turn is held as to 60.40% by Tibet Zhuo Xin Venture Capital Management Co., Ltd.\* (西藏卓鑫創業投資管理有限責任公司) ("Tibet Zhuo Xin"). Tibet Zhuo Xin is owned as to 90% by Shanghai Jiaxin Enterprise Management Center (limited partnership)\* (上海佳鑫企業管理中心有限合夥) ("Shanghai Jiaxin") which in turn is beneficially owned as to 99% and 1% by Mr. Sha and his spouse, Du Yu (杜予). Under the SFO, Mr. Sha is deemed to be interested in the entire equity interest in each of Sample Group, Jiangsu Sample, Tibet Zhuo Xin and Shanghai Jiaxin.

## SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2022, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	397,821,000 Domestic Shares	Beneficial owner	50.77%
	4,310,000 H Shares	Interest of controlled corporation	

# Report of the Directors

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Qingdao Haifa State Owned Capital Investment and Operation Group Co., Ltd. ("Haifa Group") (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
State-owned Assets Supervision and Administration Commission of the People's Government of Qingdao ("SASAC of Qingdao") (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Jiangsu Sample Holding Limited* ("Jiangsu Sample") (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Tibet Zhuo Xin Venture Capital Management Co., Ltd.* (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Tibet Zhuo Cai Venture Capital Management Co., Ltd.* (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Shanghai Jiaxin Enterprise Management Center (limited partnership)* (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Shanghai Lianqi Enterprise Management Center (limited partnership)* (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Chang Yong (Note 3)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%

# Report of the Directors

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Active Gold Holding Limited (Note 4)	123,862,500 Domestic Shares	Beneficial owner	15.64%
Jian Ying Sample High Growth Investment Fund (Note 4)	123,862,500 Domestic Shares	Interest of controlled corporation	15.64%
Season International Pte. Ltd. (Note 5)	48,595,500 H Shares	Beneficial owner	6.14%
Season Holdco Pte. Ltd. (Note 5)	48,595,500 H Shares	Interest of controlled corporation	6.14%

## Notes:

- Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares. Hence, Sample Group is the substantial and the single largest shareholder of the Company. On 18 August 2020, Haifa Group completed the industry and commercial registration procedures in respect of the capital injection in Sample Group. Sample Group is owned as to 51% equity interests by Haifa Group which is 100% owned by SASAC of Qingdao.
- Sample Group directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares. As such, Sample Group is the substantial and the single largest shareholder of the Company. Sample Group is 49% held by Jiangsu Sample which in turn is held by Tibet Zhuo Xin and Tibet Zhuo Cai as to 60.40% and 38.96% equity interests respectively. Tibet Zhuo Xin is in turn held by Shanghai Jiaxin and Nanjing Juge Enterprise Management Center (limited partnership)\* (南京聚格企業管理中心(有限合夥)) ("Nanjing Juge") as to 90% and 10% equity interests respectively. Mr. Sha, the Chairman of the Company and his spouse, Du Yu (杜予), respectively held 99% and 1% in each of Shanghai Jiaxin and Nanjing Juge. On the other hand, Tibet Zhuo Cai is in turn held by Shanghai Lianqi and Nanjing Runge Enterprise Management Center (limited partnership)\* (南京潤格企業管理中心(有限合夥)) ("Nanjing Runge") as to 90% and 10% equity interests respectively. Mr. Chang Yong ("Mr. Chang"), held 99% in each of Shanghai Lianqi and Nanjing Runge.
- Mr. Chang is indirectly interested in 38.96% of equity interest of Jiangsu Sample which in turn owns 49% of the equity interest in Sample Group which in turn owns directly 397,821,000 Domestic Shares and owns indirectly 4,310,000 H Shares. Under the SFO, Mr. Chang is deemed to be interested in all 397,821,000 Domestic Shares and 4,310,000 H Shares.  
  
Sample Group, directly holds 397,821,000 Domestic Shares, representing approximately 50.22% of the issued share capital of the Company and Sample Group owns indirectly 4,310,000 H Shares, representing approximately 0.54% of the issued share capital of the Company and Sample Group is owned as to 49% by Jiangsu Sample which in turn is held as to 38.96% by Tibet Zhuo Cai Venture Capital Management Co., Ltd.\* (西藏卓財創業投資管理有限責任公司) ("Tibet Zhuo Cai"). Tibet Zhuo Cai is owned as to 90% by Shanghai Lianqi Enterprise Management Center (limited partnership)\* (上海聯啟企業管理中心有限合夥) ("Shanghai Lianqi") which in turn is beneficially owned as to 99% by Mr. Chang. Under the SFO, Mr. Chang is deemed to be interested in the entire equity interest in each of Sample Group and Jiangsu Sample.
- Active Gold Holding Limited is indirectly wholly owned by Jian Ying Sample High Growth Investment Fund.
- Season International Pte. Ltd. is wholly owned by Season Holdco Pte. Ltd.



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

Save as disclosed above, as at 31 December 2022, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2022, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

## **SHARE OPTION SCHEME**

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

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

On 28 December 2022, the Company (as the "Purchaser") and Sample Digital (as "Vendor I") entered into the Equity Transfer Agreement I whereby the Company agreed to acquire and the Sample Digital agreed to sell 12.00% equity interests in Qingdao Smart Fund at a consideration of RMB36,401,800.00.

On 28 December 2022, the Company (as the "Purchaser") and Qingdao Baohao (as "Vendor II") entered into the Equity Transfer Agreement II whereby the Company agreed to acquire and Qingdao Baohao agreed to sell 50.50% equity interests in Qingdao Data Technology Partnership at a consideration of RMB64,504,300.00.

On 30 December 2021, the Company (as the lessor) and Nanjing Sample (as the lessee) had renewed the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. 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.

Each of Mr. Sha Min, the chairman of the Board and an executive Director of the Company, and Mr. Chang Yong, who was the vice chairman of the Board and a non-executive Director of the Company and subsequently resigned on 12 August 2022, 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. 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.

## PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Group. At no time during the year ended 31 December 2022 and up to the date of this report, was or is there any permitted indemnity provision being in force for the benefit of any of the directors of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

### Five Largest Customers

Turnover to the Group's five largest customers accounted for 36.99% (2021: 25.33%) of the total sales for the year and sales to the largest customer included therein amounted to 9.52% (2021: 9.44%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

### Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 18.87% (2021: 9.24%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 5.15% (2021: 2.48%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

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

Details of the emoluments of the Directors, supervisors and employees and the five highest individuals of the Group are set out in Note X(V)4 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 220 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note V(XXXIV) to the financial statements. As at 31 December 2022, the Company had issued an aggregate of 229,500,000 H Shares and an aggregate of 562,558,500 Domestic Shares.

## PRE-EMPTIVE RIGHTS

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

# Report of the Directors

## RESERVES

Details of the movements of reserves of the Group during the year are set out on pages 72 to 75 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Group's reserves available for distribution amounted to RMB536,999,877.42 (2021: RMB812,449,980.76).

## INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the PRC. A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of annual final dividend to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of annual final dividend to natural persons whose names are registered on the H shares register of members of the Company. For the year ended 31 December 2022, the Company did not distribute any dividend.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2022.

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

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

## EQUITY-LINKED AGREEMENTS

As at 31 December 2022, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

## COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

## AUDIT COMMITTEE

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors and supervisors for the year ended 31 December 2022 are set out below:

- 1) On 29 April 2022, the director of Federal International Enterprise Ltd and Sample Technology (Hong Kong) Company Limited, the subsidiaries of the Company, were changed from Mr. Ma Fengkui to Mr. Sha Min. Subsequently, on 27 September 2022, Mr. Sha Min resigned the director of Federal International Enterprise Ltd and Sample Technology (Hong Kong) Company Limited.
- 2) On 26 May 2022, Mr. Qiu Xiangyang was nominated as an independent director of Nanjing Public Utilities Development Co., Ltd.\* (南京公用發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000421).
- 3) On 29 June 2022, Mr. Qiu Xiangyang ceased to act as an independent director of Nanjing Kangni Mechanical & Electrical Co., Ltd.\* (南京康尼機電股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603111) due to the expiration of the term of office..
- 4) On 12 August 2022, Mr. Chang Yong resigned as a non-executive director of the Company due to more time is required to be devoted to his personal affairs.
- 5) On 17 November 2022, Mr. Sha Min was appointed as executive director of Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司).
- 6) On 3 March 2023, Mr. Zhang Junmin resigned as an executive director of the Company to devote more time to the operation and management of Jiangsu Intellitrans Company Limited\* (江蘇智運科技發展有限公司), a wholly-owned subsidiary of the company.
- 7) On 3 March 2023, Mr. Ma Fengkui resigned as the chief executive officer of the Company, and Mr. Sha Min was appointed as the chief executive officer of the Company.
- 8) On 17 April 2023, Mr. Liu Min was appointed as an executive director of the Company and Ms. Cai Lijuan was appointed as a non-executive director of the Company.

# Report of the Directors

Save as disclosed above and elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2022.

## EMOLUMENT POLICY

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

## RETIREMENT FUND OBLIGATION

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

## CONNECTED TRANSACTIONS

On 28 December 2022, the Company (as the “Purchaser”) and Nanjing Sample Digital Technology Co., Ltd.\* (南京三寶數碼科技有限公司) (“Sample Digital”) (as “Vendor I”) entered into the Equity Transfer Agreement I whereby the Company agreed to acquire and Sample Digital agreed to sell 12.00% equity interests in Qingdao Smart Data Technology Venture Capital Partnership (Limited Partnership)\* (青島智慧數科創業投資合夥企業(有限合伙)) (“Qingdao Smart Fund”) at a consideration of RMB36,401,800.00.

On 28 December 2022, the Company (as the “Purchaser”) and Qingdao Baohao Technology Co., Ltd.\* (青島寶昊科技有限公司) (“Qingdao Baohao”) (as “Vendor II”) entered into the Equity Transfer Agreement II whereby the Company agreed to acquire and Qingdao Baohao agreed to sell 50.50% equity interests in Qingdao Haifa Data Technology Industry Investment Development Partnership (Limited Partnership)\* (青島海發數科產業投資發展合夥企業(有限合伙)) (“Qingdao Data Technology Partnership”) at a consideration of RMB64,504,300.00.

For details of the above-mentioned acquisitions, please refer to the announcement of the Company dated 28 December 2022.

## CONTINUING CONNECTED TRANSACTIONS

On 30 December 2021, the Company (as the lessor) and Sample Group (as the lessee) had renewed the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. 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. The annual caps for the rent to be paid to the Company by Sample Group and its associates for each of the three years from 2022 to 2024 is RMB8,000,000.00. Details have been disclosed in the announcement dated 30 December 2021. The rental amount incurred between the Company and Sample Group and its associates for the year ended 31 December 2022 was RMB2,939,317.76.

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

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

## RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2022 are set out in Note X to the financial statements of this annual report. None of these related party transactions constitutes a notifiable connected transaction as defined under the Listing Rules, except for the transactions described in the section headed "Connected Transactions" and "Continuing Connected Transactions" in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2022.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Listing Rules, the Company published its 2022 Environmental, Social and Governance Report ("ESG Report") which is in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules. The ESG Report has been uploaded to the website of the Company ([www.samples.com.cn](http://www.samples.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) together with this annual report.



## AUDITORS

Since the team responsible for the Company's audit business of BDO China Shu Lun Pan Certified Public Accounts LLP ("Shu Lun Pan") joined Da Hua Certified Public Accountants (Special General Partnership) ("Da Hua"), Shu Lun Pan was terminated as the Company's auditor and Da Hua was appointed as the Company's auditor for 2019 at the general meeting held on 27 December 2019. Having considered the development needs of the Company, the termination of appointment of Da Hua as the auditor of the Company and the appointment of Shu Lun Pan as the auditor of the Company for 2020 were approved at the extraordinary general meeting of the Company held on 12 March 2021. Save as disclosed above, there were no other changes in the auditors of the Company in the last three years.

The consolidated financial report of the Group for the year ended 31 December 2022 has been audited by Shu Lun Pan. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Shu Lun Pan as the auditor of the Company and to authorise the Directors to fix their remuneration.

On behalf of the Board

**Sha Min**

*Chairman*

Nanjing, the PRC  
31 March 2023

## CORPORATE GOVERNANCE CODE

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) 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 2022.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2022.

## BOARD OF DIRECTORS AND BOARD MEETINGS

The Directors of the Company during the year and up to the date of printing this annual report (i.e. 22 April 2023) were as follows:

### Executive Directors

Mr. Sha Min

Mr. Ma Fengkui

Mr. Liu Min (*Appointed on 17 April 2023*)

Mr. Zhang Junmin (*Resigned on 3 March 2023*)

### Non-executive Director

Ms. Cai Lijuan (*Appointed on 17 April 2023*)

Mr. Chang Yong (*Resigned on 12 August 2022*)

### Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie

Each of the Directors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2024 and the further renewal for another terms of three years shall be subject to the approval of the shareholders at the general meeting of the Company.

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

Pursuant to the CG Code, the roles of Chairman and Chief Executive Officer are required to be separated. The Chairman is responsible for leading and supervising the operation of the Board, ensuring that the Board has established good corporate governance practices and procedures and that it acts in the best interests of the Group and the Company's shareholders as a whole and that Board meetings are effectively planned and conducted. The Chief Executive Officer is responsible for managing the Group's day-to-day business, formulating and successfully implementing the Group's policies, and is fully accountable to the Board for the Group's overall operations. During the year, Mr. Sha Min and Mr. Ma Fengkui served as the Chairman and Chief Executive Officer of the Company respectively. However, since 3 March 2023, Mr. Sha Min has served as the Chairman and Chief Executive Officer of the Company, which constitutes a deviation from C.2.1 of the CG Code provision. The Board believes that Mr. Sha, as the Chairman of the Company, has been leading the Board to ensure that the Board cooperates and operates in accordance with the principle of the best interests of the Company. At the same time, Mr. Sha is familiar with the Company's business operations and possesses excellent knowledge and experience in the Company's business, which is conducive to improving the efficiency of the Company's overall strategic planning. In addition, the remaining two executive directors have also been appointed as vice president of the Company to assist Mr. Sha Min in overseeing the business operation and management. Therefore, the Directors believe that the layout of this management structure will be more beneficial to the future development of the Company and can improve the Company's operating conditions. Under the supervision of the Board (currently composed of three executive directors, one non-executive director and three independent non-executive directors), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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

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

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

During the year ended 31 December 2022, the Board held seven meetings, two of which were regular meetings.

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

## SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

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

### The Attendance of Directors at the Board Meetings and Shareholders' General Meetings

The Board has convened seven plenary Board meetings and two shareholders' general meetings for the year ended 31 December 2022. The attendance of the Directors at the meetings was as follows:

Name of Directors	Board meeting	General meeting
<b>Executive Directors</b>		
Mr. Sha Min ( <i>Chairman &amp; Chief Executive Officer</i> )	7/7	2/2
Mr. Ma Fengkui ( <i>Vice President</i> )	7/7	2/2
Mr. Zhang Junmin ( <i>Resigned on 3 March 2023</i> )	7/7	2/2
<b>Non-executive Director</b>		
Mr. Chang Yong ( <i>Resigned on 12 August 2022</i> )	3/3	1/1
<b>Independent Non-executive Directors</b>		
Mr. Hu Hanhui	7/7	2/2
Mr. Gao Lihui	7/7	2/2
Mr. Niu Zhongjie	7/7	2/2

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

# Corporate Governance Report

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the year, an in-house training covering updated Listing Rules and other relevant applicable regulatory requirements was conducted. Besides, regulatory updates as well as reading materials relating to economic, industry, market etc. were circulated and provided to Directors from time to time. All Directors participated in appropriate continuous professional development and provided the Company with their records of training received in 2022 as follows:

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending in-house training programmes
<b>Executive Directors</b>		
Mr. Sha Min	√	√
Mr. Ma Fengkui	√	√
Mr. Zhang Junmin ( <i>Resigned on 3 March 2023</i> )	√	√
<b>Non-executive Director</b>		
Mr. Chang Yong ( <i>Resigned on 12 August 2022</i> )	√	√
<b>Independent Non-executive Directors</b>		
Mr. Hu Hanhui	√	√
Mr. Gao Lihui	√	√
Mr. Niu Zhongjie	√	√

## NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS

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

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

The criteria for prospective candidates for nomination is: 1) the skills, knowledge and working experiences to carry out the duties of a director; 2) compliance of the qualifications set out in the Articles, the Company Law of the PRC and the Listing Rules for acting as a director and, where applicable, qualifications to act as an independent non-executive director; 3) the consideration of the board diversity policy of the Company. The new director will be provided with the information prepared by the Company on the regulatory rules and the Company's internal rules as well as the information about the Company's background and business from the management.

The Board is responsible for reviewing its structure, size, composition and its diversity regularly and making any changes to complement the Company's corporate strategy. During the Review Period, the Board has reviewed its board diversity policy. According to the CG Code, the Company has appointed a director of a different gender from the existing Board on 17 April 2023.

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

## REMUNERATION COMMITTEE

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

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

The role and function of the remuneration committee included determining the policy for the remuneration of directors; making recommendation to the board of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; making recommendations to the board of the remuneration of non-executive Directors; assessing performance of executive directors and approving the terms of executive directors' service contracts; ensuring no Director or any of his associates be participated in deciding his own remuneration. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

Two meetings were held during the year by the remuneration committee to review and re-determine the remuneration proposals for the eighth session of Board, supervisors and senior management with reference to market conditions, positions and responsibilities.



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

	Number of attendance
Mr. Hu Hanhui	2/2
Mr. Gao Lihui	2/2
Mr. Ma Fengkui	2/2

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

## NOMINATION COMMITTEE

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

The nomination committee currently consists of two independent non-executive Directors, namely Mr. Hu Hanhui (chairman of nomination committee), Mr. Niu Zhongjie and one executive Director, namely Mr. Liu Min who was appointed on 17 April 2022 to fill the vacancy arising from the resignation of Mr. Zhang Junmin on 3 March 2023.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis, to determine the policy, procedures and criteria of nomination of directors and where necessary, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession plan for Directors, to assess the independence of independent non-executive directors, to review the board diversity policy and its progress towards achieving the objectives of the board diversity policy.

The Board adopted a board diversity policy in accordance with the CG Code. The Company recognises the benefits of having a diverse Board, and considers diversity at Board level essential in achieving a sustainable and balanced development. When recommending suitable candidates to the Board, the Nomination Committee will take merits of the candidates into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. In order to enhance the gender diversity and for the compliance of CG Code, the Company has appointed a female Director, Ms. Cai Lijuan, on 17 April 2023. Following the appointment of Ms. Cai, the Company's board of directors has six male directors and one female director. In addition, a summary of the gender ratio in the workforce of the Group as at 31 December 2022 is disclosed in the 2022 ESG report of the Company.

Two meetings were held during the year by the nomination committee to review and consider the procedures for the nomination of directors and the rationality and compliance of the composition of the board of directors.

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

	Number of attendance
Mr. Hu Hanhui	2/2
Mr. Niu Zhongjie	2/2
Mr. Zhang Junmin ( <i>Resigned on 3 March 2023</i> )	2/2

The Nomination Committee has declared the interest of the members of the board, review the structure, size and composition of the board, assess the independence of independent non-executive directors, nominate directors to be re-elected at the forthcoming AGM and review the nomination policy, including nomination procedure and recommendation criteria.

## AUDIT COMMITTEE

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

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

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

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

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

	Number of attendance
Mr. Hu Hanhui	2/2
Mr. Gao Lihui	2/2
Mr. Niu Zhongjie	2/2

During the year, the audit committee have reviewed and considered the Group's audited annual results for the year ended 31 December 2021 and the unaudited interim results for the six months ended 30 June 2022. Besides, the audit committee also reviewed the Group's audited annual results for the year ended 31 December 2022, and has reviewed and confirmed the accounting principles and practices adopted by the Group. Internal control, risk management and financial reporting issues have also been reviewed and discussed.

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

## STRATEGIC COMMITTEE

The Company established a strategic committee on 18 October 2011. The strategic committee currently consists of three executive Directors, namely Mr. Sha Min (the chairman of the strategic committee), Mr. Ma Fengkui and Mr. Liu Min who was appointed on 17 April 2022 to fill the vacancy arising from the resignation of Mr. Zhang Junmin on 3 March 2023.

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

The strategic committee held one meeting during the year to review the report on the Company's overall strategic development goals for 2022. In 2022, on the one hand, the Group continues to focus on the two core industries intelligent transportation and intelligent logistics and has closely pursued the dual-carbon policy, try to expand and deploy new business areas such as low-carbon emission parks and intelligent energy, and focusing on zero-carbon economic scenarios to achieve vertical market expansion.

	Number of attendance
Mr. Sha Min	1/1
Mr. Ma Fengkui	1/1
Mr. Zhang Junmin ( <i>Resigned on 3 March 2023</i> )	1/1

## AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2022 were performed by BDO China Shu Lun Pan Certified Public Accountants LLP. The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditors during the year ended 31 December 2022 are set out below:

	2022 RMB'000	2021 RMB'000
<b>Services rendered</b>		
Audit services	1,000	1,000
Non-audit services	—	—
	<u>1,000</u>	<u>1,000</u>

## CORPORATE GOVERNANCE FUNCTIONS

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

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

## FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on pages 49 to 54 of this annual report.

## COMPANY SECRETARY

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

## INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

- Establish an internal control and risk management implementation team and improve the organizational structure so that the powers and responsibilities of monitoring level are clearly defined;
- Organize working meetings for internal control and risk management standard, promote the norms of internal control amongst staff and enhance staff awareness of the importance and necessity of internal control system;

- Analyze internal control deficiencies, risk identification and evaluation, and test the effectiveness of internal control according to the enterprise risk management model by collecting and sorting the daily workflow and internal control system of various departments, business and financial modules of the company;
- Develop risks lists at the corporate level, process level, information system level, identify problems in internal control and risk management in a timely manner, and strive to minimize its impact through continuous improvement of corporate governance and proactive management;
- Establish a comprehensive accounting system to provide management with financial and operational performance indicators, as well as financial information for reporting and disclosure, to maintain complete accounting records and to ensure reliable use of financial data on business and announcements to avoid serious errors, losses or fraud;
- Internal audit functions will make analysis and independent assessment of the adequacy and effectiveness of the company's risk management and internal control systems. The responsible person of internal audit reports to the audit committee on any questions found during its day-to-day work, including major internal control deficiencies (if any);
- The audit committee reviews the annual audited report submitted by the external auditor to the management of the Group (including an explanatory letter about the audit to the management);
- Establish a set of guidelines and procedures for handling and posting inside information to enable timely processing and publication of inside information.

Establish a whistleblowing policy to encourage employees on confidential basis to report to management of any possible misconduct on any matter regarding the Group. The Group will keep confidential all information received and protect the identity and interests of whistleblowers. During the year, the Board authorised the audit committee to review the work of the internal audit functional departments and the external auditors, review the regular reports on risk management and regulatory compliance that prepared by the management, and review the adequacy and effectiveness of the Group's risk management and internal control systems. During the review, the audit committee also assessed and considered the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and its training plans and budget. The Board considers that the Group's risk management and internal control systems for the year ended 31 December 2022 were effective and adequate and were in compliance with corporate governance requirements.



## DIVIDEND POLICY

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

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

Provision C.1.6 of the CG Code stipulates that non-executive director and independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

## CHANGE IN CONSTITUTIONAL DOCUMENT

In order to meet the business development needs of the Company in accordance with the actual situation of the Company's operations, the Company changed its business scope and revised the relevant provisions of the articles of association of the Company during the reporting period. This amendment has been considered and approved by shareholders at the extraordinary general meeting held on 8 December 2022. For details of this amendment, please refer to the announcements of the Company dated 10 November 2022 and 8 December 2022.

Save as disclosed above, there has been no significant change in the Company's Articles of Association during the Review Period.

# Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2022 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

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

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

On behalf of the Supervisory Committee

**Qiu Xiang Yang**

*Chairman*

Nanjing, the PRC  
31 March 2023

Xin Kuai Shi Bao Zi [2023] No.ZA12083

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

## **1. OPINION**

We have audited the financial statements of Nanjing Sample Technology Company Limited (the "Company"), which comprise its and consolidated balance sheets as at 31 December 2022, and its and consolidated income statements, its and consolidated cash flow statements, its and consolidated statements of change in equity for the year then ended, and notes to the financial statements.

In our opinion, the attached financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a true and fair view of its and consolidated financial position as at 31 December 2022, and of its and consolidated financial performance and cash flows of the Company for the year 2022.

## **2. BASIS FOR OPINION**

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

## **3. KEY AUDIT MATTERS**

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

Set out below is the summary of key audit matters which we identified during the audit process:

## Key audit matters

## How the matter was addressed in the audit

### (I) Recognition of system integration revenue

Please refer to the accounting policy as stated in note (XXIV) of “III. Significant accounting policies and accounting estimates” and note (XXXIX) of “V. Notes to the main items in consolidated financial statements” under the notes to the consolidated financial statements.

