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

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
AND
RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2023 (the “Review Period”) amounted to RMB493,541,069.55, representing a decrease of approximately 3.73% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the parent company for the year ended 31 December 2023 was RMB1,994,964.77, as compared to the net loss attributable to shareholders of the parent company of RMB273,526,467.22 for the corresponding period of last year, which achieved a turnabout from loss to profit.

The basic earnings per share for the year ended 31 December 2023 was approximately RMB0.003 (2022: basic loss per share of approximately RMB0.345).

The Board did not propose the payment of a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

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

Consolidated balance sheet*At 31 December 2023*

ASSETS	<i>Note</i>	2023	2022
Current assets:			
Cash at bank and on hand		367,102,242.55	472,877,356.21
Settlement provisions		–	–
Placements with banks and other financial institutions		–	–
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Bills receivable	3	8,461,306.31	5,278,413.60
Accounts receivable	3	256,706,725.95	240,880,565.69
Receivables financing	3	–	1,505,158.27
Prepayments	3	23,317,070.38	91,147,323.41
Premiums receivable		–	–
Reinsurance receivable		–	–
Reinsurance contract reserve receivable		–	–
Other receivables	3	862,555,910.98	366,840,678.68
Financial assets purchased under agreements to resell		–	–
Inventories		50,343,051.37	36,949,072.95
Contract assets		509,152,962.69	547,320,001.45
Held-for-sale assets		–	–
Non-current assets due within one year		–	24,687,737.50
Other current assets		63,188,346.10	66,184,323.09
Total current assets		<u>2,140,827,616.33</u>	<u>1,853,670,630.85</u>

ASSETS (CONTINUED)	<i>Note</i>	2023	2022
Non-current assets:			
Loans and advances granted		—	—
Debenture investments		—	—
Other debenture investment		—	—
Long-term receivables		—	—
Long-term equity investments		10,121,697.55	10,132,457.00
Other equity instruments investment		47,702,656.62	502,211,599.45
Other non-current financial assets		110,105,741.25	160,405,352.56
Investment property		432,018,591.53	236,803,100.00
Fixed assets		50,520,450.88	152,999,306.59
Construction in progress		—	172,212.40
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets		4,519,828.31	10,395,621.02
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		78,636,072.28	71,504,724.83
Other non-current assets		—	—
		<hr/>	<hr/>
Total non-current assets		<u>733,625,038.42</u>	<u>1,144,624,373.85</u>
TOTAL ASSETS		<u>2,874,452,654.75</u>	<u>2,998,295,004.70</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	2023	2022
Current liabilities:			
Short-term borrowings		601,489,799.67	729,107,789.86
Borrowings from central bank		-	-
Placements from banks and other financial institutions		-	-
Held-for-trading financial liabilities		-	-
Derivative financial liabilities		-	-
Bills payable	4	100,000.00	-
Accounts payable	4	400,356,578.17	420,268,845.60
Advances from customers	4	-	-
Contract liabilities	4	43,275,025.51	55,344,250.54
Financial assets sold under repurchase agreements		-	-
Customer deposits and deposits from banks and other financial institutions		-	-
Securities trading of agency		-	-
Securities underwriting		-	-
Employees benefits payable		14,528,169.74	15,845,751.94
Taxes payable		4,121,296.98	4,175,039.57
Other payables	4	52,968,356.17	88,604,051.24
Fee and commission payable		-	-
Reinsured accounts payable		-	-
Held-for-sale liabilities		-	-
Non-current liabilities due within 1 year		6,000,000.00	6,000,000.00
Other current liabilities		3,588,963.78	8,679,446.46
		<hr/>	<hr/>
Total current liabilities		<u>1,126,428,190.02</u>	<u>1,328,025,175.21</u>