Sample Technology achieved operating income of RMB512,665,194.01 in 2022 financial year, of which system integration income was RMB403,057,943.39.

The system integration business of Sample Technology mainly fulfills the performance obligations within a certain period of time. The revenue is recognised during the contract period based on the performance progress, which is determined by input method. Management makes a reasonable estimate of the estimated total contract revenue and estimated total contract cost based on the contract budget of the system integration project to determine the progress of contract performance, and evaluates and revises the contract on an ongoing basis during the execution of the contract. The relevant contract budget involves the management's use of significant accounting estimations and judgements. We identified the revenue from system integration operations as a key audit matter due to the above reason.

Our procedures in relation to recognition of revenue from system integration operations mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls in place on budget preparation and revenue recognition of the system integration projects;
- (2) Checking on a sample basis, whether the expected total contract revenue and total contract costs are consistent with the project contract and cost budget that they base on, so as to appraise whether the estimates made by the management are reasonable and justified;
- (3) Checking contract performance costs incurred during the year by tracing the support documentation on a sample basis;
- (4) Recalculating the calculation accuracy on performance progress of projects by referring to system integration contract ledger on a sample basis;
- (5) Making on-site selection of samples of system integration projects and discussed with site project managers the extent to which the work was completed, obtained a bill of quantities confirmed by the project owner, the supervisor and the Company and executing further inspection procedures by comparing with the performance progress in record.

## Key audit matters

## How the matter was addressed in the audit

### (II) Impairment provision for account receivables and contract assets

Please refer to the accounting policies described in note (XI) of “III. Significant Accounting Policies and Accounting Estimates” and note (VIII) of “V. Notes to the main items in consolidated financial statements”.

As at the end of 2022, the carrying value of accounts receivable of Sample Technology was RMB555,706,138.02, the bad debt provision was RMB314,825,572.33; the carrying value of contract assets was RMB591,932,936.10, and the impairment provision was RMB44,612,934.65.

In making estimation of expected credit losses of accounts receivable and contract assets, the management has taken into consideration historical default conditions, current credit risk exposure and future economic conditions forecast. As the management is required to exercise significant accounting estimates and judgments in determining the impairment of accounts receivable, therefore, we believe that there is a significant risk in the provision for bad debts of accounts receivable and the impairment of accounts receivable is identified as a key audit matter.

The audit procedures we executed for the recognition of credit losses on accounts receivable and contract assets mainly included:

1. understand and evaluate the key internal controls adopted by management in relation to the provision for expected credit losses of account receivables and contract assets;
2. for account receivables and contract assets which expected credit losses are measured on individual basis, the reasonableness of judgement that the management used to estimate the future recoverable cash flow should be subject to assessment and the accuracy of relevant provisions shall be subject to inspection;
3. for account receivables and contract assets which expected credit losses are measured on portfolio basis, the underlying historical data utilised by the provision matrix that based on the aging schedule established by the management, including the aging analysis and corresponding recovered amount of previous years, is subject to review; the reasonableness of the estimated credit loss rate adopted by the management on different aging ranges is subject to evaluation against historical defaults, current credit risk exposure and management's forecast and analysis of future economic conditions;
4. testing the aging of account receivables and contract assets as well as the accuracy of the calculation of the provision for estimated credit losses derived by the management from the provision matrix that based on aging analysis.



## 4. OTHER INFORMATION

The management of the Company (the “Management”) are responsible for the other information. The other information comprises the information included in the 2022 annual report of the Company, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

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

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

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

# Auditor's Report

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

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

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

BDO China Shu Lun Pan Certified Public  
Accountants LLP

Chinese Certified Public Accountant: Ge Qin  
(Project partner)

Chinese Certified Public Accountant: Cai Wenjia

Shanghai, China

31 March 2023

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	Closing balance	Closing balance at preceding year
<b>Current assets:</b>			
Cash at bank and on hand	(I)	<b>472,877,356.21</b>	379,312,843.32
Settlement provisions		—	—
Placements with banks and other financial institutions		—	—
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Notes receivable	(II)	<b>5,278,413.60</b>	3,600,960.00
Accounts receivable	(III)	<b>240,880,565.69</b>	326,188,720.07
Receivables financing	(IV)	<b>1,505,158.27</b>	4,000,000.00
Prepayments	(V)	<b>91,147,323.41</b>	142,015,522.10
Premiums receivable		—	—
Reinsurance receivable		—	—
Reinsurance contract reserve receivable		—	—
Other receivables	(VI)	<b>366,840,678.68</b>	821,201,854.95
Financial assets held under resale agreements		—	—
Inventories	(VII)	<b>36,949,072.95</b>	70,393,240.44
Contract assets	(VIII)	<b>547,320,001.45</b>	607,228,964.84
Held-for-sale assets	(IX)	—	428,077,500.00
Non-current assets due within one year	(X)	<b>24,687,737.50</b>	—
Other current assets	(XI)	<b>66,184,323.09</b>	74,216,262.60
<b>Total current assets</b>		<b>1,853,670,630.85</b>	2,856,235,868.32

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	Closing balance	Closing balance at preceding year
<b>Non-current assets:</b>			
Loans and advances to customers		—	—
Debenture investments		—	—
Other debenture investment		—	—
Long-term receivables		—	—
Long-term equity investments	(XII)	10,132,457.00	114,791.00
Other equity instruments investment	(XIII)	502,211,599.45	5,613,951.53
Other non-current financial assets	(XIV)	160,405,352.56	140,947,660.22
Investment property	(XV)	236,803,100.00	236,490,100.00
Fixed assets	(XVI)	152,999,306.59	208,814,233.66
Construction in progress	(XVII)	172,212.40	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets	(XVIII)	10,395,621.02	10,308,157.92
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses	(XIX)	—	620,319.39
Deferred income tax assets	(XX)	71,504,724.83	68,446,098.11
Other non-current assets	(XXI)	—	23,665,787.50
<b>Total non-current assets</b>		<b>1,144,624,373.85</b>	<b>695,021,099.33</b>
<b>TOTAL ASSETS</b>		<b>2,998,295,004.70</b>	<b>3,551,256,967.65</b>

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note V	Closing balance	Closing balance at preceding year
<b>Current liabilities:</b>			
Short-term borrowings	(XXII)	729,107,789.86	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	(XXIII)	—	4,000,000.00
Accounts payable	(XXIV)	420,268,845.60	547,731,378.35
Advances from customers	(XXV)	—	17,872.20
Contract liabilities	(XXVI)	55,344,250.54	53,269,281.83
Financial assets sold under repurchase agreements		—	—
Customer deposits and deposits from banks and other financial institutions		—	—
Securities trading of agency		—	—
Securities underwriting		—	—
Payroll payable	(XXVII)	15,845,751.94	16,063,182.97
Taxes payable	(XXVIII)	4,175,039.57	7,599,550.52
Other payables	(XXIX)	88,604,051.24	52,244,563.53
Bank charges and commissions due		—	—
Reinsurers due		—	—
Held-for-sale liabilities		—	—
Non-current liabilities due within 1 year	(XXX)	6,000,000.00	96,000,000.00
Other current liabilities	(XXXI)	8,679,446.46	3,618,602.10
<b>Total current liabilities</b>		<b>1,328,025,175.21</b>	<b>1,553,357,374.41</b>
<b>Non-current liabilities:</b>			
Insurance contract reserves		—	—
Long-term borrowings	(XXXII)	88,032,451.78	90,250,000.00
Bonds payables		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Lease liabilities		—	—
Long-term payables		—	—
Long-term payroll payable		—	—
Estimated liabilities		—	—
Deferred income	(XXXIII)	6,935,213.17	14,385,829.85
Deferred income tax liabilities	(XX)	16,709,856.83	15,804,508.85
Other non-current liabilities		—	—
<b>Total non-current liabilities</b>		<b>111,677,521.78</b>	<b>120,440,338.70</b>
<b>Total liabilities</b>		<b>1,439,702,696.99</b>	<b>1,673,797,713.11</b>

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note V	Closing balance	Closing balance at preceding year
<b>Owners' equity:</b>			
Share capital	(XXXIV)	<b>792,058,500.00</b>	792,058,500.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Capital reserves	(XXXV)	<b>80,999,419.73</b>	103,269,821.12
Less: treasury stocks		—	—
Other comprehensive income	(XXXVI)	<b>34,759,511.88</b>	25,457,396.42
Special reserves		—	—
Surplus reserves	(XXXVII)	<b>104,128,024.15</b>	104,128,024.15
General risk provision		—	—
Undistributed profits	(XXXVIII)	<b>536,999,877.42</b>	812,449,980.76
Total owners' equity attributable to the parent company		<b>1,548,945,333.18</b>	1,837,363,722.45
Minority interest		<b>9,646,974.53</b>	40,095,532.09
<b>Total owners' equity</b>		<b><u>1,558,592,307.71</u></b>	<b><u>1,877,459,254.54</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b><u>2,998,295,004.70</u></b>	<b><u>3,551,256,967.65</u></b>

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

Page 55 to page 219 of the financial statements were signed by the following person in charge:

**Sha Min**  
Director

**Ma Fengkui**  
Director

**Sha Min**  
Legal representative

**Xu Yonghui**  
Person in charge of  
accounting function

**Xu Yonghui**  
Head of accounting department



# Balance Sheet of the Parent Company

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note XIV	Closing balance	Closing balance at preceding year
<b>Current assets:</b>			
Cash at bank and on hand		14,645,366.53	71,145,205.76
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Notes receivable	(I)	5,042,929.82	3,600,960.00
Accounts receivable	(II)	96,951,392.31	213,972,319.06
Receivable financing	(III)	1,505,158.27	—
Prepayments		4,687,437.17	37,261,435.94
Other receivables	(IV)	416,900,306.95	353,915,683.25
Inventories		2,880,672.29	—
Contract assets		116,768,047.96	146,099,613.38
Held-for-sale assets		—	428,077,500.00
Non-current assets due within one year		—	—
Other current assets		89,714.10	89,714.10
<b>Total current assets</b>		<b>659,471,025.40</b>	<b>1,254,162,431.49</b>
<b>Non-current assets:</b>			
Debt investment		—	—
Other debt investment		—	—
Long-term receivables		—	—
Long-term equity investments	(V)	498,666,140.59	500,018,025.82
Other equity instruments investment		502,211,599.45	5,613,951.53
Other non-current financial assets		144,424,151.22	127,401,404.22
Investment property		236,803,100.00	236,490,100.00
Fixed assets		97,132,721.99	111,560,154.77
Construction in progress		172,212.40	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right of use assets		—	—
Intangible assets		11,762,853.34	11,669,443.10
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		39,994,330.29	32,763,238.41
Other non-current assets		—	—
<b>Total non-current assets</b>		<b>1,531,167,109.28</b>	<b>1,025,516,317.85</b>
<b>TOTAL ASSETS</b>		<b>2,190,638,134.68</b>	<b>2,279,678,749.34</b>

# Balance Sheet of the Parent Company

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	Note XIV	<b>Closing balance</b>	Closing balance at preceding year
<b>Current liabilities:</b>			
Short-term borrowings		<b>367,244,989.18</b>	347,302,929.02
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable		<b>96,167,147.14</b>	162,223,929.55
Advances from customers		—	—
Contract liabilities		<b>16,295,101.98</b>	9,120,711.19
Payroll payables		<b>8,220,306.52</b>	8,357,141.67
Taxes payable		<b>2,420,251.70</b>	3,895,556.51
Other payables		<b>576,523,954.30</b>	404,676,977.04
Held-for-sale liabilities		—	—
Non-current liabilities due within one year		<b>6,000,000.00</b>	96,000,000.00
Other current liabilities		<b>6,671,753.70</b>	2,032,885.74
<b>Total current liabilities</b>		<b>1,079,543,504.52</b>	1,033,610,130.72
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>84,250,000.00</b>	90,250,000.00
Bonds payables		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Lease liabilities		—	—
Long-term payables		—	—
Long-term payroll payables		—	—
Estimated liabilities		—	—
Deferred income		<b>6,202,575.22</b>	13,202,575.22
Deferred income tax liabilities		<b>16,604,257.48</b>	15,680,070.51
Other non-current liabilities		—	—
<b>Total non-current liabilities</b>		<b>107,056,832.70</b>	119,132,645.73
<b>Total liabilities</b>		<b>1,186,600,337.22</b>	1,152,742,776.45

# Balance Sheet of the Parent Company

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XIV	Closing balance	Closing balance at preceding year
<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>100,649,699.68</b>	100,649,699.68
Less: treasury stocks		—	—
Other comprehensive income		<b>40,276,366.46</b>	34,159,895.73
Special reserves		—	—
Surplus reserves		<b>104,128,024.15</b>	104,128,024.15
Undistributed profits		<b>-33,074,792.83</b>	95,939,853.33
<b>Total owners' equity</b>		<b>1,004,037,797.46</b>	1,126,935,972.89
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,190,638,134.68</b>	2,279,678,749.34

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

# Consolidated Income Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
<b>1. Total operating income</b>	(XXXIX)	<b>512,665,194.01</b>	914,013,755.55
Including: Operating income		<b>512,665,194.01</b>	914,013,755.55
Interest income		—	—
Premiums earned		—	—
Fee and commission income		—	—
<b>2. Total operating cost</b>		<b>638,933,934.01</b>	954,710,351.64
Including: Operating costs	(XXXIX)	<b>483,429,208.33</b>	744,568,376.45
Interest expenses		—	—
Fee and commission expense		—	—
Surrenders		—	—
Net expenses of claim settlement		—	—
Net provisions for insurance contract		—	—
Insurance policy dividend payment		—	—
Reinsurance cost		—	—
Tax and surcharges	(XL)	<b>4,771,144.79</b>	5,639,530.48
Selling expenses	(XLI)	<b>44,130,186.93</b>	38,544,136.51
Administrative expenses	(XLII)	<b>46,632,855.46</b>	58,204,990.99
Research and development expenses	(XLIII)	<b>23,139,593.40</b>	48,556,855.68
Financial expenses	(XLIV)	<b>36,830,945.10</b>	59,196,461.53
Including: Interest expense		<b>42,758,466.41</b>	59,758,364.88
Interest income		<b>5,672,499.57</b>	1,894,057.79
Add: Other gains	(XLV)	<b>12,050,298.38</b>	12,178,328.56
Investment income (losses are represented by "-")	(XLVI)	<b>-1,194,716.82</b>	9,777,733.14
Including: Investment income of associates and joint ventures		<b>17,666.00</b>	-3,561.11
Gains arising from derecognition of financial assets measured at amortised cost		—	—
Exchange gain (losses are represented by "-")		—	—
Income on hedging the net exposure (losses are represented by "-")		—	—
Gains arising from changes in fair value (losses are represented by "-")	(XLVII)	<b>1,608,967.14</b>	10,536,503.31
Credit impairment loss (losses are represented by "-")	(XLVIII)	<b>-199,369,835.55</b>	-44,990,267.50
Asset impairment loss (losses are represented by "-")	(XLIX)	<b>5,495,847.96</b>	-1,551,448.31
Gains on disposal of assets (losses are represented by "-")	(L)	<b>-67,124.70</b>	-11,351.46

# Consolidated Income Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
<b>3. Operating profit</b> <b>(losses are represented by "-")</b>		<b>-307,745,303.59</b>	-54,757,098.35
Add: Non-operating income	(LI)	<b>3,375,741.13</b>	51,313.02
Less: Non-operating expenses	(LII)	<b>628,961.93</b>	832.62
<b>4. Total profit</b> <b>(total losses are represented by "-")</b>		<b>-304,998,524.39</b>	-54,706,617.95
Less: Income tax expense	(LIII)	<b>-4,136,298.22</b>	1,205,569.68
<b>5. Net profit (net losses are represented by "-")</b>		<b>-300,862,226.17</b>	-55,912,187.63
(1) Classified by business continuity			
1. Net profit from continuing operations (net losses are represented by "-")		<b>-300,862,226.17</b>	-55,912,187.63
2. Net profit from discontinued operations (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 (net losses are represented by "-")		<b>-273,526,467.22</b>	-59,244,735.65
2. Profit or loss attributable to minority shareholders (net losses are represented by "-")		<b>-27,335,758.95</b>	3,332,548.02
<b>6. Net other comprehensive income after tax</b>		<b>7,385,247.62</b>	2,037,906.11
(1) Net other comprehensive income after tax attributable to owners of the parent company		<b>7,385,247.62</b>	2,037,906.11
1. Other comprehensive income which cannot be reclassified subsequently to profit and loss		<b>4,199,602.89</b>	5,066,467.06
(1) Changes as a result of re-measurement of defined benefit plan		—	—
(2) Other comprehensive income that cannot be reclassified to profit and loss under equity method		—	—
(3) Changes in fair value of other equity instruments investment		<b>4,199,602.89</b>	5,066,467.06
(4) Changes in fair value of the enterprise's own credit risk		—	—

# Consolidated Income Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
2. Other comprehensive income which can be reclassified to profit and loss		<b>3,185,644.73</b>	-3,028,560.95
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
(2) Changes in fair value of other equity instruments investment		-	-
(3) Amount of financial assets reclassified to other comprehensive income		-	-
(4) Provision for credit impairment of other bonds investment		-	-
(5) Cash flow hedging reserve		-	-
(6) Translation difference of financial statements in foreign currencies		<b>3,185,644.73</b>	-3,028,560.95
(7) Others		-	-
Net other comprehensive income after tax attributable to minority shareholders		-	-
<b>7. Total comprehensive income</b>		<b>-293,476,978.55</b>	-53,874,281.52
Total comprehensive income attributable to the owners of the parent company		<b>-266,141,219.60</b>	-57,206,829.54
Total comprehensive income attributable to minority shareholders		<b>-27,335,758.95</b>	3,332,548.02
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)		<b>-0.35</b>	-0.07
(2) Diluted earnings per share (RMB/share)		<b>-0.35</b>	-0.07

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

# Income Statement of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	Current period	Previous period
<b>I. Operating income</b>	(VI)	<b>189,994,166.10</b>	238,764,727.54
Less: Operating cost	(VI)	<b>136,749,626.00</b>	164,744,686.58
Taxes and surcharges		<b>3,896,615.49</b>	3,675,214.54
Selling and distribution expenses		<b>21,220,027.16</b>	20,028,243.74
Administrative expenses		<b>31,664,427.70</b>	35,802,525.19
Research & development expenses		<b>10,284,515.62</b>	18,562,845.16
Financial expenses		<b>21,941,338.03</b>	45,599,049.23
Including: Interest expenses		<b>21,418,713.90</b>	45,336,224.70
Interest income		<b>55,021.75</b>	110,019.84
Add: Other income		<b>11,202,870.53</b>	10,815,883.22
Investment income			
(losses are represented by "-")	(VII)	<b>-22,009,271.17</b>	7,624,586.25
Including: Investment income from			
associates and joint ventures		<b>-21,139,538.41</b>	-3,561.11
Gain on derecognition of financial			
assets measured at amortized			
cost		—	—
Income from net exposure to hedging (losses are			
represented by "-")		—	—
Gain on fair value change			
(losses are represented by "-")		<b>351,447.00</b>	9,712,103.31
Credit impairment losses			
(losses are represented by "-")		<b>-88,723,752.40</b>	-55,792,389.11
Asset impairment losses			
(losses are represented by "-")		<b>-2,622,173.57</b>	-3,766,726.82
Income on disposal of assets			
(losses are represented by "-")		<b>218.72</b>	-346.61
<b>II. Operating profit</b>			
<b>(losses are represented by "-")</b>		<b>-137,563,044.79</b>	-81,054,726.66
Add: Non-operating income		<b>3,375,741.13</b>	2.76
Less: Non-operating expenses		<b>288,408.54</b>	—
<b>III. Total profit (losses are represented by "-")</b>		<b>-134,475,712.20</b>	-81,054,723.90
Less: Income tax expenses		<b>-7,384,702.16</b>	-5,497,307.42
<b>IV. Net profit (losses are represented by "-")</b>		<b>-127,091,010.04</b>	-75,557,416.48
(I) Net profit from the continuing operations			
(losses are represented by "-")		<b>-127,091,010.04</b>	-75,557,416.48
(II) Net profit from the discontinued operations			
(losses are represented by "-")		—	—



# Income Statement of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	Current period	Previous period
<b>V. Net other comprehensive income, net of tax</b>		<b>4,199,602.89</b>	5,066,467.06
(I) Other comprehensive income that will not be reclassified to profit or loss		<b>4,199,602.89</b>	5,066,467.06
1. Changes of re-measurement of defined benefit plans		—	—
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		—	—
3. Changes in fair value of other equity instruments investment		<b>4,199,602.89</b>	5,066,467.06
4. Changes in fair value of the company's own credit risk		—	—
(II) Other comprehensive income that will be reclassified to profit and loss		—	—
1. Other comprehensive income under equity method that can be reclassified into profit and loss		—	—
2. Changes in fair value of other debt investments		—	—
3. The amount of financial assets reclassified into other comprehensive income		—	—
4. Credit impairment provisions for other debt investment		—	—
5. Reserves for cash flows hedges		—	—
6. Converted difference in foreign currency statements		—	—
7. Other		—	—
<b>VI. Total comprehensive income</b>		<b>-122,891,407.15</b>	-70,490,949.42

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

# Consolidated Cash Flow Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		<b>661,028,199.42</b>	2,405,787,983.67
Net increase in deposits and placements from financial institutions		—	—
Net increase in borrowings due to central bank		—	—
Net increase in loans from banks and other financial institutions		—	—
Cash received from premiums of original insurance contract		—	—
Net amount of reinsurance business		—	—
Net increase in deposits of the insured and investment		—	—
Cash received from interests, fees and commissions		—	—
Net increase in placements from banks and other financial institutions		—	—
Net increase in repurchasing business		—	—
Net cash received from securities brokerage		—	—
Refund of taxes and surcharges		<b>4,149,791.68</b>	2,562,122.28
Cash received relating to other operating activities	(LVI)	<b>1,083,267,010.87</b>	276,946,857.79
Sub-total of cash inflows from operating activities		<b>1,748,445,001.97</b>	2,685,296,963.74
Cash paid for goods and services		<b>520,506,748.04</b>	1,924,416,703.19
Cash paid on purchase of goods and services received		—	—
Net increase in loans and advances		—	—
Net increase in deposits in the central bank and other financial institutions		—	—
Cash paid for claim settlements on original insurance contract		—	—
Net increase in placements with banks and other financial institutions		—	—
Cash paid for interests, fees and commissions		—	—
Cash paid for policy dividends		—	—
Cash paid to and on behalf of employees		<b>59,421,158.11</b>	67,639,207.25
Payments of tax charges		<b>23,455,973.70</b>	27,367,726.88
Cash paid relating to other operating activities	(LVI)	<b>1,010,425,326.53</b>	459,085,697.48
Sub-total of cash outflows from operating activities		<b>1,613,809,206.38</b>	2,478,509,334.80
<b>Net cash flows from operating activities</b>		<b>134,635,795.59</b>	206,787,628.94

# Consolidated Cash Flow Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		<b>109,421,746.44</b>	200,630,000.00
Cash received from returns on investments		<b>675,165.71</b>	1,862,069.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>14,843.59</b>	261,280.44
Net cash received from disposal of subsidiaries and other operating entities		<b>108,104.01</b>	—
Cash received relating to other investing activities	(LVI)	<b>39,077,407.21</b>	42,259.25
Sub-total of cash inflows from investing activities		<b>149,297,266.96</b>	202,795,608.88
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>299,745.23</b>	16,859,040.82
Cash paid to acquire investments		<b>141,330,759.84</b>	4,000,000.00
Cash paid for investments		—	—
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities	(LVI)	—	12,355,996.68
Sub-total of cash outflows from investing activities		<b>141,630,505.07</b>	33,215,037.50
<b>Net cash flows from investing activities</b>		<b>7,666,761.89</b>	169,580,571.38

# Consolidated Cash Flow Statement

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		–	735,000.00
Including: Cash received from investment by minority shareholders of subsidiaries		–	735,000.00
Cash received from borrowings		<b>920,360,000.00</b>	1,210,310,000.00
Cash received relating to other financing activities	(LVI)	–	2,500,000.00
Sub-total of cash inflows from financing activities		<b>920,360,000.00</b>	1,213,545,000.00
Cash repayments of borrowings		<b>1,056,189,405.07</b>	1,039,940,000.00
Cash payments for interest expenses and distribution of dividends or profits		<b>57,406,152.89</b>	59,750,910.86
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Cash paid relating to other financing activities	(LVI)	–	509,350,000.00
Sub-total of cash outflows from financing activities		<b>1,113,595,557.96</b>	1,609,040,910.86
<b>Net cash flows from financing activities</b>		<b>-193,235,557.96</b>	-395,495,910.86
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-28,869.01</b>	-217,228.51
<b>V. Net increase in cash and cash equivalents</b>		<b>-50,961,869.49</b>	-19,344,939.05
Add: Cash and cash equivalents at beginning of period		<b>359,877,697.64</b>	379,222,636.69
<b>VI. Cash and cash equivalent at end of period</b>		<b>308,915,828.15</b>	359,877,697.64

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

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	Current period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		219,174,704.64	315,908,969.45
Refund of taxes and surcharges		3,922,082.26	2,405,442.66
Cash received relating to other operating activities		917,752,258.13	1,084,229,630.64
Sub-total of cash inflows from operating activities		1,140,849,045.03	1,402,544,042.75
Cash paid for goods and services		120,302,331.62	103,455,353.47
Cash paid to and on behalf of employees		26,716,545.76	33,413,385.20
Payments of taxes and surcharges		12,439,057.55	10,737,018.62
Cash paid relating to other operating activities		932,643,152.73	1,224,206,152.37
Sub-total of cash outflows from operating activities		1,092,101,087.66	1,371,811,909.66
<b>Net cash flows from operating activities</b>		<b>48,747,957.37</b>	<b>30,732,133.09</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		109,529,850.45	245,833,160.00
Cash received from returns on investments		675,165.71	1,862,069.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,843.59	7,451.32
Net cash received from disposal of subsidiaries and other operating entities		—	—
Cash received relating to other investing activities		39,077,407.21	—
Sub-total of cash inflows from investing activities		149,297,266.96	247,702,680.51
Cash paid to acquire fixed assets, intangible assets and other long-term assets		233,934.95	59,487.69
Cash paid to acquire investments		141,330,759.84	—
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities		—	—
Sub-total of cash outflows from investing activities		141,564,694.79	59,487.69
<b>Net cash flows from investing activities</b>		<b>7,732,572.17</b>	<b>247,643,192.82</b>

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	Current period	Previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		—	—
Cash received from borrowings		366,770,000.00	475,310,000.00
Cash received relating to other investing activities		—	509,350,000.00
Sub-total of cash inflows from financing activities		366,770,000.00	984,660,000.00
Cash repayments of borrowings		442,770,000.00	684,540,000.00
Cash payments for interest expenses and distribution of dividends or profits		36,031,044.02	45,365,195.68
Cash paid relating to other financing activities		—	509,350,000.00
Sub-total of cash outflows from financing activities		478,801,044.02	1,239,255,195.68
<b>Net cash flows from financing activities</b>		<b>-112,031,044.02</b>	<b>-254,595,195.68</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>164.85</b>	<b>-612.98</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-55,550,349.63</b>	<b>23,779,517.25</b>
Add: Cash and cash equivalents at beginning of period		68,320,139.23	44,540,621.98
<b>VI. Cash and cash equivalent at end of period</b>		<b>12,769,789.60</b>	<b>68,320,139.23</b>

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

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period													
	Equity attributable to the owners of parent company							Minority interest	Total owners' equity					
	Other equity instruments				Less:									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal		
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	1,916,867.84	-	-	-	-1,923,636.12	-6,768.28		
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-		
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-		
3. Surplus reserves made up for losses	-	-	-	-	-	-	-	-	-	-	-	-		
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-		
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	1,916,867.84	-	-	-	-1,923,636.12	-6,768.28		
6. Other	-	-	-	-	-	-	-	-	-	-	-	-		
(V) Special reserve														
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-		
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-		
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-		
IV. Closing balance of current period	792,058,500.00	-	-	-	80,999,419.73	-	34,793,511.88	-	104,128,024.15	-	536,989,877.42	1,546,945,333.18	9,646,974.53	1,558,592,307.71

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

# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period													
	Equity attributable to the owners of parent company													
	Other equity instruments							Less:						
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal	Minority interest	Total owners' equity
I.														
Closing balance of prior year	792,058,500.00	-	-	-	103,289,821.12	-	23,419,490.31	-	104,128,024.15	-	871,694,716.41	1,894,570,551.99	82,538,099.73	1,977,108,651.72
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
for prior period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business contribution under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.														
Opening balance of current year	792,058,500.00	-	-	-	103,289,821.12	-	23,419,490.31	-	104,128,024.15	-	871,694,716.41	1,894,570,551.99	82,538,099.73	1,977,108,651.72
III.														
Changes during the period														
(Decreases are represented by "-")														
(I) Total comprehensive income	-	-	-	-	-	-	2,037,906.11	-	-	-	-39,244,735.65	-57,206,829.54	-42,442,567.64	-99,649,397.18
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	2,037,906.11	-	-	-	-39,244,735.65	-57,206,829.54	3,392,548.02	-53,871,426.52
1. Ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-45,775,115.66	-45,775,115.66
contribution by owners	-	-	-	-	-	-	-	-	-	-	-	-	735,000.00	735,000.00
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-46,510,115.66	-46,510,115.66
(III) Profit appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period													
	Equity attributable to the owners of parent company													
	Other equity instruments					Less:							Total owners' equity	
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Unsubstituted profits	Subtotal	Minority interest		
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-	
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Closing balance of current period	792,058,500.00	-	-	-	103,269,821.12	-	25,457,396.42	-	104,120,024.15	-	812,449,980.76	1,837,363,722.45	40,056,532.09	1,877,459,254.54

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

# Statement of Changes in Owner's Equity of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period							
	Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Total owners' equity
I. Closing balance of prior year	792,058,500.00	-	-	-	100,649,699.68	-	34,159,895.73	1,126,935,972.89
Add: Change of accounting policy	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
II. Opening balance of current year	792,058,500.00	-	-	-	100,649,699.68	-	34,159,895.73	1,126,935,972.89
III. Changes during the period (Decreases are represented by "-")								
(I) Total comprehensive income	-	-	-	-	-	-	6,116,470.73	-128,886,175.43
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	4,199,602.89	-127,091,010.04
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-
2. Distribution to owners (shareholders)	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-

# Statement of Changes in Owner's Equity of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period										
	Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	1,916,867.84	-	-	-1,923,636.12	-6,768.28
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	1,916,867.84	-	-	-1,923,636.12	-6,768.28
6. Other	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	792,058,500.00	-	-	-	100,649,699.68	-	40,276,366.46	-	104,128,024.15	-33,074,792.83	1,004,037,797.46

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

# Statement of Changes in Owner's Equity of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										
	Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance of prior year	792,088,600.00	-	-	-	100,649,699.68	-	29,038,428.67	-	104,128,024.15	171,497,269.81	1,197,426,922.31
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of current year	792,088,600.00	-	-	-	100,649,699.68	-	29,038,428.67	-	104,128,024.15	171,497,269.81	1,197,426,922.31
III. Changes during the period (Decreases are represented by "-")											
(I) Total comprehensive income	-	-	-	-	-	-	5,086,467.06	-	-	-75,557,416.48	-70,490,949.42
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	5,086,467.06	-	-	-75,557,416.48	-70,490,949.42
1. Ordinary shares contribution by owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-

# Statement of Changes in Owner's Equity of the Parent Company

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Other equity instruments					Previous period					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes of defined benefits plan transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferring to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	792,058,500.00	-	-	-	100,649,699.68	-	34,159,895.73	-	104,128,024.15	95,939,853.33	1,126,935,972.89

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



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION OF THE COMPANY

### (I) Overview of the Company

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited\*) (the “Company”) was established in Nanjing, Jiangsu Province, 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 Main Board of the Stock Exchange.

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

After years of issuing bonus share, placing new shares, increasing share capital and issuing new shares, as of 31 December 2022, the Company had issued an aggregate of 792,058,500 shares, with a registered capital of RMB792,058,500. The address of the registered office of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City. The address of the headquarters of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City.

The parent company of the Company is Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司), and the ultimate controller of the Company is the State owned Assets Supervision & Administration Commission of the People’s Government of Qingdao established in the PRC.

The Company engages in: information technology application (IT application) service industry. Scope of business of the Group: computer networks, engineering design and installation of industrial automation; electronic products, development, manufacturing, testing of electronic computer, sale of self-production products, system integration; electronic computer technology consulting and information services; technology testing and technical services of electronic products; computer software development; design, construction, maintenance of security engineering; research and development of ITS-based basic information collection technology and equipment (excluding commodities under the special control of the State and projects with special approval). (Projects that require approval under law, business can be carried out after the approval by the relevant departments). General projects: international freight forwarding agency; general goods warehousing services (excluding hazardous chemicals and other projects that require approval); domestic freight forwarding agency. (Except for the projects subject to approval in accordance with the law, the business activities should be conducted independently with the business licence(s) in accordance with the law).

These financial statements were approved by the Board of the Company on 31 March 2023.

### (II) Scope of Consolidated Financial Statements

Relevant information of the Company’s subsidiaries was set out in “Note VII. Equity in other entities”.

Details of changes in scope of consolidation during the reporting period were set out in “Note VI. Changes in the Scope of Consolidation”.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (I) Basis of preparation

These financial statements were prepared in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (the “Accounting Standards for Enterprises”). Besides, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

### (II) Going concern

These financial statements were prepared under going concern basis.

Pursuant to the Company’s assessment on the continuing operation ability of the Company within 12 months since the end of the period under review, no matters or events that may raise any material doubts on the continuing operation ability of the Company within 12 months since the end of the period under review was discovered.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation. Please refer to the notes “III. (IX) Financial instruments”, “(X) Inventories”, “(XV) Fixed assets”, “(XVIII) Intangible assets”, “(XX) Long-term deferred expenses” and “XXIV” Income”.

### (I) Statement of compliance

These financial statements have been prepared in conformity with the Accounting Standards for Enterprises published by the Ministry of Finance; truly and completely reflect the consolidated and parent company’s financial position as at 31 December 2022 and the consolidated and parent company’s operating results and cash flow for 2022 of the Company.

### (II) Accounting period

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

### (III) Operating period

The Company’s operating period is 12 months.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (IV) Reporting currency

The reporting currency used by the Company is Renminbi ("RMB"). The reporting currency of the Company's subsidiaries is determined in accordance with the major economic environment in which they operate. The reporting currency of Sample Technology (H.K.) Co., Ltd. and Federal International Enterprise Limited, subsidiaries of the Company, is Hong Kong Dollar ("HK\$"). This financial statements are presented in RMB.

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

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

Business combinations involving entities not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquirer in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. Each of the identifiable assets, liabilities and contingent liabilities of the acquiree, which are acquired in the combination and meet the criteria for recognition, shall be measured at fair value on the date of acquisition.

The fee which incurred directly for business combination shall be recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt security issued for corporate combination shall be recognised as the initial recognition amount of equity securities or debt securities.

### (VI) Preparation of consolidated financial statements

#### 1. Scope of Consolidation

The scope of consolidation of the consolidated financial statements are based on control. The scope of consolidation comprises the Company and all of its subsidiaries. Control refers to the power of a company over the investee, the rights to enjoy variable returns from its involvement in relevant activities of the investee, and the ability to use its power over the investee to affect the amount of its returns.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. Consolidation procedures

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on the consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

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

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

For acquisition of subsidiaries or business due to business combination involving entities under common control during the period under review, the operation results and cash flow of such subsidiaries or business from the beginning to the end of the period under review when the merger occurs are included in the consolidated financial statements, and the amounts at the beginning of the period in the consolidated financial statements and relevant items in the comparative statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the final controlling party.

An investor that may impose control over the investee under common control due to additional investment, for the equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and changes in other net assets recognized from the later of the date of acquisition of the original equity and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against the opening balance of retained earnings in the comparative period or current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation procedures *(Continued)*

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

During the period under review, if there is an addition of subsidiary or business due to business combination not under common control, it shall be included, from the date of purchase, in the consolidated financial statements based on the fair value of each of the identifiable assets, liabilities or contingent liabilities determined on the date of purchase.

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the current period. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity interest in the acquiree held before the date of purchase are transferred to investment gains of the current period to which the date of purchase belongs.

##### (2) Disposal of subsidiaries

###### ① General treatment

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured at fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets continuously calculated on the basis of the original share proportion and the sum of goodwill, is recognized in investment income in current the period at which control is lost. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting related to the previous equity investment in the subsidiary are transferred to investment income of the current period when control is lost.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation procedures *(Continued)*

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. Consolidation procedures *(Continued)*

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

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

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

The difference between disposal consideration and the share of net assets continuously calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premium in the capital reserve is not sufficient for offsetting.

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

Cash represents the Company's cash on hand and deposits that can be used readily for payments. Cash equivalents represent investments that satisfy four conditions, namely short term, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

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

#### 1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Foreign currency monetary items at the balance sheet date shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange difference are recognised in profit or loss for the current period, except for those differences related to a specific purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (VIII) Foreign currency transactions and translation of foreign currency financial statements *(Continued)*

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

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owner's equity items other than "undistributed profit" are translated at spot exchange rate when occurred. Revenue and expense items in the income statement are converted at spot exchange rate at the transaction occurrence date.

When disposing of an overseas operation, exchange differences in financial statements denominated in foreign currencies related to the foreign operation shall be transferred from owner's equity items to profit or loss from disposal for the current period.

### (IX) Financial instruments

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

#### 1. Classification of financial instrument

According to the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as: Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

The Company shall classify financial assets not designated to be measured at fair value through profit or loss in line with the following conditions into the financial assets measured at amortized cost:

- the objective of the business model is to collect contractual cash flows;
- the contractual terms to cash flows that are principal solely and interest on the principal amount outstanding.



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (IX) Financial instruments *(Continued)*

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

The Company shall classify financial assets not designated to be measured at fair value through profit or loss in line with the following conditions into the financial assets (debt instruments) measured at fair value through other comprehensive income:

- the objective of the business model is both to collect contractual cash flows and to dispose of the financial assets;
- the contractual terms to cash flows that are principal solely and interest on the principal amount outstanding.

For non-trading equity investments, the Company could irrevocably designate them as financial assets (equity instruments) measured at fair value through other comprehensive income at initial recognition. The designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, the Company shall classify all the remaining financial assets as financial assets measured at fair value through profit or loss. At initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company may irrevocably designate the financial assets that shall be classified to be measured at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

At initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through profit or loss and financial liabilities measured at the amortized cost.

At initial recognition, financial liabilities meeting any of the following criteria may be designated as measured at fair value through profit or loss:

- 1) Such designation would eliminate or significantly reduce accounting mismatch.
- 2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- 3) The financial liabilities include embedded derivatives which can be split separately.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

#### 2. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated with the effective interest method should be included in the current profit or loss.

At recovery or disposal, the difference between the price obtained and the book value of such financial assets is included in the current profit or loss.

(2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or reversal, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (IX) Financial instruments *(Continued)*

#### 2. Recognition basis and measurement method of financial instruments *(Continued)*

- (3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

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

Financial assets measured at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

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

Financial liabilities measured at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (IX) Financial instruments *(Continued)*

#### 2. Recognition basis and measurement method of financial instruments *(Continued)*

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

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

The Company derecognizes a financial asset if it meets one of the following conditions:

- The contractual right to receive the cash flow of the financial asset is terminated;
- the financial asset has been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transferred nor retained substantially all risks and rewards related to the ownership of the financial assets, but did not retain its control over the said financial assets.

When transferring a financial asset, if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such asset.

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied.

The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two is included in current profit or loss:

- (1) the book value of the financial asset transferred;
- (2) the sum of the consideration received from the transfer and the total accumulated amount of the fair value changes that is directly charged or credited to owners' equity (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

#### 3. Derecognition of financial assets and transfer of financial assets *(Continued)*

When the partial transfer of a financial asset meets the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognized and the part to be recognized based on their respective fair value, with the difference between the following two included in current profit or loss:

- (1) The book value of the part that is derecognized;
- (2) The sum of the consideration attributable to the part derecognized and the total accumulated amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognized (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

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

#### 4. Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liabilities of which terms have been modified shall be recognized as the new financial liabilities.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (IX) Financial instruments *(Continued)*

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

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

#### 6. Test and accounting methods for impairment of financial assets

The Company estimates financial assets measured at amortized cost by way of single or combination, or the expected credit losses of financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

The basis for determining the portfolio of the Company's notes receivable is as follows:

Portfolio name	Basis for determining the portfolio
Bank acceptance bills	The drawer has a relative high credit rating, has not historically defaulted on a bill, has a very low credit loss risk, and has a strong ability to perform its contractual cash flow obligations in the short term
Commercial acceptance bills	The drawer signed the bill based on commercial credit, has certain risk of credit loss

The basis for determining the portfolio of the Company's accounts receivable is as follows:

Portfolio name	Basis for determining the portfolio
Engineering and sales receivable from non-related party	Similar credit risk characteristics
Engineering and sales receivable from related party within the scope of consolidation	Similar credit risk characteristics
Engineering and sales receivable from related party outside the scope of consolidation	Similar credit risk characteristics

The probability-weighted amount of the difference in present value between the contractual cash flow of receivable from contracts and the cash flow expected to be received, weighted with the risk of default, will be measured by taking into account of reasonable and valid information on, among other things, past events, current status and the forecast of future economic conditions to recognize the expected credit losses.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

#### 6. Test and accounting methods for impairment of financial assets *(Continued)*

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in current profit or loss as impairment losses or gains.

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk on a financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that a financial asset has been credit impaired, the Company shall make individual provision for the impairment of the financial asset.

For accounts receivables and contract assets formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14- Revenue (2017) whether contain significant financing components or otherwise, the Company always measures the loss provision at the lifetime expected credit loss.

For lease receivables, the Company chooses to always measure the loss provisions at the lifetime expected credit loss.

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Inventories

#### 1. Classification and costs of inventories

Inventories are classified into raw materials, commodity stocks, contract performance costs, etc.

Inventories are initially measured at cost, which includes procurement costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

#### 2. Valuation of inventories delivered

The price of inventories are calculated using weighted average method at the end of the month when they are delivered, the pricing method of the project cost is priced according to the individual identification method.

#### 3. Basis for determinating the net realizable value of different type of inventories

On the balance sheet date, inventories are stated at the lower of cost and net realisable value. When the cost of inventories was higher than their net realisable value, the provision decline in value of inventories shall be made. Net realisable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes.

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less related selling costs and taxes; the net realizable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling costs and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the excess part shall be calculated on the ground of general selling price.

After the provision decline in value of inventories, if the factors resulting in the previously recorded inventory impairment disappeared, as a result of which the net realisable value of the inventories became higher than its book value, it would be written back to the extent of the original provision decline in value of inventories made, and such written-back amounts would be charged to the current profit or loss.



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (X) Inventories *(Continued)*

#### 4. Inventory system

The Company adopts a perpetual inventory system.

### (XI) Contract assets

#### 1. Recognition and standard of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as a contract assets. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The right of the Company to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable individually.

#### 2. Method of determination of expected credit loss of contract assets and accounting treatment methods

For the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to Note “III. (IX) 6. Test and accounting methods for Impairment of Financial Assets.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XII) Held for sale

A non-current asset or disposal group is classified as asset held for sale when the carrying amount of the asset is recovered principally through a sale transaction (including an exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company classified non-current assets or disposal groups that satisfy the following conditions as held for sale:

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with one disposition of the assets and obtained a firm purchase commitment and the disposition will be completed within 1 year. If regulation stipulated that approval by the relevant authorities or supervision department of the Company for the sale is required, such approval has been obtained.

When non-current asset (excluding financial asset, deferred income tax asset, investment properties are subsequently measured at fair value and asset formed by employee benefits) or disposal group which are classified as held-for-sale, if the book value of the non-current asset or disposal group is higher than the net amount after deducting the disposal cost from its fair value, the book value is reduced to the net amount after deducting the disposal cost from its fair value. The reduced amount is recognized as an asset impairment loss and accounted for as profit and loss for the current period, with provision for impairment loss on held-for-sale assets.

### (XIII) Long-term equity investments

#### 1. Judgment criteria for joint control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control or jointly control the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Determination of initial investment cost

##### (1) Long-term equity investment acquired from business combination

For the long-term equity investments in subsidiaries formed by the business combination under common control, the share of book value of its owners' equity in the combined in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the book values of the paid consideration, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, the difference between initial investment cost of long-term equity investment according to the aforesaid principle, and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment in subsidiaries resulting from a business combination involving entities not under common control, the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

##### (2) Long-term equity investments acquired by other means other than business combination

The initial investment cost of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial investment cost of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

#### 3. Subsequent measurement and recognition of profit or loss

##### (1) Long-term equity investment accounted for by cost method

Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method unless such investments meet the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

##### (2) Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are accounted for under equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and will be adjusted to the initial cost of long-term equity investment.

The Company recognizes investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realised by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee (hereinafter referred to as "Other Changes in Owners' Equity"), the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss, other comprehensive income and Other Changes in Owners' Equity in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, it shall be recognized after adjustment to the net profit and other comprehensive income of the investee.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

##### (2) Long-term equity investment accounted for by equity method *(Continued)*

The unrealised profit or loss resulting from transactions between the Company and its associates or joint ventures shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognised. However, businesses formed by assets invested or sold are excluded. Any unrealised losses resulting from internal transactions with the investee, which are attributable to impairment of assets, shall be fully recognised.

The Company discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associates or the joint ventures is reduced to zero, except to the extent that the Company has an obligation to assume extra losses. Where net profits are subsequently made by the associates or joint ventures, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

##### (3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For partial disposal of long-term equity investment treated under the equity method, where the remaining equity continues to be accounted for using the equity method, the other comprehensive income previously recognized under the equity method shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes in Owners' Equity shall be transferred in proportion into current profit or loss.

When the Company loses the common control or significant influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. Other Changes in Owners' Equity shall be transferred into the current profit or loss when ceasing to use the equity method.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

##### (3) Disposal of long-term equity investments *(Continued)*

Where the Company loses the control over the investee due to disposal of partial equity and any other reason, at the preparation of any individual financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition. Other comprehensive income recognized before the control over the investee is obtained shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes in Owners' Equity recognized under equity method shall be transferred in proportion into current profit or loss. If the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and Other Changes in Owners' Equity which have been recognized before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XIV) Investment property

Investment property refers to property held to earn rentals or capital appreciation, or both, including land-use rights that have been leased, land-use rights that are held and prepared for transfer after appreciation, and buildings that have been leased (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

The subsequent expenses related to the investment property shall be included in the cost of the investment property, if the related economic benefits are likely to flow into the enterprise, and the cost can be reliably measured. Otherwise, they should be included in the current profit and loss upon occurrence.

The Company's existing investment property is measured at fair value. The carrying amount is adjusted on the basis of the fair value of investment properties as at the balance sheet date. The difference between the fair value and the original value is included in profit and loss in the current period.

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XIV) Investment property *(Continued)*

When the investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment property shall be terminated. The amount of proceeds on sale, transfer, retirement or damage of investment property shall be included in the profit or loss in the current period after deducting its carrying amount and relevant taxes and fees.

### (XV) Fixed assets

#### 1. Recognition and initial measurement of fixed assets

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

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

The fixed assets of the Company are initially measured at cost (and taking into account the effect of estimated costs of disposal).

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognized. All other subsequent expenses are included in current profit or loss upon occurrence.

#### 2. Methods for depreciation

Fixed assets of the Company are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For fixed assets that have made provision for the impairment, the amount of depreciation is determined by carrying value after deducting the provision for the impairment and based on its useful life during the future period. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XV) Fixed assets *(Continued)*

#### 2. Methods for depreciation *(Continued)*

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

Category	Depreciation methods	Year of depreciation (year)	Residual ratio (%)	Annual depreciation ratio (%)
Property and buildings	Straight-line method	30	5	3.17
Machinery and equipment	Straight-line method	10	5	9.50
Transportation equipment	Straight-line method	5	5	19.00
Electronic and office equipment	Straight-line method	3-10	5	9.50-31.67

#### 3. Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from using or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset shall be included in the profit or loss in the current period after deducting its carrying amount and relevant taxes and fees.

### (XVI) Constructions in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month after transfer.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVII) Borrowing expenses

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

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

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

#### 2. Capitalization period of borrowing expenses

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### **(XVII) Borrowing expenses *(Continued)***

#### **3. Suspension of capitalization period**

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

#### **4. Capitalization rate and calculation of capitalized amount of borrowing expenses**

As to specific borrowings for the acquisition, construction or production of assets qualifying for capitalization, borrowing costs from the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or the investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

As to general borrowings for the acquisition, construction or production of assets qualifying for capitalization, the to-be-capitalized amount of borrowing costs on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowings and the capitalization rate of the said general borrowings. The capitalization rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are included in the current profits and losses when incurred.

### **(XVIII) Intangible Assets**

#### **1. Measurement of intangible assets**

(1) Intangible assets are initially measured at cost upon acquisition by the Company;

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, and other expenditures directly attributable to bringing the asset ready for its intended use.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XVIII) Intangible Assets *(Continued)*

#### 1. Measurement of intangible assets *(Continued)*

##### (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized over the term in which economic benefits are brought to the firm; if the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortized.

#### 2. Estimate of useful life for the intangible assets with a finite useful life

Items	Estimated useful life (years)	Amortization method	Basis
Land use rights	50	straight-line method	Year of land transfer
Software	8	straight-line method	Benefit period
Proprietary technology	5-8	straight-line method	Benefit period

#### 3. During the reporting period, the Company did not have intangible assets with indefinite useful life.

#### 4. Specific criteria in dividing the research stage and development stage

The expenses for internal research and development projects of the Company are divided into expenses in the research stage and expenses in the development stage.