LIABILITIES & OWNERS' EQUITY (CONTINUED)	<i>Note</i>	2023	2022
Non-current liabilities:			
Insurance contract reserves		—	—
Long-term borrowings		78,250,000.00	88,032,451.78
Bonds payables		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Lease liabilities		—	—
Long-term payables		—	—
Long-term employee benefits payable		—	—
Estimated liabilities		—	—
Deferred income		126,451.87	6,935,213.17
Deferred income tax liabilities		36,482,759.62	16,709,856.83
Other non-current liabilities		—	—
		<hr/>	<hr/>
Total non-current liabilities		<u>114,859,211.49</u>	<u>111,677,521.78</u>
Total liabilities		<u>1,241,287,401.51</u>	<u>1,439,702,696.99</u>
Owners' equity:			
Share capital		792,058,500.00	792,058,500.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Capital reserves		80,999,419.73	80,999,419.73
Less: treasury stocks		—	—
Other comprehensive income		103,396,141.60	34,759,511.88
Special reserves		—	—
Surplus reserves		108,136,584.74	104,128,024.15
General risk provision		—	—
Undistributed profits	5	<u>539,748,081.60</u>	<u>536,999,877.42</u>
		<hr/>	<hr/>
Total owners' equity attributable to the parent company		<u>1,624,338,727.67</u>	1,548,945,333.18
Minority interest		<u>8,826,525.57</u>	<u>9,646,974.53</u>
Total owners' equity		<u>1,633,165,253.24</u>	<u>1,558,592,307.71</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>2,874,452,654.75</u>	<u>2,998,295,004.70</u>

Consolidated income statement

For the year ended 31 December 2023

ITEMS	Note	2023	2022
I. Total operating income	6	493,541,069.55	512,665,194.01
Including: Operating income		493,541,069.55	512,665,194.01
Interest income		–	–
Premiums earned		–	–
Fee and commission income		–	–
II. Total operating cost		541,339,292.14	638,933,934.01
Including: Operating costs	6	406,102,733.27	483,429,208.33
Interest expenses		–	–
Fee and commission expenses		–	–
Refunded premiums		–	–
Net expenses of claim settlement		–	–
Net provisions for insurance contract		–	–
Insurance policy dividend payment		–	–
Reinsurance expenses		–	–
Tax and surcharges		4,421,795.59	4,771,144.79
Selling expenses		37,769,640.78	44,130,186.93
Administrative expenses		37,130,078.64	46,632,855.46
Research and development expenses		23,171,313.59	23,139,593.40
Financial expenses	9	32,743,730.27	36,830,945.10
Including: Interest expenses		34,053,010.53	42,758,466.41
Interest income		1,249,797.61	5,672,499.57
Add: Other income		8,962,808.58	12,050,298.38
Investment income (losses are represented by “-”)		-15,295,752.78	-1,194,716.82
Including: Investment income of associates and joint ventures		-10,759.45	17,666.00
Gain 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 “-”)		–	–
Gain from changes in fair value (losses are represented by “-”)		51,302,228.34	1,608,967.14
Credit impairment loss (losses are represented by “-”)		17,032,018.02	-199,369,835.55
Asset impairment loss (losses are represented by “-”)		-4,836,821.22	5,495,847.96
Gain from disposal of assets (losses are represented by “-”)		–	-67,124.70

ITEMS	<i>Note</i>	2023	2022
III. Operating profit (losses are represented by “-”)		9,366,258.35	-307,745,303.59
Add: Non-operating income		1,398,551.19	3,375,741.13
Less: Non-operating expenses		9,023,995.14	628,961.93
		<hr/>	<hr/>
IV. Total profit (total losses are represented by “-”)		1,740,814.40	-304,998,524.39
Less: Income tax expense	<i>10</i>	18,211.34	-4,136,298.22
		<hr/>	<hr/>
V. Net profit (net losses are represented by “-”)		1,722,603.06	-300,862,226.17
(I) Classified by business continuity			
1. Net profit from continuing operations (net losses are represented by “-”)		1,722,603.06	-300,862,226.17
2. Net profit from discontinued operations (net losses are represented by “-”)		-	-
(II) Classified by the attribution of the ownership			
1. Net Profit attributable to the shareholders of the parent company (net losses are represented by “-”)		1,994,964.77	-273,526,467.22
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)		-272,361.71	-27,335,758.95
		<hr/>	<hr/>
VI. Net other comprehensive income after tax		73,398,429.72	7,385,247.62
Net other comprehensive income after tax attributable to owners of the parent company		73,398,429.72	7,385,247.62
(I) Other comprehensive income which cannot be reclassified subsequently to profit and loss		929,198.59	4,199,602.89
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		929,198.59	4,199,602.89
4. Changes in fair value of the enterprise’s own credit risk		-	-

ITEMS	<i>Note</i>	2023	2022
(II) Other comprehensive income which can be reclassified to profit and loss		72,469,231.13	3,185,644.73
1. Other comprehensive income that may be reclassified to profit or loss under equity method		—	—
2. Changes in fair value of other debt investment		—	—
3. Amount of financial assets reclassified to other comprehensive income		—	—
4. Provision for credit impairment of other debt investment		—	—
5. Cash flow hedging reserve		—	—
6. Translation difference of financial statements in foreign currencies		180,179.84	3,185,644.73
7. Others		72,289,051.29	—
Net other comprehensive income after tax attributable to minority shareholders		—	—
VII. Total comprehensive income		75,121,032.78	-293,476,978.55
Total comprehensive income attributable to the owners of the parent company		75,393,394.49	-266,141,219.60
Total comprehensive income attributable to minority shareholders		-272,361.71	-27,335,758.95
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)	<i>11</i>	0.003	-0.345
(2) Diluted earnings per share (RMB/share)		0.003	-0.345

NOTES

1. GENERAL

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

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

The addresses of the registered office and principal place of business of the Company are located at No. 10 Maqun Avenue, Qixia District, Nanjing City.

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design and installation; development, manufacturing and testing of electronic products and electronic computer, sale of self-production products, system integration; electronic computer technology consulting and information services; technology testing of electronic products and technical services; computer software development; 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). Permitted projects: sale of Class II and III X-ray devices (for projects subject to approval in accordance with the law, business activities can be carried out after approval by relevant departments, and the specific business projects are subject to the approval results). General projects: international freight forwarding agency; general goods warehousing services (excluding hazardous chemicals and other projects that require approval); domestic freight forwarding agency; sale of Class I medical devices; sale of Class II medical devices (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).

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards, the application guidelines for the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant requirements (the “Accounting Standards for Business Enterprises”) published by the Ministry of Finance. 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.

Changes in Significant Accounting Policies and Accounting Estimates

(I) Changes in Significant Accounting Policies

Implementation of the provisions of “Interpretation No. 16 of Accounting Standards for Business Enterprises” on “the accounting treatment of deferred income taxes related to assets and liabilities arising from a single transaction is not applicable to the initial recognition exemption”

On 30 November 2022, the Ministry of Finance issued the “Interpretation No. 16 of Accounting Standards for Business Enterprises” (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”), among which the provision on ‘the accounting treatment of deferred income taxes related to assets and liabilities arising from a single transaction is not applicable to the initial recognition exemption’, has been implemented since 1 January 2023.

Interpretation No. 16 stipulates that if a transaction is not a business combination and affects neither the accounting profit nor taxable income (or deductible losses) at the time of the transaction, and such transaction is a single transaction (including the lease transaction in which the lessee initially recognizes a lease liability and includes the right-of-use asset at the beginning of the lease term, and a single transaction in which the lessee recognizes an estimated liability and includes the cost of the related asset due to the existence of abandonment obligations for fixed assets, etc.) in which the initial recognition of assets and liabilities results in an equal amount of taxable temporary differences and deductible temporary differences, such transaction is not applicable to the provisions for exemption from initial recognition of deferred income tax liabilities and deferred income tax assets. Enterprises should recognize the corresponding deferred income tax liabilities and deferred income tax assets in accordance with the relevant provisions of ‘Accounting Standards for Business Enterprises No. 18 – Income Taxes’ at the time of the transaction.

For a single transaction, that applicable to this provision, occurred between the beginning of the earliest period reported in the financial statements for the first implementation of this provision and the implementation date, and the lease liabilities and right-of-use assets that were recognized at the beginning of the earliest period reported in the financial statements for a single transaction that applicable to this provision, and the recognized estimated liabilities related to the abandonment obligation and the corresponding related assets, which result in taxable temporary differences and deductible temporary differences, enterprises should adjust in accordance with this provision.

The implementation of this provision did not have 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 during the reporting period.