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Intangible Assets *(Continued)*

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

Expenditures incurred in the research stage are recognised in profit or loss for the period. Expenditures incurred in the development stage are recognised as intangible assets only when all of the following conditions are satisfied, and the expenditures in the development stage that does not meet all of the following conditions are recognized in profit or loss for the period:

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

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in the current profit or loss.

### (XIX) Impairment of long-term assets

Long-term assets, such as long-term equity investment, fixed assets, construction in progress, right of use asset, intangible assets with definite useful lives and oil and gas assets, are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Goodwill from business combination, intangible assets with indefinite useful lives and intangible assets that have not reached the useful condition should be subject to the impairment test at least once at the end of each year, no matter whether they have any impairment indication.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XIX) Impairment of Long-term Assets *(Continued)*

The Company has conducted an impairment test of goodwill, the book value of goodwill arising from business combination is amortized to related asset groups by the reasonable method as of the purchase date. If it is difficult to do so, such value will be amortized to the relevant portfolio of asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups which is able to benefit from the synergies of business combination.

At the time of making an impairment test on the relevant asset groups or portfolios of asset groups containing goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Company will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognize the corresponding impairment loss. Thereafter, the Company makes the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the book value of such group or portfolio with the recoverable amount of the same, if the recoverable amount is less than the book value, the amount of impairment loss should firstly be used to offset against the book value of the goodwill allotted to such group or portfolio, and then based on the proportion of the book value of other assets in the asset groups or portfolios of asset groups other than goodwill, offset against the book value of other assets proportionally. The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

### (XX) Long-term Deferred Expenses

Long-term deferred expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

The amortization period and amortization method of various expenses are:

Items	Amortization method	Amortization period (years)
e-card fee	Straight-line method	5
System maintenance fee	Straight-line method	3
Renovation fee	Straight-line method	2

### (XXI) Contract Liabilities

The Company has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Employee Remuneration

#### 1. Accounting treatment methods of short-term remuneration

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to current profit or loss or cost of relevant assets.

With regard to the social insurance and housing provident funds contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-currency welfare expenses are measured at fair value.

#### 2. Accounting treatment methods of post-employment benefits

##### (1) Defined contribution plans

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

##### (2) Defined benefit plans

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Employee Remuneration *(Continued)*

#### 2. Accounting treatment methods of post-employment benefits *(Continued)*

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

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

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

#### 3. Accounting treatment methods of termination benefits

When the Company provides employees with termination benefits, the staff remuneration liabilities arising from termination benefits are recognized and recorded in current profit or loss whichever of the following is earlier: when the Company cannot unilaterally revoke such termination benefits provided due to dissolution of labour relationship plan or layoff proposal; when the Company recognizes such cost or expenses associated with the restructuring involving the payment of termination benefits.



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIII) Estimated Liabilities

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

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

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

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

If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value. In other cases, the best estimate are handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount;
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

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

The Company reviews the carrying amount of estimated liabilities on balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIV) Income

#### 1. Accounting policies used in income recognition and measurement

The Company recognizes income when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the economic benefits from the goods or services.

Where the contract includes two or more performance obligations, the Company shall amortise the transaction price to each individual performance obligation on the contract start date in line with relative proportion of the individual selling prices of the goods or services, and the income will be measured at the transaction price to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the income accumulatively recognized which is not likely to be significantly reversed when the uncertainty disappears. Where there are significant financing components in the contract, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid in cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term. If the Company meets one of the following conditions, its obligation performance will be fulfilled over time, otherwise it will be fulfilled at a point of time:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- Customers are able to control the goods under construction in the course of performing obligations by the Company.
- The goods produced in the course of performing obligations by the Company have irreplaceable uses, and over the entire contract period, the Company has the right to receive payments for the portion of the performance that has been completed to date.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIV) Income *(Continued)*

#### 1. Accounting policies used in income recognition and measurement *(Continued)*

For income from obligation performance that is fulfilled over time, it will be recognized by the Company in accordance with the performance progress, except for the performance progress cannot be reasonably determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the performance progress. When the performance progress cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognize income only to the extent of the cost until a reliable measure of performance progress can be made.

For income from obligation performance that is fulfilled at a point of time, it will be recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following indicators when judging whether the customer has acquired the right of control over relevant goods or services:

- The Company enjoys the current right to collect the payment for such goods or services, which means the customer has the current payment obligation for such goods or service.
- The Company has transferred the legal ownership of such goods to the customer, which means the customer possesses the legal ownership of such goods.
- The Company has transferred goods to the customer in kind, which means the customer has possessed such goods in kind.
- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, which means the customer has acquired the substantial risks and rewards of the ownership of such goods.
- The customer has accepted such goods or services.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXIV) Income *(Continued)*

#### 2. Specific methods for income recognition

- (1) Income recognition of the system integration contract of the Company

The system integration contract business mainly belongs to the performance obligations performed within a certain period of time, and income is recognized within the contract period in accordance with the performance progress. The Company adopts the input method, which is to determine the appropriate performance progress according to the proportion of the actual cost incurred to the total estimated contract cost.

- (2) Sales income of commodities

The sales business of commodities mainly belongs to the performance obligations performed at a certain point in time. For products that do not need to be installed, the realization of the income is recognized after the products are delivered and checked by the client. For products that need to be installed and commissioned, the installation and commission are completed according to the contract, and the realization of income is recognized after passing the acceptance of the customer.

- (3) Income of labor services

The income of labor service is mainly from the income of technology development and maintenance service, including:

- ① Technology development income mainly belongs to the performance obligations performed at a certain point in time. After the technology development project is completed and the customer acceptance certificate (including but not limited to the final acceptance report, completion certificate or delivery certificate) is confirmed, the realization of the income is recognized.
- ② Maintenance service income mainly belongs to the performance obligations performed in a certain period of time. During the service period stipulated in the contract, the realization of the income is confirmed by averaging the total income agreed in the contract during the service period.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXV) Contract Costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which does not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

- The cost is directly related to a current or expected contract.
- This cost increases the resources that the Company will use to fulfill its performance obligations in the future.
- The cost is expected to be recovered.

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset.

Assets related to the cost of the contract are amortized on the same basis as the income recognition of the goods or services related to the asset. However, if the amortization period of the contract acquisition cost is less than one year, the Company will recognise it as an asset and amortise it on the same basis as the income recognition of the goods or services related to the asset.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining price expected to be obtained by the transfer of goods or services related to the asset;
2. Estimate costs that will incur in order to transfer the relevant goods or services.

If the above-mentioned excess is higher than the carrying amount of such assets as a result of any subsequent change of impairment factors in the previous period, the Company shall reverse the provision for impairment of assets previously made and include it in profit or loss for the period as incurred to the extent the carrying amount of the reversed asset shall not exceed the carrying amount of the asset on the date of the reverse assuming no provision for impairment is made.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVI) Government Subsidies

#### 1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. Government subsidies are divided into subsidies related to assets and subsidies related to income.

Government subsidies related to assets are those obtained by the Company for the purposes of acquisition, construction or other project that forms a long-term asset. Government subsidies related to income refer to the government subsidies other than those related to assets.

The specific standards adopted by the Company to classify government subsidies into asset-related are as follows: If there is clear evidence that the subsidies provided by relevant government departments are prescribed for the formation of long-term assets, the Company shall classify them as asset-related government subsidies.

The specific standards adopted by the Company to classify government subsidies into income-related are as follows: Government subsidies other than asset-related government subsidies.

For government documents that do not clearly specify the subsidy object, the Company classifies the government subsidies as income-related.

#### 2. Timing for recognition

Government subsidies are recognised when the Company can comply with the conditions attached to it and when it can be received.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXVI) Government Subsidies *(Continued)*

#### 3. Accounting treatment

Asset-related government subsidies shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government subsidies related to the Company's daily activities shall be included in other income; and the government subsidies unrelated to the Company's daily activities shall be included in non-operating income).

Government subsidies related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in current profit or loss when such costs and losses are recognized (government subsidies related to the Company's daily activities shall be included in other income; government subsidies unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the subsidies used to compensate relevant costs or losses that have incurred by the Company are recorded directly in current profit or loss (government subsidies related to the Company's daily activities shall be included in other income; government subsidies unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses.

### (XXVII) Deferred Income Tax Assets and Deferred Income Tax Liabilities

Income tax comprises current and deferred income tax. Current income tax and deferred income tax are recognised in profit or loss for the period except to the extent that they relate to a business combination or items recognised directly in owners' equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save for exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVII) Deferred Income Tax Assets and Deferred Income Tax Liabilities *(Continued)*

The exceptions for non-recognition of deferred income tax assets and liabilities include:

- the initial recognition of the goodwill;
- other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

Deferred income tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred income tax assets are recognised.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to utilise such tax benefits. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

When the Group has a legally enforceable right to set-off and intends either to settle on a net basis or to acquire the income tax asset and settle the income tax liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are offset if all of the following conditions are met:

- When the taxable entity has the legal right to set off current income tax assets and current income tax liabilities on a net basis;
- When the deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax authority, or related to different entities liable to pay tax but the relevant entities intend to settle on a net basis or to acquire the income tax assets and settle the income tax liabilities simultaneously in the future period in which significant deferred income tax assets and liabilities would be reversed.



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVIII) Lease

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration. On the contract commencement date, the Company evaluates whether the contract is, or contains, a lease. If a party in a contract cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is, or contains, a lease.

If the contract includes multiple separate leases at the same time, the Company shall separate the contract and conduct accounting treatment for each separate lease. If the contract includes both lease and non-lease components, the lessee and the lessor shall separate the lease and non-lease components.

#### 1. The Company as lessee

Short-term lease and low-value asset lease

The Company chooses not to recognize the right-of-use assets or lease liabilities for short-term lease or low-value asset lease, and credits relevant lease payments into the current profit or loss or relevant asset costs in according with straight-line method in each period of the lease term. Short-term lease refers to the lease with a lease term of no more than 12 months from the beginning of the lease term with no purchase option. Low-value asset lease refers to the lease with lower value when the single leased asset is a new asset. If the Company subleases or expects to sublease the lease assets, the original lease is not a low-value asset lease.

#### 2. The Company as lessor

The Company classifies leases as finance leases and operating leases at the commencement date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of the leased asset, regardless of whether the ownership is ultimately transferred. Operating lease refers to a lease other than a finance lease. When the Company acts as the lessor of the sublease, the sublease is classified based on the right-of-use assets generated from the original lease contract.

Accounting treatments for operating lease

The lease receipts of operating leases are recognized as rental income according to the straight-line method in each period of the lease term. The Company capitalizes the initial direct expenses related to operating lease and amortizes them into the current profit or loss according to the same basis as the recognition of rental income during the lease term. The variable lease payments excluded from the lease receipts shall be included in the current profit or loss when they are actually incurred.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXIX) Discontinued Operation

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale by the Company, and meets any of the following criteria:

- (1) the component represents an independent main business or a separate major business area;
- (2) This component is part of a proposed disposal plan on an independent main business or proposed disposal in a separate major business area;
- (3) This component is a subsidiary that is specifically acquired for resale.

The profits or losses from continuing operations and discontinued operations are presented in the income statement, respectively. The profits or losses from discontinued operations such as impairment losses and reversed amounts, and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations. For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again.

### (XXX) Major accounting judgments and estimates

#### 1. Critical judgments in applying the accounting policies

- (1) Method for determining the performance progress of system integration projects

The Company shall determine the performance progress of the system integration projects of the Company in accordance with the input method. Specifically, the Company shall determine the performance progress in accordance with the proportion of the actual accumulated construction cost to the total estimated cost. The actual accumulated incurred cost shall include the direct and indirect costs incurred in the process of the transfer of the Company's commodity to the customer. In the Company's opinion, the system integration projects contract price with the customer is determined on the basis of the construction cost, and the proportion of the actual construction cost to the total estimated cost can accurately reflect the performance progress of the system integration projects. In view of the long duration of the system integration projects contract, which may span several accounting periods, the Company will review and revise the budget as the system integration projects progress and adjust the income recognition amount accordingly.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXX) Significant accounting judgments and estimates *(Continued)*

#### 1. Critical judgments in applying the accounting policies *(Continued)*

##### (2) Classification of financial assets

Significant judgements made by the Company in the classification of financial assets include business model and analysis on contractual cashflow characteristics. The Company determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods for evaluating financial asset performance and reporting the financial asset performance to key management personnel, the risks affecting financial asset performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cashflow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Company include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the amount of repayment only reflects the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation due to the early termination of the contract.

#### 2. Critical accounting estimates and key assumptions

##### (1) Impairment of financial instruments and contract assets

The Company adopts the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgements and estimations, which takes into accounts all reasonable and evidenced information, including forward-looking information. In making such judgements and estimations, the Company infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of impairment losses in the future.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXX) Significant accounting judgments and estimates *(Continued)*

#### 2. Critical accounting estimates and key assumptions *(Continued)*

##### (2) Deferred income tax

The estimates of deferred income tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realisation of deferred income tax assets depends on the probability of realisation of sufficient taxable profit of the Company. The change in future income tax rates and timing of reversals of taxable temporary differences would affect balances of deferred income tax.

##### (3) System integration and service contracts

The recognition of income and costs for system integration and service contracts requires management to make relevant estimates. If losses are expected to be incurred on system integration and service contracts, such losses are recognised as costs in the current period. The Company's management anticipates potential losses based on the budget for system integration and service contracts. The nature of the system integration business results in the contract signing date and project completion date often falling within different accounting periods. As contracts progress, the Company reviews and revises the total estimated income of the contract and the total estimated cost of the contract on an ongoing basis.

The Company monitors the payment progress of the owners on an ongoing basis in accordance with the terms of the contracts and regularly assesses the creditworthiness of the owners. If circumstances indicate that it is probable that the owner will default in the payment of all or part of the contract price, or that the owner will not be able to meet its obligations under the terms of the contract, the Company will reassess the impact of the matter on the consolidated financial statements and may revise the amount of the estimated loss on the contract. This revision will be reflected in the Company's financial statements in the period in which the Company makes the reassessment and is required to revise the estimated loss on the contract.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXX) Significant accounting judgments and estimates *(Continued)*

#### 2. Critical accounting estimates and key assumptions *(Continued)*

##### (4) Estimate of fair value of investment properties

The best evidence of fair value of investment properties is given by current prices in an active market for similar lease and other contracts. In the absence of relevant information, the management shall determine the relevant amount within the range of reasonable fair value estimates. The management's judgement will be based on market rental prices of similar properties under current leases in an active market and discounted cash flow projections based on reliable estimates of future cash flows using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Principal assumptions adopted by the Company in estimating fair values include the expected future market rents, discount rate for similar properties at the same location and under the same conditions.

##### (5) Useful lives of fixed assets and intangible assets

The Company's management determines the estimated useful lives and related depreciation and amortisation charges for its fixed assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of fixed assets and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations. Management will re-estimate the useful lives if the useful lives have changed significantly from the useful lives estimated previously.

##### (6) Estimate of net realisable value of inventories

The Company writes down the inventories to net realisable value based on the estimated net realisable value. Write-down evaluation requires judgment and estimate of the management of the Company. In the event that the expectation differs from the original estimate, the difference will affect the current carrying value of inventory and depreciation of inventory.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXXI) Changes in significant accounting policies and accounting estimates

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

- (1) Implementation of “Interpretation No. 15 of Accounting Standards for Business Enterprises”

On 30 December 2021, the Ministry of Finance issued “Interpretation No. 15 of Accounting Standards for Business Enterprises” (Cai Kuai [2021] No. 35, hereinafter referred to as “Interpretation No. 15”).

##### ① Accounting treatment for trial operation sales

Interpretation No. 15 stipulates the accounting treatment and presentation of the fixed assets before reaching the pre-determined usable state and products or by-products produced during the research and development process that sold externally. It is stipulated that the net amount after offsetting the relevant income from trial operation sales against costs should not be used to offset the cost of fixed asset or research and development expenses. This regulation was effective from 1 January 2022. For trial operation sales that occurred between the earliest reporting period of the financial statements and 1 January 2022, retrospective adjustments should be made. The implementation of this regulation did not have a significant impact on the financial condition and operating results of the Company.

##### ② Judgment of loss-making contracts

Interpretation No. 15 clarifies that the “cost of performing the contract” considered by an enterprise when judging whether the contract constitutes a loss-making contract should include both the incremental cost of performing the contract and the apportionment of other costs directly related to the performance of the contract. This regulation was implemented from 1 January 2022. Enterprises should implement the regulation for contracts that have not fulfilled all the obligations on 1 January 2022 with the accumulative amount adjusted in the retained earnings and other related financial statement items at the beginning of the year of implementation of the regulation, and comparative figures in previous financial statements will not be adjusted. The implementation of this regulation has not had a significant impact on the financial condition and operating results of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXXI) Changes in significant accounting policies and accounting estimates *(Continued)*

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

- (2) Implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises

On 30 November 2022, the Ministry of Finance issued “Interpretation No. 16 of Accounting Standards for Business Enterprises” (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”).

- ① Accounting treatment for income tax effects of dividends related to financial instruments classified as equity instruments of the issuer

In accordance with Interpretation No. 16, for financial instruments classified as equity instruments by enterprise, if the relevant dividend expenses are deducted before corporate income tax in accordance with the relevant requirements of the tax policy, the income tax effects of the dividends should be recognized when the dividends payable are confirmed, income tax effects of dividends shall be included in profit or loss for the current period or under owners’ equity (including other comprehensive income items) in accordance with the same accounting treatment as adopted in prior transactions or events that incurred distributable profits.

The regulation was effective from the date of announcement. For relevant dividend payables occurring between 1 January 2022 and the effective date, adjustments shall be made according to the regulation. For those occurring before 1 January 2022 and the relevant financial instruments have not been derecognized as at 1 January 2022, retrospective adjustments shall be made. The implementation of the regulation has not had a significant impact on the financial condition and operating results of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (XXXI) Changes in significant accounting policies and accounting estimates *(Continued)*

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

- (2) Implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises *(Continued)*

- ② Accounting treatment for the change from cash-settled share-based payments to equity-settled share-based payments by enterprise

Interpretation No. 16 clarifies where the enterprise changes the terms and conditions of a payment agreement from cash-settled share-based payment to equity-settled share-based payment, at the date of change (regardless of whether it occurs during the waiting period or after its conclusion) it shall measure the equity-settled share-based payment at the fair value of the equity instrument granted at the date of change, in which the acquired services are accounted for capital reserves, and derecognizes the liability recognized for the cash-settled share-based payment at the date of change. The difference shall be recognized in profit or loss for the period.

The regulation was effective from the date of announcement. For any relevant new transactions occurred between 1 January 2022 and the effective date, adjustments shall be made according to the regulation. For relevant transactions that occurred before 1 January 2022 and have not been treated according to the regulation, retrospective adjustments shall be made. Retained profits and other relevant items as at 1 January 2022 shall be adjusted based on the cumulative impact, and the data of comparative financial statement for the previous period shall not be adjusted. The implementation of the regulation has not had a significant impact on the financial condition and operating results of the Company.

#### (II) Change in Significant Accounting Estimates

There was no change in accounting estimates as at the end of the reporting period.



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## IV. TAXATION

### (I) Main types of taxes and corresponding rates

Tax type	Basis of taxation	Tax rate (%)
Value-added tax ("VAT")	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	5 (Note 1), 6, 13
City maintenance and construction tax	Based on value-added tax actually paid	7
Enterprise income tax	Based on taxable profits	15, 16.50, 25
Income tax rates of each taxpaying entity:		

Name of taxpaying entities	Income tax rate (%)
Nanjing Sample Technology Co., Ltd.	15
Jiangsu Intellitrans Company Limited	15
Sample Technology (H.K.) Co., Limited	16.50 (Note 2)
Federal International Enterprise Limited	16.50 (Note 2)
Other subsidiaries	25

Note 1: According to Cai Shui [2016] no. 36 on Notice of the Comprehensive Implementation of the Pilot Program for the Conversion of Business Tax to Value Added Tax, general taxpayers leasing out immovable property acquired before 1 May 2016 may choose the simplified taxation method and pay value-added tax at a rate of 5%.

Note 2: According to the Hong Kong Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Revised Ordinance"), the two-tiered profits tax rate regime is applicable to tax year starting 1 April 2018 or later. From 2018/2019 tax year, companies record less than HK\$2 million of operating profits are taxed at 8.25%. For those companies record more than HK\$2 million of operating profits, the first HK\$2 million is still taxed at 8.25% and the remaining profits are taxed at 16.50%.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## IV. TAXATION (Continued)

### (II) Preferential tax

1. VAT: In accordance with the requirements of the document (Cai Shui [2011] No. 100) of Ministry of Finance and State Administration of Taxation: as for the general VAT taxpayers who sell their self-developed and produced software products will be subject to a refund-upon-collection policy for the portion of their actual VAT burden exceeding 3%. On 28 January 2011, the State Council issued the Circular on the Certain Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry (Guofa [2011] No. 4), pursuant to which, the preferential VAT policies for software industry shall continue.

### 2. Enterprise income tax

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 a preferential 15% of High-New Technology Enterprise income tax rate under key support of the state.

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 a preferential 15% of High-New Technology Enterprise income tax rate under key support of the state.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### (I) Cash at bank and on hand

Items	Closing balance	Closing balance at preceding year
Cash on hand	58.33	—
Digital currency	—	—
Bank deposits	470,600,791.54	360,520,813.06
Other monetary fund	2,276,506.34	18,792,030.26
Total	472,877,356.21	379,312,843.32
Including: Total amount of funds abroad	553,218.20	1,570,138.78
Deposits with finance companies	—	—

Of which, details of restricted cash due to mortgage, pledge or frozen are listed as below:

Items	Closing balance	Closing balance at preceding year
Deposits for loan and bank acceptance bills	150,000,000.00	5,500,000.00
Deposits of guarantee letter	2,276,506.34	13,292,030.26
Bid deposit	643,115.42	643,115.42
Project escrow account	1,855,426.91	—
Litigation frozen funds	9,186,479.39	—
Total	163,961,528.06	19,435,145.68

Note: The above deposits have been excluded from cash and cash equivalents as at the end of the period in preparing the cash flow statement.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (II) Notes receivable

#### 1. Classification of notes receivable

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	2,786,200.00	3,751,000.00
Commercial acceptance bills	2,712,147.50	—
Sub-total	5,498,347.50	3,751,000.00
Less: Provision for bad debts	219,933.90	150,040.00
Total	5,278,413.60	3,600,960.00

#### 2. Classification of expected credit losses for notes receivable

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts		Book value	Carrying balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Notes receivable subjected to provision for expected credit losses on individual basis	-	-	-	-	-	-	-	-	-	-
Notes receivable subjected to provision for expected credit losses on portfolio basis	5,498,347.50	100.00	219,933.90	4.00	5,278,413.60	3,751,000.00	100.00	150,040.00	4.00	3,600,960.00
Including:										
Bank acceptance bills	2,786,200.00	50.67	111,448.00	4.00	2,674,752.00	3,751,000.00	100.00	150,040.00	4.00	3,600,960.00
Commercial acceptance bills	2,712,147.50	49.33	108,485.90	4.00	2,603,661.60	-	-	-	-	-
Total	5,498,347.50	100.00	219,933.90		5,278,413.60	3,751,000.00	100.00	150,040.00		3,600,960.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (II) Notes receivable (Continued)

#### 3. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period		Other movements	Closing balance
			Recovered or reversed	Write-off		
Notes receivable subjected to provision for expected credit losses on portfolio basis	150,040.00	219,933.90	150,040.00	-	-	219,933.90
Including:						
Bank acceptance bills	150,040.00	111,448.00	150,040.00	-	-	111,448.00
Commercial acceptance bills	-	108,485.90	-	-	-	108,485.90
Total	150,040.00	219,933.90	150,040.00	-	-	219,933.90

4. As at 31 December 2022, the Company had no bills receivable that had been pledged, discounted to banks but were not yet due at the balance sheet date, or converted to accounts receivable due to non-performance of the drawer, and all of the above bills receivable were due within one year.
5. As at 31 December 2022, the Company had endorsed and transferred bills receivable of RMB12,633,950.40 which were not yet due at the balance sheet date.