3. TRADE AND OTHER RECEIVABLES

	2023	2022
Accounts receivable	547,862,462.66	555,706,138.02
Less: Provision for bad debts for accounts receivable	291,155,736.71	314,825,572.33
Receivable financing	–	1,505,158.27
Bills receivable	8,461,306.31	5,278,413.60
Prepayments	23,317,070.38	91,147,323.41
Other receivables	995,941,217.62	538,967,192.16
Less: Provision for bad debts for other receivables	133,385,306.64	172,126,513.48
Interest receivable	–	–
Total	<u>1,151,041,013.62</u>	<u>705,652,139.65</u>

The accounts receivable disclosed according to the aging of the entry date	2023	2022
Within 1 year (including one year)	140,875,242.40	167,921,165.70
1 to 2 years	79,294,379.45	44,181,366.60
2 to 3 years	31,490,369.70	33,938,309.12
Over 3 years	296,202,471.11	309,665,296.60
Total	<u>547,862,462.66</u>	<u>555,706,138.02</u>

4. TRADE AND OTHER PAYABLES

Item	2023	2022
Accounts payable	400,356,578.17	420,268,845.60
Bills payable	100,000.00	–
Advances from customers	–	–
Other payables	52,968,356.17	88,604,051.24
Contract liabilities	43,275,025.51	55,344,250.54
Total	<u>496,699,959.85</u>	<u>564,217,147.38</u>

The accounts payable disclosed according to the aging of the entry date	2023	2022
Within 1 year	223,367,408.42	199,223,954.53
1 to 2 years	64,047,657.07	145,830,320.29
Over 2 years	112,941,512.68	75,214,570.78
Total	<u>400,356,578.17</u>	<u>420,268,845.60</u>

5. UNDISTRIBUTED PROFITS

	2023	2022
Undistributed profit at the beginning of the year	536,999,877.42	812,449,980.76
Add: Net profit attributable to shareholders of the parent company for the current period	1,994,964.77	-273,526,467.22
Less: Provision of statutory surplus reserves	4,008,560.59	-
Less: Ordinary shares dividends payable	-	-
Less: Undistributed profit converted into share capital	-	-
Add: Others	4,761,800.00	-1,923,636.12
	<u>539,748,081.60</u>	<u>536,999,877.42</u>

6. TOTAL OPERATING INCOME

Operating income represents principal operating income and other operating income, of which principal operating income includes revenue received and receivable from system integration, intelligent terminal sales and service businesses.

(1) Operating income and operating cost

Items	2023	2022
Principal operating income	456,611,297.51	481,171,833.77
Other operating income	36,929,772.04	31,493,360.24
	<u>493,541,069.55</u>	<u>512,665,194.01</u>
Total operating income	<u>493,541,069.55</u>	<u>512,665,194.01</u>
Principal operating cost	390,805,849.30	472,427,654.38
Other operating cost	15,296,883.97	11,001,553.95
	<u>406,102,733.27</u>	<u>483,429,208.33</u>
Total operating cost	<u>406,102,733.27</u>	<u>483,429,208.33</u>

(2) Principal operations (by product)

Name of Products	2023		2022	
	Operating income	Operating cost	Operating income	Operating cost
System integration	394,450,069.68	322,672,309.12	403,057,943.39	371,292,868.48
Intelligent terminal sales	13,516,283.21	10,541,833.21	26,103,338.93	20,029,569.65
Service	48,644,944.62	57,591,706.97	52,010,551.45	81,105,216.25
	<u>456,611,297.51</u>	<u>390,805,849.30</u>	<u>481,171,833.77</u>	<u>472,427,654.38</u>
Total	<u>456,611,297.51</u>	<u>390,805,849.30</u>	<u>481,171,833.77</u>	<u>472,427,654.38</u>

7. SEGMENT INFORMATION

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales and service businesses. In addition, the Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

8. GROSS PROFIT

	2023	2022
Operating income	493,541,069.55	512,665,194.01
Operating cost	<u>406,102,733.27</u>	<u>483,429,208.33</u>
Gross profit	<u><u>87,438,336.28</u></u>	<u><u>29,235,985.68</u></u>

9. FINANCIAL EXPENSES

Items	2023	2022
Interest expenses	34,053,010.53	42,758,466.41
Less: Interest income	1,249,797.61	5,672,499.57
Exchange gain and loss	307.49	395.85
Others	<u>-59,790.14</u>	<u>-255,417.59</u>
Total	<u><u>32,743,730.27</u></u>	<u><u>36,830,945.10</u></u>

10. INCOME TAX EXPENSES

Items	2023	2022
Current income tax	-542,794.02	-903,642.29
Deferred income tax	<u>561,005.36</u>	<u>-3,232,655.93</u>
Total	<u><u>18,211.34</u></u>	<u><u>-4,136,298.22</u></u>

Reconciliation between total profit and income tax expenses is as follows

Items	2023	2022
Total profit	1,740,814.40	-304,998,524.39
Income tax expenses calculated at applicable tax rates	261,122.16	-45,749,778.66
Effect of different tax rates applicable to subsidiaries	-16,411,923.77	–
Effect of non-taxable income	–	-341,920.52
Income tax adjustments on prior periods	-572,933.75	-903,642.29
Cost, expenses and losses not deductible for tax purposes	312,990.75	75,598.57
Additional deduction on its research and development expenses	-3,513,314.72	-2,636,954.25
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-5,516.93	-1,675,557.78
Impact of deductible temporary differences or deductible loss for which deferred income tax assets not recognized in the current period	19,947,787.60	47,095,956.71
	<u>18,211.34</u>	<u>-4,136,298.22</u>
Income tax expenses		

11. BASIC EARNINGS PER SHARE

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

Items	2023	2022
Consolidated net profit attributable to shareholders of the parent company	1,994,964.77	-273,526,467.22
Weighted average number of ordinary shares issued by the Company	792,058,500.00	792,058,500.00
Basic earnings per share (RMB/share)	0.003	-0.345

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2023 and 2022.

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

Items	2023	2022
Ordinary shares issued at the beginning of the year	792,058,500.00	792,058,500.00
Add: Weighted average number of ordinary shares issued during the current period	–	–
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
	<u>792,058,500.00</u>	<u>792,058,500.00</u>
Weighted average number of ordinary shares issued at the end of the period		

12. DIVIDEND

Items	2023	2022
No final dividend proposed (2022: nil)	<u>–</u>	<u>–</u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 on 25 April 2024 (2022: nil).

Items	2023	2022
Final dividend in respect of the previous year approved during the year	–	–
Final dividend in respect of the previous year paid during the year	–	–
Final dividend in respect of the previous year unpaid during the year	<u>–</u>	<u>–</u>

13. NET CURRENT ASSETS

	2023	2022
Current assets	2,140,827,616.33	1,853,670,630.85
Less: Current liabilities	<u>1,126,428,190.02</u>	<u>1,328,025,175.21</u>
Net current assets	<u>1,014,399,426.31</u>	<u>525,645,455.64</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2023	2022
Total assets	2,874,452,654.75	2,998,295,004.70
Less: Current liabilities	<u>1,126,428,190.02</u>	<u>1,328,025,175.21</u>
Total assets less current liabilities	<u>1,748,024,464.73</u>	<u>1,670,269,829.49</u>

15. CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2023 was RMB493,541,069.55, representing a decrease of approximately 3.73% over last year which is in line with that of same period last year.

Gross Profit Margin

Gross profit margin of the Group for the year ended 31 December 2023 was approximately 17.72% versus the gross profit margin for the same period last year of approximately 5.70%, representing an increase of approximately 12.02% over last year. This was mainly due to (1) orders from customs logistics business of the Company, which has a higher gross profit, have increased as compared with that of last year, thereby the gross profit margin has increased; (2) the Company's improvement of supplier management mechanism, using three-party and multi-party price comparison methods to reduce project procurement costs and increase gross profit margin.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2023 was RMB37,769,640.78, representing a decrease of approximately 14.41% over last year. The decrease was mainly attributable to (1) improving personnel allocation, reducing costs and increasing efficiency; (2) strictly implementing the cost budget management mechanism, any expenses exceeding budget will not be approved; (3) strictly controlling the project costs for the maintenance period and thereby the maintenance expenses was reduced.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2023 was RMB37,130,078.64, representing a decrease of approximately 20.38% over last year. The decrease was mainly attributable to (1) streamlining management levels, optimizing personnel allocation, reducing costs and increasing efficiency; (2) strictly controlling the office expenses and continuing to optimize cost control capabilities; (3) the useful term of the Company's major equipment has expired led to depreciation provisions decreased.

Gain from Changes in Fair Value

For the year ended 31 December 2023, gain from changes in fair value of the Group was RMB 51,302,228.34, representing an increase of approximately 3,088.52% compared to that of last year. The reason for the increase was mainly attributable to the increase in fair value arising from the evaluation of Company's investment property at the end of the period.