### (III) Accounts receivable

#### 1. Accounts receivable disclosed according to the aging of the entry date

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	167,921,165.70	130,360,129.59
1 to 2 years	44,181,366.60	101,924,499.52
2 to 3 years	33,938,309.12	166,512,465.46
Over 3 years	309,665,296.60	154,994,178.37
Sub-total	555,706,138.02	553,791,272.94
Less: Provision for bad debts	314,825,572.33	227,602,552.87
Total	240,880,565.69	326,188,720.07

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable (Continued)

#### 2. Accounts receivable disclosed based on classification of provision method for bad debts

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable subjected to provision for bad debts on individual basis	92,396,947.97	16.63	92,396,947.97	100.00	-	91,730,427.88	16.56	73,273,059.88	79.88	18,457,368.00
Accounts receivable subjected to provision for bad debts on portfolio basis	463,309,190.05	83.37	222,428,624.36	48.01	240,880,565.69	462,060,845.06	83.44	154,329,492.99	33.40	307,731,352.07
Including:										
Engineering and sales receivable from non-related party	440,237,206.80	79.22	221,275,025.19	50.26	218,962,181.61	432,704,109.84	78.14	152,861,656.23	35.33	279,842,453.61
Engineering and sales receivable from related party outside the scope of consolidation	23,071,983.25	4.15	1,153,599.17	5.00	21,918,384.08	29,356,735.22	5.30	1,467,836.76	5.00	27,888,898.46
Total	555,706,138.02	100	314,825,572.33		240,880,565.69	553,791,272.94	100.00	227,602,552.87		326,188,720.07

#### 3. Accounts receivable subjected to provision for expected credit losses on individual basis

Name	Closing balance			Reasons for provision
	Carrying balance	Provision for bad debts	Proportion (%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected unrecoverable
Unit III	21,955,875.37	21,955,875.37	100.00	Expected unrecoverable
Unit IV	7,200,000.00	7,200,000.00	100.00	Expected unrecoverable
Total	92,396,947.97	92,396,947.97		

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable (Continued)

#### 4. Accounts receivable subjected to provision for expected credit losses on portfolio basis

- 1) Engineering and sales receivable from non-related party

Aging	Closing balance		Provision proportion (%)
	Carrying balance	Provision for bad debts	
Within 1 year (1 year inclusive)	166,615,624.50	6,664,624.98	4.00
1 to 2 years	39,708,589.30	3,176,687.14	8.00
2 to 3 years	32,113,257.08	9,633,977.15	30.00
Over 3 years	201,799,735.92	201,799,735.92	100.00
Total	<u>440,237,206.80</u>	<u>221,275,025.19</u>	

- 2) Engineering and sales receivable from related party outside the scope of consolidation

Items	Closing balance		Provision proportion (%)
	Carrying balance	Provision for bad debts	
Engineering and sales receivable from related party outside the scope of consolidation	<u>23,071,983.25</u>	<u>1,153,599.17</u>	5.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable (Continued)

#### 5. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Closing balance at preceding year	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charged off or write-off	
Accounts receivable subjected to provision for expected credit losses on individual basis	73,273,059.88	19,123,888.09	-	-	92,396,947.97
Accounts receivable subjected to provision for expected credit losses on portfolio basis	154,329,492.99	72,492,640.93	-	4,393,509.56	222,428,624.36
Including:					
Engineering and sales receivable from non-related party	152,861,656.23	72,806,878.52	-	4,393,509.56	221,275,025.19
Engineering and sales receivable from related party outside the scope of consolidation	1,467,836.76	-314,237.59	-	-	1,153,599.17
Total	227,602,552.87	91,616,529.02	-	4,393,509.56	314,825,572.33

#### 6. Accounts receivable actually written off in the period

Classifications	Charged off or write-off amount	Reason for charged off or write-off	Whether the amount is due to related party transactions
Sporadic customers that are deregistered	1,709,271.99	Unable to recover	No
Generated by the deregistration of a subsidiary of Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	2,684,237.57	Unable to recover	No
Total	4,393,509.56		



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For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (IV) Receivables financing

#### 1. Overview of receivables financing

Items	Closing balance	Closing balance at preceding year
Notes receivable	1,505,158.27	4,000,000.00
Account receivable	—	—
Total	1,505,158.27	4,000,000.00

#### 2. Changes in receivables financing and fair value changes in the current period

Items	Closing balance at preceding year	Addition during the period	Derecognized during the period	Other changes	Closing balance	Accumulated loss provision recognized in other comprehensive income
Notes receivable-Bank acceptance bills	4,000,000.00	15,923,658.77	18,418,500.50	—	1,505,158.27	—

#### 3. Provision for impairment of receivables financing

As at 31 December 2022, the bank acceptance bills held by the Company were commercial banks with higher credit rating and there was no significant credit risk.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (V) Prepayments

Aging	Closing balance		Closing balance at preceding year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	68,076,010.04	74.69	76,092,360.70	53.58
1 to 2 years	18,206,956.23	19.98	9,654,113.81	6.80
2 to 3 years	3,103,276.83	3.40	13,631,369.37	9.60
Over 3 years	1,761,080.31	1.93	42,637,678.22	30.02
Total	91,147,323.41	100.00	142,015,522.10	100.00

### (VI) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable	—	—
Dividend receivable	—	—
Other receivables	366,840,678.68	821,201,854.95
Total	366,840,678.68	821,201,854.95

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Other receivables (Continued)

#### Other receivables

(1) Other receivables disclosed according to the aging of the entry date

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	458,958,406.30	842,148,293.15
1 to 2 years	23,224,105.92	38,509,335.66
2 to 3 years	36,790,927.49	12,622,394.74
Over 3 years	19,993,752.45	14,304,567.57
Sub-total	538,967,192.16	907,584,591.12
Less: Provision for bad debts	172,126,513.48	86,382,736.17
Total	366,840,678.68	821,201,854.95

(2) Disclosure based on classification of provision method for bad debts

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts		Book value	Carrying balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts on individual basis	114,185,407.57	21.19	114,185,407.57	100.00	-	238,764,503.94	26.31	31,786,736.40	13.31	206,977,765.54
Provision for bad debts on portfolio basis	424,781,784.59	78.81	57,941,105.91	13.64	366,840,678.68	668,820,087.18	73.69	54,585,997.77	8.16	614,224,089.41
Including:										
Non-related party group	424,318,717.20	78.72	57,917,952.54	13.65	366,400,764.66	668,810,433.68	73.62	54,585,515.09	8.17	614,214,918.59
Related party group	463,067.39	0.09	23,153.37	5.00	439,914.02	9,653.50	0.00	482.68	5.00	9,170.82
Total	538,967,192.16	100.00	172,126,513.48		366,840,678.68	907,584,591.12	100.00	86,382,736.17		821,201,854.95

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Other receivables (Continued)

#### Other receivables (Continued)

#### (3) Provision, recovery or reversal of provision for bad debts during the period

Classifications	Closing balance at preceding year	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	
Provision for bad debts on individual basis	31,786,738.40	104,308,181.31	–	21,909,512.14	<b>114,185,407.57</b>
Provision for bad debts on portfolio basis	54,595,997.77	3,395,231.32	–	50,123.18	<b>57,941,105.91</b>
Including: Non-related party group	54,595,515.09	3,372,560.63	–	50,123.18	<b>57,917,952.54</b>
Related party group	482.68	22,670.69	–	–	<b>23,153.37</b>
Total	<u>86,382,736.17</u>	<u>107,703,412.63</u>	<u>–</u>	<u>21,959,635.32</u>	<u><b>172,126,513.48</b></u>

#### (4) Particulars of provision for bad debts

	Stage I Expected credit loss in the future 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Provision for bad debts				
Closing balance at preceding year	54,595,997.77	–	31,786,738.40	86,382,736.17
Closing balance at preceding year during the period that	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Provision in the current period	3,395,231.32	–	104,308,181.31	107,703,412.63
Reversal in the current period	–	–	–	–
Charge-off in the current period	–	–	–	–
Write-off in the current period	50,123.18	–	21,909,512.14	21,959,635.32
Other movements	–	–	–	–
Closing balance	<u>57,941,105.91</u>	<u>–</u>	<u>114,185,407.57</u>	<u>172,126,513.48</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (VI) Other receivables *(Continued)*

#### Other receivables *(Continued)*

##### (4) Particulars of provision for bad debts *(Continued)*

Movements in the carrying amounts of other receivables are as follows:

	Stage I Expected credit loss in the future 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Carrying balance				
Closing balance at preceding year	668,820,087.18	–	238,764,503.94	907,584,591.12
Balance at preceding year during the period that	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Changes during the period	-244,038,302.59	–	-124,579,096.37	-368,617,398.96
Other movements	–	–	–	–
Closing balance	<u>424,781,784.59</u>	<u>–</u>	<u>114,185,407.57</u>	<u>538,967,192.16</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Other receivables (Continued)

#### Other receivables (Continued)

##### (5) Classification by nature

Nature	Closing book balance	Closing book balance at preceding year
Retention monies	37,235,668.77	38,446,622.41
Petty cash	1,398,013.69	1,947,714.10
Current accounts	452,466,138.82	105,830,078.35
Equity transfer (Note 1)	24,028,194.50	24,028,194.50
Investment in equity	—	62,900,000.00
Consideration for creditor's right transfer	—	672,150,431.54
Withholding monies (Note 2)	22,000,000.00	—
Others	1,839,176.38	2,281,550.22
Sub-total	538,967,192.16	907,584,591.12
Less: Provision of bad debt for other receivables	172,126,513.48	86,382,736.17
Total	366,840,678.68	821,201,854.95

Note 1: The balance of the equity transfer money at the end of the period was RMB24,028,194.50, which mainly include: In October 2021, the Company transferred its equity interest in Jiangsu Mining Investment Holding Co., Ltd.\* (江蘇民營投資控股有限公司) at a price of RMB220,000,000. As at 31 December 2022, the Company had received the equity transfer money of RMB200,000,000 and the balance of RMB20,000,000 was uncollected.

Note 2: In July 2022, Nanjing City Intelligent Transportation Co., Ltd.\* (南京城市智能交通股份有限公司) (hereinafter referred to as "Intelligent Transportation Co."), a subsidiary of the Company, had a dispute with the Nanjing Public Security Bureau (南京市公安局) on the contract and the performance of the information technology service outsourcing contract for the project of Nanjing Road Monitoring Network and Public Security "3.20". RMB22,000,000 was temporarily withheld by Changzhou Public Security Bureau (常州市公安局). Based on the principle of prudence, Intelligent Transportation Co. has made full provision for bad debts for the funds temporarily withheld.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VII) Inventories

#### 1. Classification of Inventories

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for decline in value/ provision for impairment of contract performance costs	Book value	Carrying balance	Provision for decline in value/ provision for impairment of contract performance costs	Book value
Raw materials	-	-	-	14,513.27	-	14,513.27
Commodity stocks	44,770,578.51	7,821,505.56	36,949,072.95	44,817,020.59	596,617.89	44,220,402.70
Contract performance costs	-	-	-	27,499,118.23	1,340,793.76	26,158,324.47
Total	44,770,578.51	7,821,505.56	36,949,072.95	72,330,652.09	1,937,411.65	70,393,240.44

#### 2. Provision for decline in value of inventory and provision for impairment of contract performance costs

Items	Closing balance at preceding year	Balance at beginning of the year	Provision for the period	Reversed or recovered during the period	Closing balance
Commodity stocks	596,617.89	596,617.89	7,224,887.67	-	7,821,505.56
Contract performance costs	1,340,793.76	1,340,793.76	-1,340,793.76	-	-
Total	1,937,411.65	1,937,411.65	5,884,093.91	-	7,821,505.56

#### 3. No borrowing costs were capitalized during the period

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VIII) Contract assets

#### 1. Particulars of contract assets

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Related to project contracting service contract (Note)	591,932,936.10	44,612,934.65	547,320,001.45	663,221,841.37	55,992,876.53	607,228,964.84

Note: The project contracting services provided by the Company are recognized in accordance with the progress of contract performance, and the contract price is collected after completion of the work inspection and settlement by the customer. The portion of the income recognized by the Company according to the progress of contract performance exceeding the settlement amount by the customer is recognized as contract assets.

#### 2. Disclosure based on classification of impairment provision method for contract assets

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for impairment		Book value	Carrying balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for impairment on individual basis	7,362,221.88	1.24	7,362,221.88	100.00	-	51,996,487.32	7.84	31,551,704.41	60.68	20,444,782.91
Provision for impairment on portfolio basis	584,570,714.22	98.76	37,250,712.77	6.37	547,320,001.45	611,225,354.05	92.16	24,441,172.12	4.00	586,784,181.93
Including:										
Engineering and sales receivable from non-related party	584,570,714.22	98.76	37,250,712.77	6.37	547,320,001.45	611,225,354.05	92.16	24,441,172.12	4.00	586,784,181.93
Total	591,932,936.10	100.00	44,612,934.65		547,320,001.45	663,221,841.37	100.00	55,992,876.53		607,228,964.84



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VIII) Contract assets (Continued)

#### 2. Disclosure based on classification of impairment provision method for contract assets (Continued)

(1) Provision for impairment accrued on individual basis

Name	Closing balance		Provision proportion (%)	Reasons for provisions
	Carrying balance	Provision for impairment		
Office of Urban Grand Construction Command Department of Bengbu Economic Development Zone (蚌埠經濟開發區城市大建設指揮部辦公室) (Traffic signal monitoring system project for eight roads in Binhu New Area)	6,347,316.68	6,347,316.68	100.00	Long aging and expected unrecoverable
Xiamen Road & Bridge Construction Group Co., Ltd. (廈門路橋建設集團有限公司) (High-definition bayonet system project for Xiamen Expressway and station entrance and exit)	754,351.96	754,351.96	100.00	Long ageing and expected unrecoverable
Guangzhou Public Security Bureau (廣州市公安局) (GZ-ITMS2 second batch of new electronic police project)	260,553.24	260,553.24	100.00	Long ageing and expected unrecoverable
Total	7,362,221.88	7,362,221.88		

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VIII) Contract assets (Continued)

#### 2. Disclosure based on classification of impairment provision method for contract assets (Continued)

(2) Provision for impairment accrued on portfolio basis

*Engineering and sales receivable from non-related parties*

Aging	Closing balance		
	Carrying balance	Provision for bad debts	Provision proportion (%)
Within 1 year (1 year inclusive)	237,873,609.15	9,514,944.37	4.00
1 to 2 years	346,697,105.07	27,735,768.40	8.00
Total	584,570,714.22	37,250,712.77	

#### 3. Particulars of impairment provision for contract assets during the period

Items	Closing balance at preceding year	Provision for the period	Reversal for the period	Charge-off/write-off for the period	Closing balance
Provision for bad debts on individual basis	31,551,704.41	-	24,189,482.53	-	7,362,221.88
Provision for bad debts on portfolio basis	24,441,172.12	12,809,540.65	-	-	37,250,712.77
Total	55,992,876.53	12,809,540.65	24,189,482.53	-	44,612,934.65

Note: For the projects with long settlement period during the current period, the corresponding balance and provision for bad debts are reversed to accounts receivable

### (IX) Held-for-sale assets

Classifications	Closing balance	Closing balance at preceding year
Assets classified as held-for-sale	-	428,077,500.00

Note: Details was set out in Note V(XIII).

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (X) Non-current assets due within one year

Item	Closing balance	Closing balance at preceding year
Equity transfer money	<b>24,687,737.50</b>	—

Note: The equity transfer money represents the transfer of 41% equity interest in Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三寶弘正視覺科技有限公司) held by its subsidiary Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司) for a consideration of RMB25 million, which will be recovered in instalments by the end of November 2023 as agreed in the equity transfer agreement.

### (XI) Other current assets

Items	Closing balance	Closing balance at preceding year
Deductible and pending for verification input VAT	<b>43,321,282.40</b>	54,219,739.39
Prepaid enterprise income tax	<b>6,395,720.19</b>	5,292,095.52
Prepayment of other taxes	<b>31,152.50</b>	183,851.69
Debt investment	<b>16,436,168.00</b>	14,520,576.00
Total	<b>66,184,323.09</b>	74,216,262.60

Note: Debt investment represents wealth management products held by the Company.

### (XII) Long-term equity investments

Investee	Closing balance at preceding year	Increase in investment	Decrease in investment	Increase/decrease during the period					Closing balance	Closing balance of impairment provision	
				Investment gains and losses recognized using equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profits	Impairment provision			Others
Associates	-	-	-	-	-	-	-	-	-	-	-
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	114,791.00	-	-	-8,478.05	-	-	-	-	-	106,312.95	-
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd. (台州交投數智科技發展有限公司)	-	10,000,000.00	-	26,144.05	-	-	-	-	-	10,026,144.05	-
Total	114,791.00	10,000,000.00	-	17,666.00	-	-	-	-	-	10,132,457.00	-

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XIII) Other equity instrument investment

#### 1. Particulars of other equity instrument investment

Items	Closing balance	Closing balance at preceding year
Jiangsu Sailian Information Industry Research Institute Co., Ltd. (江蘇賽聯信息產業研究院股份有限公司)	-	83,132.16
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)) (Note 1)	47,449,799.45	5,530,819.37
Jianan Xuyi Equity Fund No.1 (Note 2)	454,761,800.00	-
Total	502,211,599.45	5,613,951.53

Note 1: For the year ended 31 December 2022, the Company's shareholding in 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)) has increased from 4% to 16%.

Note 2: On 19 March 2020, the Company entered into a "Equity Acquisition and Cooperation Agreement" and a "Fund Transfer Agreement" with China Overseas Development and Construction Group Co., Ltd.\* (中海外開發建設集團有限公司) ("China Overseas") and other parties, it was agreed to transfer all units of Xuyi Fund held by Nanjing Dongbang Equipment Co., Ltd.\* (南京動邦裝備有限公司), a former subsidiary, at a consideration of RMB450,000,000.00. Meanwhile, China Overseas was provided an option, which is exercisable by China Overseas within 90 days after the "Equity Acquisition and Cooperation Agreement" came into effect to decide whether the "Fund Transfer Agreement" is effective. The Company classified Xuyi Fund as held-for-sale assets. On 17 June 2020, it further extended the option period to 180 days.

Following the expiry of the option period, the parent company of China Overseas was changed to Zhongcheng Chuangzhan Urban Development Group Co., Ltd.\* (中城創展城市開發集團有限公司) ("Zhongcheng Chuangzhan"). When the option period and the extension period expired, Zhongcheng Chuangzhan and China Overseas did not exercise the option right. Xuyi Fund and the right of receiving its income has been owned by the Company. On 9 January 2023, the Company completed the formality for change of its registration and re-classified the investment of Xuyi Fund from assets held-for-sale to other equity instrument investments.

# Notes to the Financial Statements

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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XIII) Other equity instrument investment (Continued)

#### 2. Particulars of non-trading equity instrument investments

Items	Dividend income recognized during the period	Accumulated profits	Accumulated losses	Amount transfer from other comprehensive income to retained earnings	Reasons for designated as measured at fair value and its change included in the other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
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))	-	1,047,999.45	-	-	- Strategic Investment	
Jianan Xuyi Equity Fund No.1	-	4,761,800.00	-	-	- Strategic Investment	
Total	-	5,809,799.45	-	-		

### (XIV) Other non-current financial assets

Items	Closing balance	Closing balance at preceding year
Financial assets measured at fair value and its change included into current profit or loss	144,424,151.22	127,401,404.22
Including: Equity instrument investment	144,424,151.22	127,401,404.22
Financial assets designated as at fair value through profit or loss	15,981,201.34	13,546,256.00
Including: Debt instrument investment	15,981,201.34	13,546,256.00
Total	160,405,352.56	140,947,660.22

Note: The equity instrument investments held by the Company are all equity investments in non-listed companies.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XV) Investment property

#### 1. Investment property adopting fair value measurement model

Items	Property and buildings
1. Closing balance at preceding year	236,490,100.00
2. Movement during the period	313,000.00
Add: Change in fair value	313,000.00
3. Closing balance	<u>236,803,100.00</u>

#### 2. Major investment property in the period

Items	Geographical location	Construction area (m <sup>2</sup> )	Rental income during the reporting period	Closing fair value	Opening fair value
Office	No. 10 Maqun Avenue, Nanjing	<u>30,575.32</u>	<u>11,519,621.50</u>	<u>236,803,100.00</u>	<u>236,490,100.00</u>

#### 3. The Group does not have any investment property without certificates of ownership at the end of the period under review

### (XVI) Fixed assets

#### 1. Fixed assets and disposal of fixed assets

Items	Closing balance	Closing balance at preceding year
Fixed assets	<b>152,999,306.59</b>	208,814,233.66
Disposal of fixed assets	<u>—</u>	<u>—</u>
Total	<b><u>152,999,306.59</u></b>	<u>208,814,233.66</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XVI) Fixed assets (Continued)

#### 2. Particulars of fixed assets

Items	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
1. Original book value					
(1) Closing balance					
at preceding year	143,521,759.87	314,747,787.46	3,689,040.64	115,049,053.36	577,007,641.33
(2) Increase during the period	–	50,235.94	137,631.43	141,102.94	328,970.31
– Acquisition	–	50,235.94	137,631.43	141,102.94	328,970.31
(3) Decrease during the period	–	–	571,717.54	1,598,630.67	2,170,348.21
– Disposal or write-off	–	–	571,717.54	1,598,630.67	2,170,348.21
(4) Closing balance	143,521,759.87	314,798,023.40	3,254,954.53	113,591,525.63	575,166,263.43
2. Accumulated depreciation					
(1) Closing balance					
at preceding year	49,331,695.89	216,041,949.35	3,372,420.25	79,948,054.20	348,694,119.69
(2) Increase during the period	6,988,590.96	40,787,251.41	99,716.60	8,159,022.00	56,034,580.97
– Provision	6,988,590.96	40,787,251.41	99,716.60	8,159,022.00	56,034,580.97
(3) Decrease during the period	–	–	543,131.66	1,517,900.14	2,061,031.80
– Disposal or write-off	–	–	543,131.66	1,517,900.14	2,061,031.80
(4) Closing balance	56,320,286.85	256,829,200.76	2,929,005.19	86,589,176.06	402,667,668.86
3. Impairment provision					
(1) Closing balance					
at preceding year	–	18,709,318.09	–	789,969.89	19,499,287.98
(2) Increase during the period	–	–	–	–	–
(3) Decrease during the period	–	–	–	–	–
(4) Closing balance	–	18,709,318.09	–	789,969.89	19,499,287.98
4. Book value					
(1) Closing book value	87,201,473.02	39,259,504.55	325,949.34	26,212,379.68	152,999,306.59
(2) Closing book value					
at preceding year	94,190,063.98	79,996,520.02	316,620.39	34,311,029.27	208,814,233.66

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XVI) Fixed assets (Continued)

#### 3. Fixed assets leased out through operating leases

Items	Closing book value	Closing book value at preceding year
Social security video screen prevention and control system of Bengbu City (expansion)	32,600,083.49	60,299,742.05

#### 4. There were no fixed assets without certificates of ownership at the end of the period

### (XVII) Construction in progress

#### 1. Construction in progress and construction materials

Items	Closing balance	Closing balance at preceding year
Construction in progress	172,212.40	—

#### 2. Particulars of construction in progress

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Machinery room modification project	172,212.40	—	172,212.40	—	—	—



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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XVIII) Intangible assets

Items	Land use right	Software	Patented technology	Total
1. Original book value				
(1) Closing balance at preceding year	10,636,583.49	7,740,682.50	21,334,076.22	39,711,342.21
(2) Increase during the period	–	1,341,512.76	–	1,341,512.76
– Acquisition	–	1,341,512.76	–	1,341,512.76
(3) Decrease during the period	–	87,895.88	–	87,895.88
– Disposal	–	87,895.88	–	87,895.88
(4) Closing balance	10,636,583.49	8,994,299.38	21,334,076.22	40,964,959.09
2. Accumulated amortization				
(1) Closing balance at preceding year	3,180,285.37	6,243,247.79	19,117,119.38	28,540,652.54
(2) Increase during the period	240,774.36	865,439.16	59,940.26	1,166,153.78
– Provision	240,774.36	865,439.16	59,940.26	1,166,153.78
(3) Decrease during the period	–	–	–	–
(4) Closing balance	3,421,059.73	7,108,686.95	19,177,059.64	29,706,806.32
3. Impairment provision				
(1) Closing balance at preceding year	–	862,531.75	–	862,531.75
(2) Increase during the period	–	–	–	–
(3) Decrease during the period	–	–	–	–
(4) Closing balance	–	862,531.75	–	862,531.75
4. Book value				
(1) Closing book value	7,215,523.76	1,023,080.68	2,157,016.58	10,395,621.02
(2) Closing book value at preceding year	7,456,298.12	634,902.96	2,216,956.84	10,308,157.92

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XIX) Long-term deferred expenses

Items	Closing balance at preceding year	Increase during the period	Amortized during the period	Other decrease	Closing balance
e-Card	535,037.52	–	535,037.52	–	–
Others	85,281.87	–	85,281.87	–	–
Total	620,319.39	–	620,319.39	–	–

### (XX) Deferred income tax assets and deferred income tax liabilities

#### 1. Deferred income tax assets before offsetting

Items	Closing balance		Closing balance at preceding year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment provision for assets	476,698,165.56	71,504,724.83	364,162,550.46	54,624,382.57
Change in fair value of other equity instruments investment	–	–	1,386,048.47	207,907.27
Accrued costs	–	–	83,904,961.78	12,585,744.27
Deductible tax losses	–	–	6,714,833.25	1,007,224.99
Temporary differences caused by offsetting internal transactions	–	–	138,926.73	20,839.01
Total	476,698,165.56	71,504,724.83	456,307,320.69	68,446,098.11

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XX) Deferred income tax assets and deferred income tax liabilities (Continued)

#### 2. Deferred income tax liabilities before offsetting

Items	Closing balance		Closing balance at preceding year	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Fair value change of held-for-trading financial assets	28,191,696.15	4,228,754.42	28,153,249.15	4,222,987.37
Fair value change of other equity instruments investment	5,809,799.45	871,469.92	—	—
Fair value change of investment property	76,693,554.26	11,504,033.14	76,380,554.26	11,457,083.14
Asset gains from business combinations involving entities not under common control	703,995.67	105,599.35	829,588.93	124,438.34
Total	111,399,045.53	16,709,856.83	105,363,392.34	15,804,508.85

#### 3. Details of unrecognized deferred income tax assets

Items	Closing balance	Closing balance at preceding year
Deductible temporary difference	146,813,256.14	32,057,866.54
Deductible tax losses	318,442,462.72	160,303,699.67
Total	465,255,718.86	192,361,566.21

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XX) Deferred income tax assets and deferred income tax liabilities (Continued)

#### 4. Deductible losses, for which deferred tax assets are not recognized, will expire in the following years

Year	Closing balance	Closing balance at preceding year
2027	321,814.02	321,814.02
2028	8,119,272.01	8,119,272.01
2029	34,026,098.76	34,026,098.76
2030	48,344,749.39	48,344,749.39
2031	69,491,765.49	69,491,765.49
2032	158,138,763.05	—
Total	318,442,462.72	160,303,699.67

### (XXI) Other non-current assets

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Equity transfer money	—	—	—	23,665,787.50	—	23,665,787.50

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXII) Short-term borrowings

#### 1. Classification of short-term borrowings

Items	Closing balance	Closing balance at preceding year
Pledged and guaranteed loan	455,000,000.00	385,000,000.00
Mortgage and guaranteed loan	46,770,000.00	46,770,000.00
Guaranteed loan	220,590,000.00	340,000,000.00
Pledged loan	5,798,143.15	—
Interest payable not yet due	949,646.71	1,042,942.91
Total	729,107,789.86	772,812,942.91

#### 2. There were no due short-term borrowings outstanding at the end of the period

### (XXIII) Notes payable

Type	Closing balance	Closing balance at preceding year
Bank acceptance bills	—	4,000,000.00

### (XXIV) Accounts payable

#### 1. Accounts payable disclosed according to their aging at the date of entry

Items	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	199,223,954.53	247,841,605.01
1 to 2 years	145,830,320.29	116,605,931.56
2 to 3 years	57,275,970.10	67,287,038.33
Over 3 years	17,938,600.68	115,996,803.45
Total	420,268,845.60	547,731,378.35

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXIV) Accounts payable (Continued)

#### 2. Major accounts payable aged over one year

Items	Closing balance	Reasons for outstanding or carried forward
Shandong Yanhua Information Technology Co., Ltd.(山東煙華信息科技有限公司)	24,751,031.80	Not yet settled
Nanjing Bochangrui Electrical and Mechanical Equipment Engineering Co., Ltd. (南京博常瑞機電設備工程有限公司)	16,947,177.43	Not yet settled
Total	41,698,209.23	

### (XXV) Advances from customers

Items	Closing balance	Closing balance at preceding year
Advances from customers	-	17,872.20

### (XXVI) Contract liabilities

Items	Closing balance	Closing balance at preceding year
Related to engineering contracts	55,344,250.54	53,269,281.83

Note: The Company's contract liabilities related to engineering contracts is the amount of the settlement that has been processed exceeding the income recognized by the Group based on the performance progress of the contract. The closing balance at preceding year of RMB52,544,930.85 was transferred to operating income in 2022.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXVII) Payroll payables

#### 1. Particulars of payroll payables

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Short-term payroll payable	16,043,697.97	54,109,686.09	54,327,117.12	<b>15,826,266.94</b>
Post-employment benefits – defined contribution plan	–	4,516,391.96	4,516,391.96	–
Termination benefits	19,485.00	616,312.08	616,312.08	<b>19,485.00</b>
Total	<u>16,063,182.97</u>	<u>59,242,390.13</u>	<u>59,459,821.16</u>	<u><b>15,845,751.94</b></u>

#### 2. Particulars of short-term payroll payable

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
(1) Wages or salaries, bonuses, allowances and subsidies	15,703,660.23	47,779,705.98	47,863,938.12	<b>15,619,428.09</b>
(2) Employee welfare	87,571.00	471,184.12	558,755.12	–
(3) Social insurance	–	2,632,882.71	2,632,882.71	–
Including: Basic medical insurance	–	2,198,136.69	2,198,136.69	–
Work injury insurance	–	233,033.03	233,033.03	–
Maternity insurance	–	201,712.99	201,712.99	–
(4) Housing funds	116,977.06	3,182,575.60	3,182,575.60	<b>116,977.06</b>
(5) Union funds and staff education costs	135,489.68	43,337.68	88,965.57	<b>89,861.79</b>
(6) Pay for short-term absence	–	–	–	–
(7) Short-term profit sharing plan	–	–	–	–
Total	<u>16,043,697.97</u>	<u>54,109,686.09</u>	<u>54,327,117.12</u>	<u><b>15,826,266.94</b></u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXVII) Payroll payables (Continued)

#### 3. Particulars of defined contribution plan

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Basic pension contribution	-	4,379,103.09	4,379,103.09	-
Unemployment insurance	-	137,288.87	137,288.87	-
Corporate annuity payment	-	-	-	-
Total	-	4,516,391.96	4,516,391.96	-

### (XXVIII) Taxes payable

Tax items	Closing balance	Closing balance at preceding year
VAT	2,141,279.83	3,498,354.23
Enterprise income tax	802,569.90	1,744,803.91
Individual income tax	153,453.70	254,527.22
City maintenance and construction tax	89,336.64	751,060.76
Property tax	643,267.05	555,840.83
Education surcharge	63,259.79	535,919.92
Land use tax	98,413.75	98,413.75
Stamp duty	52,756.54	40,999.49
Profit tax	130,702.37	119,630.41
Total	4,175,039.57	7,599,550.52

### (XXIX) Other payables

Items	Closing balance	Closing balance at preceding year
Interests payable	657,617.35	769,570.33
Dividends payable	-	-
Other payables	87,946,433.89	51,474,993.20
Total	88,604,051.24	52,244,563.53



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXIX) Other payables (Continued)

#### 1. Interests payable

Items	Closing balance	Closing balance at preceding year
Interest of long-term borrowings	<b>657,617.35</b>	769,570.33

#### 2. Other payables

Items	Closing balance	Closing balance at preceding year
Current accounts	<b>32,033,376.06</b>	26,188,064.84
Retention monies	<b>49,664,044.27</b>	18,025,961.76
Collection and payment	<b>223,193.39</b>	6,102,017.53
Others	<b>6,025,820.17</b>	1,158,949.07
Total	<b>87,946,433.89</b>	51,474,993.20

#### 3. There were no major other payables aged over one year at the end of the period

### (XXX) Non-current liabilities due within one year

Items	Closing balance	Closing balance at preceding year
Long-term borrowing due within one year	<b>6,000,000.00</b>	96,000,000.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXI) Other current liabilities

Items	Closing balance	Closing balance at preceding year
Output value-added tax to be recognized	3,755,494.56	2,317,602.10
Liabilities not derecognized by bill endorsement	4,923,951.90	1,301,000.00
Total	8,679,446.46	3,618,602.10

### (XXXII) Long-term borrowing

Items	Closing balance	Closing balance at preceding year
Secured, pledged and guaranteed loan	90,250,000.00	186,250,000.00
Pledged loan	3,782,451.78	—
Less: Long-term borrowing due within one year	6,000,000.00	96,000,000.00
Total	88,032,451.78	90,250,000.00

As at the end of the reporting period, the maturity status of long-term borrowings is as follows:

Items	Closing balance
1 to 2 years	9,782,451.78
2 to 3 years	7,400,000.00
3 to 4 years	7,400,000.00
4 to 5 years	7,400,000.00
Over 5 years	56,050,000.00
Total	88,032,451.78

Description: During the reporting period, the annual interest rate for the Company's long-term borrowing ranging from 4.06% to 5.50%.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXIII) Deferred income

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Government subsidies	14,385,829.85	—	7,450,616.68	<b>6,935,213.17</b>

Items involving government subsidies:

Liabilities items	Closing balance at preceding year	Increase during the period	Included in other income during the period	Closing balance	Asset-related/ Income-related
Ministry of Industry and Information Technology Internet of Things Project Funding Agreement	440,000.00	—	—	<b>440,000.00</b>	Asset-related
Demonstration project of application of comprehensive supervision system based on Internet of things technology for urban intelligent traffic	11,762,575.22	—	6,000,000.00	<b>5,762,575.22</b>	Income-related
"Two passengers and one danger" research and demonstration project of risk prevention and control technology for key operating vehicles	1,000,000.00	—	1,000,000.00	—	Income-related
Financial assistance for national scientific and technological support projects	388,254.71	—	265,863.84	<b>122,390.87</b>	Asset-related
Provincial grants for international cooperation	274,999.92	—	184,752.84	<b>90,247.08</b>	Income-related
Cooperation fee for co-operation with National Natural Science Foundation	520,000.00	—	—	<b>520,000.00</b>	Income-related
Total	14,385,829.85	—	7,450,616.68	<b>6,935,213.17</b>	

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXIV) Share capital

Name of shareholders	Closing balance at preceding year	Increase(+)/Decrease(-) during the period					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Other	Sub-total	
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	397,821,000.00	-	-	-	-	-	397,821,000.00
Active Gold Holding Limited	123,862,500.00	-	-	-	-	-	123,862,500.00
Sha Min	3,375,000.00	-	-	-	-	-	3,375,000.00
Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司)	34,375,000.00	-	-	-	-	-	34,375,000.00
Shandong Runbang Agricultural Development Co., Ltd. (山東潤邦農業開發有限公司)	3,125,000.00	-	-	-	-	-	3,125,000.00
Overseas public shareholders (H Shares)	229,500,000.00	-	-	-	-	-	229,500,000.00
Total	792,058,500.00	-	-	-	-	-	792,058,500.00

### (XXXV) Capital reserve

Items	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Share premium	103,269,821.12	-22,270,401.39	-	80,999,419.73
Other capital reserve	-	-	-	-
Total	103,269,821.12	-22,270,401.39	-	80,999,419.73

Note: The Company acquired 35% of the minority shareholders' equity of the subsidiary, Nanjing City Intelligent Transportation Co., Ltd., (南京城市智能交通股份有限公司) in the current period. When preparing the consolidated financial statements, the difference between the newly acquired long-term equity investment by the acquisition of minority shareholders' equity and the net asset entitled in proportion to the equity interest acquired be calculated on a continuous basis since the purchase date offsets the capital reserve by RMB22,270,401.39.

# Notes to the Financial Statements

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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXVI) Other comprehensive income

Items	Amount during the period							Closing balance
	Closing balance at preceding year	Movement before income tax during the period	Less: Transfer		Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholder after tax	
			Less: Transfer to profit or loss during the period that previously included in other comprehensive income	to retained earnings during the period that previously included in other comprehensive income				
1. Other comprehensive income that will not be reclassified to profit or loss	-1,235,037.26	5,278,980.08	-	-1,916,867.84	1,079,377.19	6,116,470.73	-	4,881,433.47
Including: Changes of re-measurement of defined benefit plans								
Changes in fair value of other equity instruments investment	-1,235,037.26	5,278,980.08	-	-1,916,867.84	1,079,377.19	6,116,470.73	-	4,881,433.47
2. Other comprehensive income that will be reclassified to profit or loss	26,692,433.68	3,185,644.73	-	-	-	3,185,644.73	-	29,878,078.41
Including: Converted difference in foreign currency statements	-8,650,017.44	3,185,644.73	-	-	-	3,185,644.73	-	-5,464,372.71
Others	35,342,451.12	-	-	-	-	-	-	35,342,451.12
Total other comprehensive income	25,457,396.42	8,464,624.81	-	-1,916,867.84	1,079,377.19	9,302,115.46	-	34,759,511.88

### (XXXVII) Surplus reserve

Items	Closing balance at preceding year	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	104,128,024.15	104,128,024.15	-	-	104,128,024.15

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXVIII) Undistributed profits

Items	Current period	Previous period
Undistributed profit before adjustment at the end of preceding year	812,449,980.76	871,694,716.41
Adjustment of total undistributed profit at the beginning of the year (with “+” for increase and with “-” for decrease)	-	-
Undistributed profit after adjustment at the beginning of the year	812,449,980.76	871,694,716.41
Add: Current net profit attributable to owners' equity of the parent company	-273,526,467.22	-59,244,735.65
Less: Provision of statutory surplus reserves	-	-
Provision of other surplus reserves	-	-
Provision for general credit risk	-	-
Ordinary shares dividends payable	-	-
Ordinary shares dividends transferred to the share capital	-	-
Transfer to other comprehensive income	1,923,636.12	-
Undistributed profit at the end of the period	536,999,877.42	812,449,980.76

### (XXXIX) Operating income and operating cost

#### 1. Particulars of operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	481,171,833.77	472,427,654.38	888,667,611.94	736,933,790.77
Other operation	31,493,360.24	11,001,553.95	25,346,143.61	7,634,585.68
Total	512,665,194.01	483,429,208.33	914,013,755.55	744,568,376.45

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXIX) Operating income and operating cost (Continued)

#### 2. Operating income and operating cost (by project)

Items	Current period		Previous period	
	Income	Cost	Income	Cost
System integration	403,057,943.39	371,292,868.48	765,909,542.84	637,097,464.13
Intelligent terminal sales	26,103,338.93	20,029,569.65	38,153,078.20	31,330,229.48
Service income	52,010,551.45	81,105,216.25	84,604,990.90	68,506,097.16
Other business	31,493,360.24	11,001,553.95	25,346,143.61	7,634,585.68
Total	512,665,194.01	483,429,208.33	914,013,755.55	744,568,376.45

#### 3. Operating income and operating cost (by region)

Region	Current period		Previous period	
	Income	Cost	Income	Cost
Mainland China	512,665,194.01	483,429,208.33	913,971,496.30	744,568,376.45
Hong Kong, PRC	-	-	42,259.25	-
Total	512,665,194.01	483,429,208.33	914,013,755.55	744,568,376.45

#### 4. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

#### 5. Transaction prices apportioned to remaining performance obligations

The amount of transaction prices corresponding to performance obligations that have been contracted for but not yet performed or completed as at 31 December 2022 was RMB380,660,490.02 (as at 31 December 2021 was RMB447,834,542.78), of which RMB316,282,910.85.19 is expected to be recognised as income in 2023 and the remaining RMB64,110,103.95 is expected to be recognised as income in 2024.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XL) Taxes and surcharges

Items	Current period	Previous period
City maintenance and construction tax	938,454.11	844,911.17
Education surcharge	431,737.82	404,387.68
Local education surcharge	287,825.23	269,591.78
Property tax	2,366,785.94	2,433,360.59
Land-of-use tax	393,655.00	393,654.99
Vehicles usage tax	660.00	4,670.00
Stamp duty	352,026.69	1,288,954.27
Total	4,771,144.79	5,639,530.48

### (XLI) Selling and distribution expenses

Items	Current period	Previous period
Employees' remuneration	30,168,351.80	19,585,225.65
Entertainment expenses	3,443,575.43	3,888,703.50
Traveling expenses	2,660,052.60	3,252,878.25
Project maintenance expenses	2,405,318.24	642,016.54
Bidding fees	1,433,739.86	3,149,681.27
Depreciation of fixed assets	1,322,381.21	1,801,683.25
Maintenance fees	717,311.75	248,183.81
Others	464,755.41	437,872.04
Vehicle expenses	429,596.35	742,096.92
Lease expenses	330,455.05	431,510.14
Water and electricity charges	203,493.41	333,429.80
Consultation and agency fees	195,156.72	2,949,312.54
Postage and telephone communication fees	156,098.76	203,418.39
Office expenses	116,664.80	357,009.65
Technical services fee	77,801.77	372,487.57
Advertisement expenses	5,433.77	41,615.89
Labour expenses	—	107,011.20
Total	44,130,186.93	38,544,136.51



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLII) General and administrative expenses

Items	Current period	Previous period
Employees' remuneration	15,979,957.31	28,999,726.56
Depreciation of fixed assets	15,131,525.92	14,545,185.80
Agency appointment fee	7,028,432.95	4,224,246.76
Property management fee	1,631,040.17	190,026.82
Auditors' remuneration	1,000,000.00	1,000,000.00
Technical services fee	859,465.30	2,916,838.39
Lease expenses	833,910.56	800,155.23
Amortization of intangible assets	816,569.17	761,599.95
Others	815,888.96	563,767.20
Entertainment expenses	579,619.84	760,940.19
Office expenses	576,994.75	555,040.31
Board fee	385,921.00	283,611.48
Maintenance fee	377,697.01	594,747.51
Vehicles usage expenses	373,840.43	683,778.23
Qualification certification fee	206,591.47	311,398.28
Travelling expenses	35,400.62	477,164.90
Amortization of long-term deferred expenses	—	536,763.38
Total	46,632,855.46	58,204,990.99

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLIII) Research & development expenses

Items	Current period	Previous period
Employees' remuneration	13,094,081.02	15,447,639.55
Direct materials	7,811,957.51	23,818,576.82
Technical services fee	876,805.35	7,364,351.89
Amortization of intangible assets	349,584.61	220,689.96
Entertainment expenses	191,514.64	163,769.26
Water and electricity charges	176,675.64	179,107.69
Depreciation expenses	160,603.50	218,102.50
Patent expenses	134,837.64	58,060.00
Others	104,297.27	705,834.77
Property management fee	90,106.25	70,719.03
Travelling expenses	68,404.32	233,505.15
Office expenses	36,915.26	43,943.04
Postage and telephone communication fee	22,295.33	32,556.02
Agency and consultation fee	21,515.06	—
Total	23,139,593.40	48,556,855.68

### (XLIV) Financial expenses

Items	Current period	Previous period
Interest expenses	42,758,466.41	59,758,364.88
Less: interest income	5,672,499.57	1,894,057.79
Exchange gain and loss	395.85	217,228.51
Others	-255,417.59	1,114,925.93
Total	36,830,945.10	59,196,461.53

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLV) Other income

Items	Current period	Previous period
Government subsidies – tax refund	4,149,545.77	2,562,122.28
Government subsidies – others	7,694,147.12	9,599,170.74
Additional input VAT credit	23,893.96	
Personal income tax withholding fees	182,711.53	17,035.54
Total	12,050,298.38	12,178,328.56

### Government subsidies included in other income

Subsidised items	Current period	Previous period	Asset-related/ income-related
Special subsidy for demonstration project of application of urban intelligent transportation comprehensive supervision system based on Internet of Things technology	6,000,000.00	6,000,000.00	Income-related
R&D and industrialization of safety monitoring vehicle terminal and cloud platform based on vehicle-human collaboration	–	2,090,000.00	Income-related
“Two passengers and one danger” research and demonstration project of risk prevention and control technology for key operating vehicles	1,000,000.00	–	Income-related
Maqun Office of the People’s Government of Qixia District, Nanjing City	123,000.00	129,729.58	Income-related
The Provincial Intellectual Property Special Fund distributed by The Market Supervision and Administration Bureau of Qixia District, Nanjing City	–	25,600.00	Income-related
Southeast University subsidy	100,000.00	148,750.00	Income-related
Vocational training subsidy of Nanjing Vocational Technical Training and Guidance Centre	–	23,500.00	Income-related
Economics Department 2019 Nanjing Industrial and Information Development Special Fund	–	50,000.00	Income-related
Financial subsidy for national science support project	265,863.84	607,366.68	Asset-related
Provincial grants for international cooperation	184,752.84	–	Income-related
Intellectual property funding	–	3,000.00	Income-related
VAT refundable on software products	4,149,545.77	2,562,122.28	Income-related
Cooperation fee for co-operation with National Natural Science Foundation	–	520,000.00	Income-related
Others	20,530.44	1,224.48	Income-related
Total	11,843,692.89	12,161,293.02	

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLVI) Investment income

Items	Current period	Previous period
Investment income from long-term equity investment under equity method	17,666.00	-3,561.11
Investment income from disposal of long-term equity investments	-1,024,248.53	7,895,225.06
Investment income on other non-current financial assets during the holding period	675,165.71	1,886,069.19
Investment income from disposal of other non-current financial assets	-863,300.00	—
Total	<b>-1,194,716.82</b>	<b>9,777,733.14</b>

### (XLVII) Gain on fair value change

Sources generating gain on fair value change	Current period	Previous period
Other non-current financial assets	1,295,967.14	9,262,303.31
Investment property measured at fair value	313,000.00	1,274,200.00
Total	<b>1,608,967.14</b>	<b>10,536,503.31</b>

### (XLVIII) Credit impairment losses

Items	Current period	Previous period
Loss from bad debts of bills receivable	69,893.90	-220,000.34
Loss from bad debts of accounts receivable	91,616,562.43	-7,520,455.31
Loss from bad debts of other receivables	107,683,379.22	52,730,713.15
Total	<b>199,369,835.55</b>	<b>44,990,267.50</b>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLIX) Asset impairment losses

Items	Current period	Previous period
Loss from declines in values of inventories and impairment loss of contract performance costs	5,884,093.91	667,387.39
Impairment loss of contract assets	-11,379,941.87	884,060.92
Total	-5,495,847.96	1,551,448.31

### (L) Income from assets disposal

Items	Current period	Previous period
Gains from disposal of non-current assets	-67,124.70	-11,351.46
Including: Gains from disposal of fixed assets	-3,044.93	-11,351.46
Gains from disposal of intangible assets	-64,079.77	—
Total	-67,124.70	-11,351.46

### (LI) Non-operating income

Items	Current period	Previous period
Liquidated damages and compensation income	3,374,912.46	34,734.00
Others	828.67	16,579.02
Total	3,375,741.13	51,313.02

### (LII) Non-operating expenses

Items	Current period	Previous period
Losses on written-off of non-current assets	68,002.29	832.60
Fines	50.00	0.02
Liquidated damages and compensation expenses	220,810.78	—
Late payment fee	340,098.77	—
Others	0.09	—
Total	628,961.93	832.62

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LIII) Income tax expenses

#### 1. Table of income tax expenses

Items	Current period	Previous period
Income tax for the current period	-903,642.29	-1,575,415.65
Deferred income tax	-3,232,655.93	2,780,985.33
Total	-4,136,298.22	1,205,569.68

#### 2. Reconciliation between total profit and income tax expenses

Items	Current period
Total profit	-304,998,524.39
Income tax expenses calculated at applicable tax rates	-45,749,778.66
Effect of different tax rates applicable to subsidiaries	—
Income tax adjustments on prior periods	-903,642.29
Effect of non-taxable income	-341,920.52
Effect of additional deductible cost under tax law (Note)	-2,636,954.25
Expenses, costs and losses not deductible for tax purposes	75,598.57
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-1,675,557.78
Impact of deductible temporary differences or deductible loss for which deferred income tax assets are not recognized in the current period	47,095,956.71
Income tax expenses	-4,136,298.22

Note: The effect of additional deductible cost under the tax law is the additional deduction of research and development expenses.

### (LIV) Dividend

Items	Current year	Previous year
No final dividend is proposed for the current period (2021: Nil)	—	—

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (LIV) Dividend *(Continued)*

The Board recommended not to distribute a final dividend for the year ended 31 December 2022 on 31 March 2023 (2021: nil).

Items	Current year	Previous year
Final dividend in respect of the previous year approved during the year	—	—
Final dividend in respect of the previous year paid during the year	—	—
	<u>—</u>	<u>—</u>

### (LV) Earnings per share

#### 1. Basic earnings per share

Basic earnings per share are computed by dividing the consolidated net profit attributable to parent company's shareholders of ordinary shares by the weighted average number of the Company's outstanding ordinary shares:

Items	Current period	Previous period
Consolidated net profit attributable to parent company's shareholders of ordinary shares	<b>-273,526,467.22</b>	-59,244,735.65
Weighted average number of outstanding ordinary shares of the Company	<b>792,058,500.00</b>	792,058,500.00
Basic earnings per share	<b>-0.35</b>	-0.07
Including: Basic earnings per share from continuing operations	<b>-0.35</b>	-0.07
Basic earnings per share from discontinued operations	—	—
	<u>—</u>	<u>—</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LV) Earnings per share (Continued)

#### 2. Diluted earnings per share

Diluted earnings per share are computed by dividing the consolidated net profit (diluted) attributable to Parent Company's shareholders of ordinary shares by the weighted average number (diluted) of the Company's outstanding ordinary shares:

Items	Current period	Previous period
Consolidated net profit attributable to parent company's shareholders of ordinary shares (diluted)	-273,526,467.22	-59,244,735.65
Weighted average number of outstanding ordinary shares of the Company (diluted)	792,058,500.00	792,058,500.00
Diluted earnings per share	-0.35	-0.07
Including: Diluted earnings per share from continuing operations	-0.35	-0.07
Diluted earnings per share from discontinued operations	-	-

### (LVI) Notes to cash flow statement

#### 1. Cash received relating to other operating activities

Items	Current period	Previous period
Income from operating lease	13,019,993.61	13,222,655.11
Deposit interest income	5,672,499.57	1,894,057.79
Government subsidies	271,586.35	2,608,554.96
Liquidated damages and compensation income	3,374,912.46	34,734.00
Retention monies and security deposit	40,238,552.46	89,572,762.91
Reserved fund	12,577,429.37	13,611,480.50
Cash received from fund transactions	1,004,479,897.56	138,937,923.70
Restricted cash recovered during the period	3,576,491.53	17,046,864.21
Others	55,647.96	17,824.61
Total	1,083,267,010.87	276,946,857.79



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LVI) Notes to cash flow statement (Continued)

#### 2. Cash paid relating to other operating activities

Items	Current period	Previous period
Operating lease expenses	2,041,742.19	1,951,829.22
Fees and expenses	13,426,216.71	61,572,667.04
Bank handling charges	766,532.41	774,275.93
Penalty charges	22,340,148.77	0.02
Liquidated damages and compensation expenses	220,810.78	—
Retention monies and security deposit	38,342,393.94	58,554,629.06
Reserved fund	12,007,728.96	13,635,251.62
Cash paid for current accounts	773,176,878.86	303,419,785.14
Increase in restricted cash during the period	148,102,873.91	19,177,259.45
Total	1,010,425,326.53	459,085,697.48

#### 3. Cash received relating to other investing activities

Items	Current period	Previous period
Interest income from inter-enterprise borrowings	—	42,259.25
Income on overdue payment penalty of the equity transfer of Hong Kang Life Insurance Co., Ltd.	3,577,407.21	—
Intention money for equity transfer	35,500,000.00	—
Total	39,077,407.21	42,259.25

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (LVI) Notes to cash flow statement *(Continued)*

#### 4. Cash paid relating to other investing activities

Items	Current period	Previous period
Funds lent out in inter-company borrowings	–	9,672,960.00
Difference between the disposal price received for the equity interest in the subsidiary and the balance of cash and cash equivalents held by the Company at the date of disposal	–	2,683,036.68
Total	–	12,355,996.68

#### 5. Cash received relating to other financing activities

Items	Current period	Previous period
Funds received from inter-enterprise loans	–	2,500,000.00

#### 6. Cash paid relating to other financing activities

Items	Current period	Previous period
Funds returned from inter-enterprise loans	–	509,350,000.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LVII) Supplementary information of cash flow statement

#### 1. Supplementary information of cash flow statement

Supplementary information	Current period	Previous period
1. Net profits adjusted to cash flows from operating activities		
Net profit	-300,862,226.17	-55,912,187.63
Add: Credit impairment loss	199,369,835.55	44,990,267.50
Provision for assets impairment	-5,495,847.96	1,551,448.31
Depreciation of fixed assets	56,034,580.97	49,619,515.46
Depreciation of productive biological assets	-	-
Depletion of oil and gas assets	-	-
Depreciation of right-of-use assets	-	-
Amortization of intangible assets	1,166,153.78	982,289.91
Amortization of long-term deferred expenses	620,319.39	3,539,372.26
Losses from disposal of fixed assets, intangible assets and other long-term assets (with "-" for gains)	67,124.70	11,351.46
Losses from write-off fixed assets (with "-" for gains)	68,002.29	832.60
Losses on change in fair value (with "-" for gains)	-1,608,967.14	-10,536,503.31
Financial expenses (with "-" for gains)	42,758,862.26	59,975,593.39
Investment losses (with "-" for gains)	1,194,716.82	-9,777,733.14
Decrease in deferred income tax assets (with "-" for increase)	-3,058,626.72	1,787,455.44
Increase in deferred income tax liabilities (with "-" for decrease)	905,347.98	993,529.89
Decrease in inventories (with "-" for increase)	27,560,073.58	89,890,100.27
Decrease of operating receivables (with "-" for increase)	392,658,950.15	-137,356,736.25
Increase of operating payables (with "-" for decrease)	-131,194,171.51	169,201,687.27
Others	-145,548,332.38	-2,172,654.49
Net cash flows from operating activities	134,635,795.59	206,787,628.94
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents		
Cash at the end of the period	308,915,828.15	359,877,697.64
Less: cash at the beginning of period	359,877,697.64	379,222,636.69
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the period	-	-
Net increase in cash and cash equivalents	-50,961,869.49	-19,344,939.05

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LVII) Supplementary information of cash flow statement (Continued)

#### 2. Net cash received from disposal of subsidiaries in the current period

	Amount
Cash or cash equivalents received from the disposal of subsidiaries in the current period	108,104.01
Including: Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	108,104.01
Less: Cash and cash equivalents held by the company at the date of loss of control	—
Add: Cash or cash equivalents received in the current period from the disposal of subsidiaries in previous periods	—
Net cash received from disposal of subsidiaries	<u>108,104.01</u>

#### 3. Composition of cash and cash equivalents

Items	Closing balance	Closing balance at preceding year
1. Cash	<b>308,915,828.15</b>	359,877,697.64
Including: Cash on hand	<b>58.33</b>	—
Digital currency available for payment at any time	—	—
Bank deposit available for payment at any time	<b>308,915,769.82</b>	359,877,697.64
Other monetary funds available for payment at any time	—	—
Deposit in central banks available for payment	—	—
Deposit in other banks	—	—
Loan to other banks	—	—
2. Cash equivalents	—	—
Including: Bond investment due in three months	—	—
3. Cash and cash equivalents at end of the period	<b>308,915,828.15</b>	359,877,697.64
Including: Restricted cash and cash equivalents of the parent company or intra-group subsidiaries	<b>163,961,528.06</b>	19,435,145.68

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (LVIII) Assets with restricted ownership or right of use

Items	Closing balance	Reasons for restriction
Cash at bank and on hand	163,961,528.06	Retention monies
Investment property	236,803,100.00	Pledged for borrowing
Fixed assets	86,181,032.91	Pledged for borrowing
Intangible assets	7,215,523.76	Pledged for borrowing
Total	494,161,184.73	

### (LIX) Government subsidies

Type	Amount	Items presented in the balance sheet	Losses for inclusion in current profit and loss or offset of relevant costs and expenses		Loss items for inclusion in current profit and loss or offset of relevant costs and expenses
			Current period	Previous period	
Asset-related					
government subsidies	562,390.87	Deferred income	265,863.84	607,366.68	Other income
Income-related					
government subsidies	6,372,822.30	Deferred income	7,184,752.84	8,610,000.00	Other income
Income-related					
government subsidies	-	-	4,393,076.21	2,943,926.34	Other income
Total	6,935,213.17		11,843,692.89	12,161,293.02	

## VI. CHANGE OF THE SCOPE OF CONSOLIDATION

- (I) There was no business combination not involving entities under common control in the current period
- (II) The Company did not undergo business combinations involving entities under common control in the current period
- (III) The Company did not have reverse purchase in the current year
- (IV) Changes in scope of consolidation due to other reasons

The subsidiary, Nanjing Sample Chain Information Technology Co., Ltd.\* (三寶鏈式數據技術有限公司), has been deregistered and liquidated in December 2022, and the deregistration was approved by the Administrative Approval Bureau of Qixia District, Nanjing on 14 December 2022. Subsequently, it was no longer be included in the scope of consolidation.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## VII. INTERESTS IN OTHER ENTITIES

### Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Type of legal entity	Principal place of business	Place of registration	Business nature	Issued share capital	Percentage of shareholding (%)		Way of procurement
						Direct	Indirect	
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Intelligent transportation	220,000,000.00	100.00	–	Business combination of enterprises not under common control
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Computer software	114,000,000.00	100.00	–	Established by investment
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	IOT technology	100,000,000.00	100.00	–	Established by investment
Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司)	Joint stock limited company (not listed)	Nanjing, PRC	Nanjing, PRC	Information Technology	100,000,000.00	35.00	65.00	Business combination of enterprises not under common control
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Limited liability company	Hong Kong, PRC	Hong Kong, PRC	Consultation and investment	HK\$78,000.00	100.00	–	Established by investment
Federal International Enterprise Limited (永鴻國際企業有限公司)	Limited liability company	Hong Kong, PRC	Hong Kong, PRC	Electronic products	HK\$10,000.00	–	100.00	Business combination of enterprises not under common control

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## VII. INTERESTS IN OTHER ENTITIES (Continued)

### Interests in subsidiaries (Continued)

#### 1. Structure of the Group (Continued)

Name of subsidiaries	Type of legal entity	Principal place of business	Place of registration	Business nature	Issued share capital	Percentage of shareholding (%)		Way of procurement
						Direct	Indirect	
Jiangsu Ruifu Intelligent Tech. Co., Limited (江蘇瑞福智能科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Electronic products	31,344,734.83	–	100.00	Business combination of enterprises not under common control
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Municipal investment	100,000,000.00	70.00	–	Business combination of enterprises not under common control
Jiangsu Zhiyun Weiyang Data Technology Company Limited (江蘇智運唯盈數據科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Software and Information Technology Services	30,000,000.00	–	51.00	Established by investment

There are no bonds issued by the Company.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## VII. INTERESTS IN OTHER ENTITIES (Continued)

### Interests in subsidiaries (Continued)

#### 2. Significant non-wholly-owned subsidiary

Name of subsidiary	Percentage of minority shareholdings	Total profit or loss attributable to minority interests in the current period	Dividends declared to minority shareholders in the current period	Balance of minority interests at the end of period
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	30.00%	-6,024,648.07	—	9,065,788.40

#### 3. Key financial information of significant non-wholly-owned subsidiary

Name of subsidiary	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	30,889,807.41	111,983.16	31,001,790.57	782,495.89	—	782,495.89

Name of subsidiary	Current assets	Non-current assets	Closing balance at preceding year		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	50,939,052.30	174,802.03	51,113,854.33	812,399.30	—	812,399.30



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## VII. INTERESTS IN OTHER ENTITIES (Continued)

### Interests in subsidiaries (Continued)

#### 3. Key financial information of significant non-wholly-owned subsidiary (Continued)

Name of subsidiary	Current period				Previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	-	-20,082,160.35	-20,082,160.35	-38,066.83	2,018,867.87	3,241,850.85	3,241,850.85	-456,342.18

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include cash at bank and on hand, equity investments, debt investment, loans, accounts receivable, accounts payable and financial guarantee contracts, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the Board. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company.

The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include cash at bank and on hand, other receivables, debt investment and financial guarantee contracts. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The maximum credit risk exposure outside the balance sheet is the maximum amount of RMB150,000,000.00 that required to pay for the performance of financial guarantees.

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the impairment loss of accounts receivable and other receivables based on aging. Accounts receivable and other receivables of the Company involves a large number of customers and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account the current and future forecast economic conditions, such as national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust expected loss rate. For contract assets and long-term receivables, the Company conducted reasonable evaluation to the adjusted expected credit loss after comprehensive consideration of the settlement period, the contractual payment period, the financial position of debtors and the economic situation of the debtors' industry, and takes into account the above forward-looking information.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (I) Credit risk *(Continued)*

As of 31 December 2022, the carrying amount and expected credit impairment loss of related assets are as follows:

Items	Carrying balance	Provision for bad debts
Notes receivable	5,498,347.50	219,933.90
Accounts receivable	555,706,138.02	314,825,572.33
Other receivables	538,967,192.16	172,126,513.48
Contract assets	591,932,936.10	44,612,934.65
Total	1,692,104,613.78	531,784,954.36

### (II) Liquidity risk

Liquidity risk refers to the risk of short of funds when the Company performs its obligation of cash payment or settlement by other financial assets.

The member companies of the Company are responsible for their respective cash flow projections. Based on their results thereof, the finance department of the Company continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitoring the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. In addition, the Company entered into a credit line banking facilities agreement with principal business banks to provide support for the Company's obligations related to commercial bills.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (II) Liquidity risk (Continued)

Each financial liability of the Company is presented at undiscounted contractual cash flows by maturity date as follows:

Items	Closing balance		Total
	Within 1 year	Over 1 year	
Accounts payable	420,268,845.60	–	420,268,845.60
Other payables	88,604,051.24	–	88,604,051.24
Short-term borrowings	748,509,632.06	–	748,509,632.06
Non-current liabilities due within one year	6,122,010.00	–	6,122,010.00
Other current liabilities	8,679,446.46	–	8,679,446.46
Long-term borrowings	–	113,343,359.58	113,343,359.58
Total	1,272,183,985.36	113,343,359.58	1,385,527,344.94

Items	Closing balance at preceding year		Total
	Within 1 year	Over 1 year	
Notes payable	4,000,000.00	–	4,000,000.00
Accounts payable	547,731,378.35	–	547,731,378.35
Other payables	52,244,563.53	–	52,244,563.53
Short-term borrowings	792,299,149.40	–	792,299,149.40
Non-current liabilities due within one year	97,639,242.74	–	97,639,242.74
Other current liabilities	3,618,602.10	–	3,618,602.10
Long-term borrowings	–	119,043,246.42	119,043,246.42
Total	1,497,532,936.12	119,043,246.42	1,616,576,182.54

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (III) Market risk

Market risk of financial instrument represents the risk originated from the fluctuation of the fair value or future cash flow of financial instruments resulting from the change of market rates, including exchange rate risk, interest rate risk and other price risk.

#### 1. Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate.

The interest rate risk of the Company mainly associates with bank borrowings, etc. Floating rate financial liabilities expose the Company to cash flow interest rate risk, while fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions.

The finance department of the Company constantly monitors the interest rate level of the Company. A rise in the interest level will increase the costs of additional interest-bearing debts and the interest expenses on the Company's outstanding floating rate debts, and may have a material adverse impact on the financial results of the Company. The management will make timely adjustment according to the latest market conditions, such as interest rate swap arrangements to mitigate interest rate risk.

As at 31 December 2022, the Company's interest-bearing debts are all loan contracts in Renminbi with fixed rate, with a total amount of RMB822,190,600 (31 December 2021: RMB958,020,000). Changes in interest rates have no impact on net profit.

#### 2. Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HK dollar) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (III) Market risk (Continued)

#### 2. Exchange rate risk (Continued)

As of 31 December 2022, the carrying amounts in RMB equivalent of the Company's financial assets and liabilities denominated in Hong Kong dollars are summarized below:

Items	Closing balance	Closing balance at preceding year
Cash at bank and on hand	553,218.20	1,570,138.78
Other current assets	16,436,168.00	14,520,576.00
Total	16,989,386.20	16,090,714.78

On 31 December 2022, with all other variables remaining unchanged, the net profits of the Company will decrease or increase by RMB722,000 (31 December 2021: RMB683,900) if RMB appreciate or depreciate by 5% against HKD. The management is of the view that an appreciation or a depreciation of 5% reasonably reflected the reasonable range of change for RMB against HKD in the following year.

#### 3. Other price risk

Other price risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to market price changes other than exchange rate risk and interest rate risk.

The other price risk faced by the Company mainly arises from investments in various equity instruments, with risks of changes in the price of equity instruments. The management is of view that the market price risk faced by these investment activities is acceptable.

The equity investments held by the Company are as below:

Items	Closing balance	Closing balance at preceding year
Investment in other equity instruments	502,211,599.45	5,613,951.53
Other non-current financial assets	160,405,352.56	140,947,660.22
Total	662,616,952.01	146,561,611.75

# Notes to the Financial Statements

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## IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

### (I) Closing fair value of assets and liabilities measured at fair value

Items	Closing fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>Continuous fair value measurement</b>	–	–	–	–
◆ Receivables financing	–	–	1,505,158.27	1,505,158.27
◆ Investment in other equity instrument	–	–	502,211,599.45	502,211,599.45
◆ Other non-current financial assets	–	–	160,405,352.56	160,405,352.56
1. Financial assets measured at fair value and its change included into current profit or loss	–	–	–	–
(1) Investment in debt instruments	–	–	–	–
(2) Investment in equity instruments	–	–	–	–
(3) Derivative financial assets	–	–	–	–
(4) Others	–	–	–	–
2. Financial assets designated at fair value and its change included into current profit or loss	–	–	160,405,352.56	160,405,352.56
(1) Investment in equity instruments	–	–	144,424,151.22	144,424,151.22
(2) Investment in debt instruments	–	–	15,981,201.34	15,981,201.34
◆ Investment properties	–	–	236,803,100.00	236,803,100.00
<b>Total assets measured at fair value on a recurring basis</b>	–	–	900,925,210.28	900,925,210.28

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## IX. DISCLOSURE OF FAIR VALUE (Continued)

### (II) Determination of market price of continuous and non-continuous items of level I measurement at fair value

For listed equity instruments, debt instrument investments and fund investments, the Company uses their closing price on the stock exchange on the nearest trading day to the balance sheet date as the basis for determining their fair value.

### (III) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level II measurement at fair value

For trust plans, asset management plan investments and wealth management products, the Company uses the net value announced by the issuer or trustee on the date closest to the balance sheet date as the basis for determining their fair value;

For unlisted fund investments, the Company uses the valuation provided by asset managers on the date closest to the balance sheet date as the basis for determining their fair value;

For bonds traded on the national inter-bank bond market, the Company uses the daily valuation published by China Central Depository & Clearing Co., Ltd. as the basis for determining their fair value.

### (IV) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level III measurement at fair value

Items	Fair value at the end of the period	Valuation technique(s)	Unobservable inputs	Range /weighted average
Other equity instrument investments	502,211,599.45	Market approach	Price-to-book multiple	2-14
			Liquidity discount rate	24%-43%
Other non-current financial assets	160,405,352.56	Market approach	Price-to-book multiple	2-14
			Liquidity discount rate	24%-43%
Investment properties	236,803,100.00	Income approach	Discount rate	5.14%
			Price of unit area leasable	RMB1/M <sup>2</sup> /day- RMB1.6/M <sup>2</sup> /day



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) General information of the parent company of the Company

Unit: RMB0'000

Name of the parent company	Place of registration	Nature of business	Registered share capital	Equity interests held in the Company (%)	Voting right in the Company (%)
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing, PRC	Investment and development of high-tech industry; project investment & advisory services, asset management etc.	2,108,163,265	50.77	50.77

### (II) Information of subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note "VII. Interests in other entities".

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (III) Particulars of joint ventures and associates of the Company

For details of the significant joint ventures or associates of the Company, please refer to Note “VII. Interests in other entities”.

Other joint ventures or associates in which the Company has a related party transaction in the current period or balances caused by a related party transaction in the previous period are as follows:

Name of joint venture or associate	Relationship with the Company
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	Associate of the Company

### (IV) Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	Enterprise controlled by the same parent company
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Enterprise controlled by the same parent company
Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	Enterprise controlled by the same parent company
Nanjing Sample Digital Technology Co., Ltd. (南京三寶數碼科技有限公司)	Enterprise controlled by the same parent company
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Enterprise controlled by the same parent company
Zhong Jian Zhi Kang Supply Chain Service Company Limited (中健之康供應鏈服務有限責任公司)	Enterprise controlled by the same parent company
Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Enterprise controlled by the same parent company
Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公司)	Enterprise controlled by the same parent company
Sumpower Gsun Holdings Limited (三寶金山控股有限公司)	Enterprise controlled by the same parent company
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	Under the same control of the ultimate controller
Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Enterprise controlled by the same parent company
Nanjing Trade Mutual Plus Information Technology Co., Ltd. (南京貿互加信息科技有限公司)	Enterprise controlled by the same parent company

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions

#### 1. Particulars of leasing with related parties

The Company acts as lessor:

Name of the lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the previous period
Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公司)	Property leasing	1,225,995.10	598,873.84
Nanjing Trade Mutual Plus Information Technology Co., Ltd. (南京貿互加信息科技有限公司)	Property leasing	8,030.00	–
Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	Property leasing	8,986.31	17,972.60
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Property leasing	397,653.34	460,825.71
Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	Property leasing	749,430.47	1,228,633.80
Nanjing Sample Digital Technology Co., Ltd. (南京三寶數碼科技有限公司)	Property leasing	–	17,142.86
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	Property leasing	128,480.00	128,480.00
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Property leasing	549,222.54	567,127.30
Zhong Jian Zhi Kang Supply Chain Service Company Limited (中健之康供應鏈服務有限責任公司)	Property leasing	–	131,794.20
Sumpower Gsun Holdings Limited (三寶金山控股有限公司)	Property leasing	–	8,190.48
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Property leasing	–	72,476.19
Total		<u>3,067,797.76</u>	<u>3,231,516.98</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## **X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(Continued)*

### **(V) Related party transactions** *(Continued)*

#### **2. Acquisition of assets**

On 28 December 2022, the Company has respectively entered into the “Equity Transfer Agreement” with Nanjing Sample Digital Technology Co., Ltd.\* (南京三寶數碼科技有限公司) (hereinafter referred to as “Sample Digital”) and Qingdao Baohao Technology Co., Ltd.\* (青島寶昊科技有限公司) (hereinafter referred to as “Qingdao Baohao”), both of which are wholly-owned subsidiaries of the controlling shareholder, Nanjing Sample Technology Group Co., Ltd. (南京三寶科技集團有限公司). Sample Digital transferred its 12% equity interests in 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)) at RMB36,401,800.00 and Qingdao Baohao transferred its 50.50% equity interests in Qingdao Haifa Data Technology Industry Investment Development Partnership (Limited Partnership)\* (青島海發數科產業投資發展合夥企業(有限合夥)) at RMB64,504,300.00, to the Company.

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For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees

The Company acts as guarantor:

Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	49,500,000.00	2021/4/9	2022/4/7	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,500,000.00	2021/4/14	2022/4/13	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	45,000,000.00	2021/12/9	2022/12/8	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	8,000,000.00	2021/12/15	2022/12/14	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	90,000,000.00	2021/12/29	2022/6/27	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2021/11/10	2022/11/10	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	100,000,000.00	2021/4/12	2022/4/12	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,709,287.00	2021/8/26	2024/2/28	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	5,360,000.00	2022/9/22	2023/2/28	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	5,000,000.00	2022/9/22	2023/3/31	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	380,000.00	2022/10/10	2023/2/14	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,129,133.00	2022/10/27	2023/12/31	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	200,000.00	2022/11/3	2023/2/21	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	533,207.68	2022/11/3	2023/4/25	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	94,602.00	2022/12/2	2023/5/24	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	94,489.92	2022/12/8	2023/4/30	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,066,415.35	2022/12/8	2023/3/2	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	135,931.75	2022/12/28	2023/4/1	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2022/4/7	2023/4/6	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2022/7/1	2023/6/30	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	70,000,000.00	2022/6/15	2023/6/13	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	70,000,000.00	2022/6/8	2023/6/6	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	45,000,000.00	2022/12/6	2023/12/4	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,500,000.00	2022/4/22	2023/4/19	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	49,500,000.00	2022/4/7	2023/4/5	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	8,000,000.00	2022/12/13	2023/12/11	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	7,590,000.00	2022/12/28	2023/09/20	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	3,000,000.00	2022/12/29	2023/09/18	No
Total	666,293,066.70			

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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

Particulars of guarantees provided for letter of guarantee and bills:

As at 31 December 2022, the Company has provided guarantee totaling RMB15,703,066.70 for the letter of guarantee issued by Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司), a subsidiary of the Company.

The Company act as the guaranteed party:

Guarantor	Guaranteed parties	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2021/8/17	2022/8/17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	75,000,000.00	2021/12/27	2022/6/26	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	70,000,000.00	2021/6/29	2022/6/28	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,500,000.00	2021/8/18	2022/8/17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2021/12/15	2022/12/14	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	14,500,000.00	2021/12/9	2022/12/8	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2021/12/30	2022/12/19	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	46,770,000.00	2021/11/18	2022/11/23	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司), Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2021/6/24	2022/6/23	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2021/1/26	2022/1/24	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2021/2/4	2022/1/31	Yes
南京三寶科技股份有限公司, Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2021/4/7	2022/4/6	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Du Yu	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	90,000,000.00	2018/3/30	2022/3/30	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	90,250,000.00	2020/9/25	2034/9/16	No

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees (Continued)

Guarantor	Guaranteed parties	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2022/12/13	2023/12/12	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	14,500,000.00	2022/12/08	2023/12/06	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2022/12/08	2023/12/06	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	46,770,000.00	2022/11/17	2023/11/17	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2022/09/26	2023/09/14	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2022/08/18	2023/02/18	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,500,000.00	2022/08/10	2023/08/09	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	75,000,000.00	2022/06/23	2023/06/21	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	30,000,000.00	2022/06/23	2023/06/22	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	40,000,000.00	2022/06/22	2023/06/21	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2022/09/30	2023/09/14	No
Total		1,033,790,000.00			

As at 31 December 2022, the Company has issued a total of RMB1,874,950.00 of guarantee in the bank, and the Company has deposited retention monies of RMB1,874,950.00.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 4. Directors, supervisors and employees' emoluments

##### 1) Emoluments of Directors and supervisors

Name	Directors and supervisors' emoluments	Current period		Total
		Basic salaries and allowance	Other emoluments Contributions to retirement benefits and pensions schemes	
Executive Directors :				
Mr. Sha Min (Chief Executive Officer)	32,500.00	404,000.00	14,360.58	450,860.58
Mr. Ma Fengkui (Vice President)	32,500.00	904,100.00	110,283.11	1,046,883.11
Mr. Zhang Junmin (Resigned)	32,500.00	804,040.00	108,846.52	945,386.52
Sub-total	97,500.00	2,112,140.00	233,490.21	2,443,130.21
Non-executive Director :				
Mr. Chang Yong (Resigned)	32,500.00	150,500.00	42,600.00	225,600.00
Sub-total	32,500.00	150,500.00	42,600.00	225,600.00
Independent non-executive Directors :				
Mr. Hu Hanhui	41,250.00	-	-	41,250.00
Mr. Gao Lihui	41,250.00	-	-	41,250.00
Mr. Niu Zhongjie	61,250.00	-	-	61,250.00
Sub-total	143,750.00	-	-	143,750.00
Supervisor :				
Mr. Zou Tao	13,750.00	380,480.00	96,141.01	490,371.01
Independent supervisors :				
Mr. Qiu Xiang Yang	41,250.00	-	-	41,250.00
Mr. Dai Jian Jun	41,250.00	-	-	41,250.00
Sub-total	96,250.00	380,480.00	96,141.01	572,871.01
Senior management :				
Mr. Li Chengyang (Resigned)	-	287,194.00	43,291.80	330,485.80
Ms. Xu Yonghui	-	337,040.00	81,536.52	418,576.52
Sub-total	-	624,234.00	124,828.32	749,062.32
Total	370,000.00	3,267,354.00	497,059.54	4,134,413.54



# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 4. Directors, supervisors and employees' emoluments (Continued)

##### 1) Emoluments of Directors and supervisors:

Continued:

Name	Directors and supervisors' emoluments	Previous period Other emoluments		Total
		Basic salaries and allowance	Contributions to retirement benefits and pensions schemes	
Executive Directors :				
Mr. Sha Min	25,000.00	1,233,330.00	97,185.08	1,355,515.08
Mr. Ma Fengkui (Chief Executive Officer)	25,000.00	963,200.00	97,298.26	1,085,498.26
Mr. Zhang Junmin (Vice President)	25,000.00	1,004,410.00	101,716.50	1,131,126.50
Sub-total	75,000.00	3,200,940.00	296,199.84	3,572,139.84
Non-executive Director :				
Mr. Chang Yong	25,000.00	120,000.00	43,488.00	188,488.00
Sub-total	25,000.00	120,000.00	43,488.00	188,488.00
Independent non-executive Directors :				
Mr. Hu Hanhui	30,000.00	–	–	30,000.00
Mr. Gao Lihui	30,000.00	–	–	30,000.00
Mr. Niu Zhongjie	50,000.00	–	–	50,000.00
Sub-total	110,000.00	–	–	110,000.00
Supervisor :				
Mr. Zou Tao	10,000.00	362,255.00	86,586.76	458,841.76
Independent supervisors :				
Mr. Qiu Xiang Yang	30,000.00	–	–	30,000.00
Mr. Dai Jian Jun	30,000.00	–	–	30,000.00
Sub-total	70,000.00	362,255.00	86,586.76	518,841.76
Senior management :				
Mr. Li Chengyang	–	737,701.90	92,292.16	829,994.06
Sub-total	–	737,701.90	92,292.16	829,994.06
Total	280,000.00	4,420,896.90	518,566.76	5,219,463.66

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (V) Related party transactions *(Continued)*

#### 4. Directors, supervisors and employees' emoluments *(Continued)*

##### 1) Emoluments of Directors and supervisors: *(Continued)*

Note: After the resolutions resolved by the annual general meeting of the Company held on 8 June 2022, the first meeting of the eighth session of the board of directors held on 8 June 2022 and the seventh meeting of the eighth session of the board of directors held on 3 March 2023, changes in directors and senior management as follows: From 8 June 2022, Ms. Xu Yonghui was appointed as the Company's chief financial officer. Since 12 August 2022, Mr. Chang Yong has resigned as a non-executive director of the Company due to more time shall be devoted to personal affairs. On 3 March 2023, Mr. Zhang Junmin resigned as an executive director of the Company so as to devoting more time to the operation and management of Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司), a wholly-owned subsidiary of the Company. From 3 March 2023, Mr. Ma Fengkui resigned as the Chief Executive Officer of the Company and Mr. Sha Min was appointed as the Chief Executive Officer of the Company. On 3 March 2023, the board of directors of the Company has resolved to approve the proposed appointment of Mr. Liu Min as an executive Director of the Company and Ms. Cai Lijuan as a non-executive director of the Company. The proposed appointment of Mr. Liu as an executive director of the Company and Ms. Cai as a non-executive director of the Company are subject to shareholders' approval by ordinary resolutions at an extraordinary general meeting.

No director or supervisor of the Company has waived any remuneration during the reporting period.

No emoluments were paid by the Company to the directors or supervisors of the Company as an inducement to join or as incentive upon joining the Company or as compensation for loss of office during the reporting period.

During the reporting period, no discretionary bonuses were paid to the directors or supervisors of the Company.

##### 2) Five highest paid individuals

During the year, of the five individuals with the highest emoluments, two (2021: three) were Directors. The emoluments of them are disclosed in the notes above. The emoluments of the remaining three (2021: two) individuals are as follows:

Items	Current period	Previous period
Basic salaries and allowance	<b>2,278,470.00</b>	1,738,060.00
Contributions to retirement benefits and pensions schemes	<b>326,038.43</b>	194,818.66
Total	<b>2,604,508.43</b>	1,932,878.66

During the reporting period, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or as incentive upon joining the Company or as compensation for loss of office.

During the reporting period, no discretionary bonuses were paid to the five highest paid individuals.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 4. Directors, supervisors and employees' emoluments (Continued)

- 3) Number of individuals with highest emoluments are categorised based on emoluments group as follows

Items	Number in the current period	Number in the previous period
Nil to HK\$1,000,000 (equivalent to nil to RMB893,270)	2	0
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB893,271 to RMB1,339,905)	1	2

### (VI) Receivables and payables of related party

#### 1. Receivables

Items	Related parties	Closing balance		Closing balance at preceding year	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Accounts receivable					
	Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公司)	109,889.21	5,494.46	–	–
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	1,524,747.72	76,237.39	1,824,637.58	91,231.88
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馮道數據科技有限公司)	21,357,158.56	1,067,857.93	25,710,491.03	1,285,524.55
	Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	80,187.76	4,009.39	1,745,506.61	87,275.33
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	69,070.10	5,863.68	–	–
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	–	–	76,100.00	3,805.00

# Notes to the Financial Statements

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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (VI) Receivables and payables of related party (Continued)

#### 1. Receivables (Continued)

Items	Related parties	Closing balance		Closing balance at preceding year	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Other receivables					
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	168,506.70	8,425.34	162,060.70	8,103.04
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	9,653.50	482.68	9,653.50	482.68
	Nanjing Sample Digital Technology Co., Ltd. (南京三寶數碼科技有限公司)	-	-	39,561.71	1,978.09
	Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	284,907.19	14,245.36	183,733.42	9,186.67
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	-	-	505,658,190.23	25,282,909.51

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (VI) Receivables and payables of related party (Continued)

#### 2. Payables

Items	Related parties	Closing book balance	Closing book balance at preceding year
Other payables			
	Huangshan Lingtai Lanshi Chinese Medicinal Technology Co., Ltd. (黃山靈台蘭室中藥材科技有限公司)	29,434.95	—
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	140,096.98	2,640,096.98
	Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	1,983.19	—
	Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	—	74,868.16
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	7,812.40	—
	Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	93,666.66	16,596,059.12

## XI. COMMITMENTS AND CONTINGENCIES

### (I) Significant commitments

As at 31 December 2022, the total amount of guarantees issued by the Company was RMB17,978,016.70.

### (II) Contingent events

Please refer to Note X. (V) for the debt guarantee provided by the Company for related parties (subsidiaries) as at 31 December 2022.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XII. EVENTS AFTER BALANCE SHEET DATE

The Company has no events after balance sheet date that is required to be disclosed.

## XIII. OTHER IMPORTANT MATTERS

The Company has no other important matter that is required to be disclosed.

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### (I) Notes receivable

#### 1. Notes receivable disclosed based on type

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	2,786,200.00	3,751,000.00
Commercial acceptance bills	2,466,851.90	—
Sub-total	5,253,051.90	3,751,000.00
Less: Provision for bad debts	210,122.08	150,040.00
Total	5,042,929.82	3,600,960.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### (I) Notes receivable (Continued)

#### 2. Classification of expected credit losses for notes receivable

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts		Book value	Carrying balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Notes receivable subjected to provision for expected credit losses on individual basis	-	-	-	-	-	-	-	-	-	-
Notes receivable subjected to provision for expected credit losses on portfolio basis	5,253,051.90	100.00	210,122.08	4.00	5,042,929.82	3,751,000.00	100.00	150,040.00	4.00	3,600,960.00
Including:	-	-	-	-	-	-	-	-	-	-
Bank acceptance bills	2,786,200.00	53.04	111,448.00	4.00	2,674,752.00	3,751,000.00	100.00	150,040.00	4.00	3,600,960.00
Commercial acceptance bills	2,466,851.90	46.96	98,674.08	4.00	2,368,177.82	-	-	-	-	-
Total	5,253,051.90	100.00	210,122.08		5,042,929.82	3,751,000.00	100.00	150,040.00		3,600,960.00

#### 3. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period			Closing balance
			Recovered or reversed	Write-off	Other movements	
Notes receivable subjected to provision for expected credit losses on portfolio basis	150,040.00	210,122.08	150,040.00	-	-	210,122.08
Including:						
Bank acceptance bills	150,040.00	111,448.00	150,040.00	-	-	111,448.00
Commercial acceptance bills	-	98,674.08	-	-	-	98,674.08
Total	150,040.00	210,122.08	150,040.00	-	-	210,122.08

4. As at 31 December 2022, the Company had no bills receivable that had been pledged, discounted to banks but were not yet due at the balance sheet date, or converted to accounts receivable due to non-performance of the drawer, and all of the above bills receivable were due within one year.

5. As at 31 December 2021, the Company had endorsed and transferred bills receivable of RMB12,633,950.40 which were not yet due at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Accounts receivable

#### 1. Accounts receivable disclosed according to the aging of the entry date

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	62,925,990.41	78,589,001.42
1 to 2 years	14,400,463.55	71,789,108.75
2 to 3 years	8,739,685.45	137,145,601.82
Over 3 years	207,754,616.31	84,856,806.86
Sub-total	293,820,755.72	372,380,518.85
Less: Provision for bad debts	196,869,363.41	158,408,199.79
Total	96,951,392.31	213,972,319.06

#### 2. Accounts receivable disclosed based on classification of provision method for bad debts

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Accounts receivable subjected to provision for bad debts on individual basis	70,441,072.60	23.97	70,441,072.60	100.00	—	69,809,929.88	18.75	69,809,929.88	100.00	—
Accounts receivable subjected to provision for bad debts on portfolio basis	223,379,683.12	76.03	126,428,290.81	56.60	96,951,392.31	302,570,588.97	81.25	88,598,269.91	29.28	213,972,319.06
Including:										
Engineering and sales receivable from non-related party	200,307,699.87	68.18	125,274,691.64	62.54	75,033,008.23	241,046,708.36	64.73	87,130,433.15	36.15	153,916,275.21
Engineering and sales receivable from related party outside the scope of consolidation	23,071,983.25	7.85	1,153,599.17	5.00	21,918,384.08	29,356,735.22	7.88	1,467,836.76	5.00	27,888,898.46
Engineering and sales receivable from related party within the scope of consolidation	—	—	—	—	—	32,167,145.39	8.64	—	—	32,167,145.39
Total	293,820,755.72	100.00	196,869,363.41		96,951,392.31	372,380,518.85	100.00	158,408,199.79		213,972,319.06



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Accounts receivable (Continued)

#### 3. Accounts receivable subjected to provision for expected credit losses on individual basis

Name	Carrying balance	Closing balance		Reasons for provision
		Provision for bad debts	Provision Proportion (%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected unrecoverable
Unit III	7,200,000.00	7,200,000.00	100.00	Expected unrecoverable
Total	<u>70,441,072.60</u>	<u>70,441,072.60</u>		

#### 4. Accounts receivable subjected to expected credit loss on portfolio basis

##### (1) Engineering and sales receivable from non-related party

Aging	Carrying balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year (1 year inclusive)	61,655,826.58	2,466,233.06	4.00
1 to 2 years	10,977,686.25	878,214.90	8.00
2 to 3 years	8,205,633.41	2,461,690.05	30.00
Over 3 years	<u>119,468,553.63</u>	<u>119,468,553.63</u>	100.00
Total	<u>200,307,699.87</u>	<u>125,274,691.64</u>	

##### (2) Engineering and sales receivable from related party outside the scope of consolidation

Items	Carrying balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Engineering and sales receivable from related party outside the scope of consolidation	<u>23,071,983.25</u>	<u>1,153,599.17</u>	<u>5.00</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Accounts receivable (Continued)

#### 5. Provision, recovery or reversal of provision for bad debts during the period

Classifications	Opening balance	Provision	Movement during the period		Closing balance
			Recovered or reversed	Charged off or Write-off	
Accounts receivable subjected to provision for expected credit losses on individual basis	69,809,929.88	631,142.72	–	–	70,441,072.60
Accounts receivable subjected to provision for expected credit losses on portfolio basis	88,598,269.91	38,674,258.09	–	844,237.19	126,428,290.81
Including:					
Engineering and sales receivable from non-related party	87,130,433.15	38,988,495.68		844,237.19	125,274,691.64
Engineering and sales receivable from related party outside the scope of consolidation	1,467,836.76	-314,237.59	–	–	1,153,599.17
Total	158,408,199.79	39,305,400.81	–	844,237.19	196,869,363.41

#### 6. Accounts receivable actually written off in the period

Items	Write-off amount
Sporadic customers that are deregistered	844,237.19

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (III) Receivables financing

#### 1. Particulars of receivables financing

Items	Closing balance	Closing balance at preceding year
Notes receivable	1,505,158.27	—
Accounts receivable	—	—
Total	1,505,158.27	—

#### 2. Changes in receivables financing for the period and changes in fair value

Items	Closing balance at preceding year	Increase during the period	Derecognition for the period	Other movements	Closing balance	Accumulated provision for losses recognized in other comprehensive income
Notes receivable – Bank acceptance bills	—	14,423,658.77	12,918,500.50	—	1,505,158.27	—

### (IV) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable	—	—
Dividend receivable	—	—
Other receivables	416,900,306.95	353,915,683.25
Total	416,900,306.95	353,915,683.25

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

### (IV) Other receivables *(Continued)*

#### 1. Other receivables

(1) Disclosed according to the aging of the entry date

Aging	Closing balance	Closing balance at preceding year
Within 1 year	388,215,849.82	305,140,341.57
1 to 2 years	21,707,645.67	62,305,681.36
2 to 3 years	60,852,699.01	3,335,705.60
Over 3 years	6,605,786.55	3,626,571.46
Sub-total	477,381,981.05	374,408,299.99
Less: Provision for bad debts	60,481,674.10	20,492,616.74
Total	416,900,306.95	353,915,683.25

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (IV) Other receivables (Continued)

#### 1. Other receivables (Continued)

(2) Disclosed based on classification of provision method for bad debts

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts on individual basis	33,939,258.72	7.11	33,939,258.72	100.00	-	54,110,612.14	14.45	9,369,212.14	17.31	44,741,400.00
Provision for bad debts on portfolio basis	443,442,722.33	92.89	26,542,415.38	5.99	416,900,306.95	320,297,687.85	85.55	11,123,404.60	3.47	309,174,283.25
Including: Non-related party group	365,880,931.43	76.64	26,528,018.92	7.25	339,352,912.50	120,148,695.16	32.09	11,123,404.60	9.26	109,025,290.56
Related party group outside the scope of consolidation	287,929.00	0.06	14,396.46	5.00	273,532.55	-	-	-	-	-
Related party group within the scope of consolidation	77,273,861.90	16.19	-	-	77,273,861.90	200,148,992.69	53.46	-	-	200,148,992.69
Total	477,381,981.05	100.00	60,481,674.10		416,900,306.95	374,408,299.99	100.00	20,492,616.74		353,915,683.25

(3) Provision, recovery or reversal of provision for bad debts during the period

Classifications	Closing balance at preceding year	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	
Provision for bad debts on individual basis	9,369,212.14	33,939,258.72	-	9,369,212.14	33,939,258.72
Provision for bad debts on portfolio basis	11,123,404.60	15,419,010.78	-	-	26,542,415.38
Including: Non-related party group	11,123,404.60	15,404,614.32	-	-	26,528,018.92
Related party group	-	14,396.46	-	-	14,396.46
Total	20,492,616.74	49,358,269.50		9,369,212.14	60,481,674.10

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (IV) Other receivables (Continued)

#### 1. Other receivables (Continued)

##### (4) Particulars of provision for bad debts

	Stage I	Stage II	Stage III	
		Expected credit	Expected credit	
		loss for the	loss for the	
	Expected	entire lifetime	entire lifetime	
	credit loss	(no credit	(credit	
	in the future	impairment	impairment	
Provision for bad debts	12 months	occurred)	occurred)	Total
Closing balance at preceding year	11,123,404.60	–	9,369,212.14	20,492,616.74
Closing balance at preceding year				
during the period that	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Provision in the current period	15,419,010.78	–	33,939,258.72	49,358,269.50
Reversal in the current period	–	–	–	–
Charge-off in the current period	–	–	9,369,212.14	9,369,212.14
Write-off in the current period	–	–	–	–
Other movement	–	–	–	–
Closing balance	26,542,415.38	–	33,939,258.72	60,481,674.10

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (IV) Other receivables (Continued)

#### 1. Other receivables (Continued)

##### (4) Particulars of provision for bad debts (Continued)

Movements in the carrying amounts of other receivables are as follows:

	Stage I Expected credit loss in the future 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Carrying balance				
Closing balance at preceding year	320,297,687.85	–	54,110,612.14	374,408,299.99
Closing balance at preceding year during the period that	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Increase in the current period	123,145,034.48	–	33,939,258.72	157,084,293.20
Derecognition during the period	–	–	54,110,612.14	54,110,612.14
Other movement	–	–	–	–
Closing balance	<u>443,442,722.33</u>	<u>–</u>	<u>33,939,258.72</u>	<u>477,381,981.05</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (IV) Other receivables (Continued)

#### 1. Other receivables (Continued)

(5) Disclosed based on natures of receivables

Nature	Closing book balance	Closing book balance at preceding year
Current accounts of related parties	77,561,790.90	56,019,143.10
Retention monies	9,129,647.77	7,875,403.71
Current accounts	368,215,541.16	3,651,344.85
Reserve funds	1,108,717.46	1,723,506.00
Others	1,366,283.76	1,484,890.19
Consideration for creditor's right transfer	–	220,754,012.14
Equity investment	–	62,900,000.00
Equity transfer (Note)	20,000,000.00	20,000,000.00
Sub-total	477,381,981.05	374,408,299.99
Less: Provision for bad debts of other receivables	60,481,674.10	20,492,616.74
Total	416,900,306.95	353,915,683.25

Note: In October 2021, the Company transferred its equity interest in Jiangsu Minying Investment Holding Co., Ltd.\* (江蘇民營投資控股有限公司) at a price of RMB220,000,000. As at 31 December 2022, the Company had received RMB200 million for the equity transfer money and the balance of RMB20 million has not yet received.



# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (V) Long-term equity investments

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for bad debts	Book value	Carrying balance	Provision for bad debts	Book value
Investment in subsidiaries	484,307,688.00	–	484,307,688.00	499,903,234.82	–	499,903,234.82
Investment in associates and joint ventures	14,358,452.59	–	14,358,452.59	114,791.00	–	114,791.00
Total	498,666,140.59	–	498,666,140.59	500,018,025.82	–	500,018,025.82

#### 1. Investment in subsidiaries

Investee	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance	Provision for impairment for the current period	Closing balance of provision for impairment
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	250,000,000.00	–	–	250,000,000.00	–	–
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	98,400,000.00	–	–	98,400,000.00	–	–
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	35,830,000.00	–	–	35,830,000.00	–	–
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	100,000,000.00	–	–	100,000,000.00	–	–
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	15,595,546.82	–	15,595,546.82	–	–	–
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	77,688.00	–	–	77,688.00	–	–
Total	499,903,234.82	–	15,595,546.82	484,307,688.00	–	–

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (V) Long-term equity investments (Continued)

#### 2. Investment in associates and joint ventures

Investee	Closing balance at preceding year	Increase in investment	Decrease in investment	Increase/decrease during the period						Closing balance	Closing balance of impairment provision
				Investment gains and losses recognized using equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profits	Impairment provision	Others		
Associates	-	-	-	-	-	-	-	-	-	-	-
Nanjing Sample Intelligent Technology Co., Ltd. (南京三實 智能科技有限公司)	114,791.00	-	-	-8,478.05	-	-	-	-	-	106,312.95	-
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd. (台州交投數智科技發展 有限公司)	-	10,000,000.00	-	26,144.05	-	-	-	-	-	10,026,144.05	-
Nanjing City Intelligent Transportation Co., Ltd.* (南京城市智能交通股份 有限公司)	-	25,383,200.00	-	-21,157,204.41	-	-	-	-	-	4,225,995.59	-
Total	114,791.00	35,383,200.00	-	-21,139,538.41	-	-	-	-	-	14,358,452.59	-

### (VI) Operating income and operating cost

#### 1. Particulars of operating income and operating cost

Region	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	157,623,429.28	125,748,072.05	208,696,339.73	156,748,737.17
Other operation	32,370,736.82	11,001,553.95	30,068,387.81	7,995,949.41
Total	189,994,166.10	136,749,626.00	238,764,727.54	164,744,686.58

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (VI) Operating income and operating cost (Continued)

#### 2. Operating income and operating cost (by project)

Region	Current period		Previous period	
	Income	Cost	Income	Cost
System integration	144,715,101.84	115,201,938.02	168,044,731.95	128,726,160.14
Intelligent terminal sales	—	—	15,439,386.92	15,621,822.90
Service income	12,908,327.44	10,546,134.03	25,212,220.86	12,400,754.13
Other businesses	32,370,736.82	11,001,553.95	30,068,387.81	7,995,949.41
Total	189,994,166.10	136,749,626.00	238,764,727.54	164,744,686.58

#### 3. Operating income and operating cost (by region)

Region	Current period		Previous period	
	Income	Cost	Income	Cost
Mainland China	189,994,166.10	136,749,626.00	238,764,727.54	164,744,686.58
Hong Kong, PRC	—	—	—	—
Total	189,994,166.10	136,749,626.00	238,764,727.54	164,744,686.58

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (VI) Operating income and operating cost (Continued)

#### 4. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

#### 5. Transaction prices apportioned to remaining performance obligations

The amount of transaction prices corresponding to performance obligations that have been contracted for but not yet performed or completed as at 31 December 2022 was RMB170,695,773.24 (as at 31 December 2021 was RMB138,047,988.06), of which RMB132,683,258.77 is expected to be recognised as income in 2023 and the remaining RMB38,012,514.47 is expected to be recognised as income in 2024.

### (VII) Investment income

Items	Current period	Previous period
Investment income from long-term equity investment under equity method	-21,139,538.41	-3,561.11
Investment income from disposal of long-term equity investment	-681,598.47	5,766,078.17
Investment income on other non-current financial assets during the holding period	675,165.71	1,862,069.19
Investment income from disposal of non-current financial assets	-863,300.00	—
Total	-22,009,271.17	7,624,586.25

# Five-Year Financial Summary

## RESULTS

	<b>2022</b> <b>RMB'000</b>	<b>Year ended 31 December</b>			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total operating income	<b>512,665</b>	914,014	945,958	1,487,129	1,834,488
Total profit	<b>-304,999</b>	-54,707	-170,935	108,187	229,638
Net profit	<b>-300,862</b>	-55,912	-152,161	82,187	192,696
Net profit attributable to shareholders of the parent Company	<b>-273,526</b>	-59,245	-139,375	107,023	195,992
Minority profit and loss	<b>-27,336</b>	3,333	-12,786	-24,836	-3,296
Basic earnings per share (Renminbi Yuan)	<b>-0.35</b>	-0.07	-0.18	0.14	0.25

## ASSETS AND LIABILITIES

	<b>2022</b> <b>RMB'000</b>	<b>At 31 December</b>			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Current assets	<b>1,853,671</b>	2,856,236	3,175,733	2,975,609	3,656,893
Non-current assets	<b>1,144,624</b>	695,021	1,003,479	1,484,009	1,154,799
Current liabilities	<b>1,328,025</b>	1,553,357	1,980,423	2,167,921	2,212,333
Net current assets	<b>525,645</b>	1,302,878	1,195,310	807,688	1,444,560
Total owners' equity attributable to the parent Company	<b>1,548,945</b>	1,837,364	1,894,571	2,039,315	2,005,738
Total owners' equity	<b>1,558,592</b>	1,877,459	1,977,109	2,115,590	2,080,992