Net Profit Attributable to Shareholders of the Parent Company

For the year ended 31 December 2023, the Group recorded a net profit attributable to the shareholders of the parent company of RMB1,994,964.77 as compared to the net loss attributable to the shareholders of the parent company of RMB273,526,467.22 for the corresponding period of last year, achieving a turnabout from loss to profit. The main reasons were (1) strict control of project costs led to an increase of gross profit; (2) implementation of refined management to achieve cost reduction and increase efficiency; (3) the increase of fair value arising from the the evaluation of Company's investment property at the end of the period.

Other Receivables

As at 31 December 2023, the Group's other receivables amounted to RMB862,555,910.98, representing an increase of approximately 135.13% as compared with the same period last year which was mainly due to the Company invested RMB450,000,000.00 to acquire a closed-end contractual private investment fund in October 2017 and the term of such fund was expired in November 2023. In December 2023, the Company signed a "Creditor's Rights and Debts Agreement" with the fund manager in which the fund manager confirmed that they owed the Company the aforesaid investment sum. The relevant amount was transferred to other receivables for accounting by the Company.

Investment Property

As at 31 December 2023, the Group's investment property was RMB 432,018,591.53, representing an increase of approximately 82.44% compared with the same period last year. This was mainly attributable to some of the original self-use property of the Company were leased during the reporting period, the corresponding fixed assets were converted into investment property, and the increase in fair value arising from the investment property being evaluated at the end of the period.

Fixed Assets

As at 31 December 2023, the Group's fixed assets was RMB50,520,450.88, a decrease of approximately 66.98% as compared with the same period last year. The decrease was mainly attributable to (1) the provision of depreciation made in accordance with accounting policies; (2) the original self-use property transferred to investment property for leasing.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2023, the owners' equity of the Group was RMB1,633,165,253.24. Current assets were RMB2,140,827,616.33, comprising cash and bank deposits of RMB367,102,242.55. Non-current liabilities were RMB114,859,211.49. Current liabilities were RMB1,126,428,190.02, mainly comprising accounts payable and other payables, contract liabilities and short-term borrowings. As at 31 December 2023, net assets per share of the Group was approximately RMB2.05 (31 December 2022: RMB1.96). The short-term borrowings of the Group was RMB601,489,799.67.

PLEDGE OF ASSETS

As at 31 December 2023, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB462,982,791.98 (including: investment property of RMB432,018,591.53, fixed assets of RMB28,680,968.28, intangible assets of RMB2,283,232.17) were pledged to banks to secure outstanding bank loans of RMB131,020,000.00.
- (ii) The Group has guaranteed bank deposits of RMB26,113,063.86 (as at 31 December 2022: RMB163,961,528.06) to support the Group's projects bidding/projects in progress and banking facilities.

GEARING RATIO

For the year ended 31 December 2023, 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 0.21 (2022: 0.33).

FOREIGN CURRENCY EXPOSURE

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

SUMMARY OF KEY FINANCIAL RATIOS

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

Key financial ratios

	2023 ⁽⁷⁾	2022 ⁽⁸⁾
Net profit ratio (%) ⁽¹⁾	0.38%	-62.53%
Return on net assets ratio (%) ⁽²⁾	0.11%	-19.30%
Return on equity ratio (%) ⁽³⁾	0.11%	-19.30%
Debt ratio (%) ⁽⁴⁾	43.18%	48.02%
Current ratio ⁽⁵⁾	1.90	1.40
Quick ratio ⁽⁶⁾	1.40	0.96

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 2023 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2023
- (8) The 2022 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2022

NET PROFIT RATIO

During the reporting period, the Group's net profit ratio increased from -62.53% in the same period of the previous year to 0.38%. The increase was mainly due to the fact that the increase in gross profit margin, the decrease in expenses and the increase in fair value of investment property.

RETURN ON NET ASSETS RATIO

During the reporting period, the Group's return on net assets ratio increased from -19.30% in the same period of the previous year to 0.11%, which was mainly due to the fact that the increase in gross profit margin and the decrease in expenses.

RETURN ON EQUITY RATIO

The Group's return on equity ratio increased from -19.30% in the same period of last year to 0.11%, which was mainly due to the fact that the increase in gross profit margin and the decrease in expenses.

DEBT RATIO

The Group's debt ratio decreased from 48.02% in the same period of last year to 43.18% which was mainly attributable to the decrease of bank borrowings by the Company.

CURRENT RATIO

The Group's current ratio increased from 1.40 in the same period of last year to 1.90, which was mainly due to the increase in current assets and decrease in current liabilities.

QUICK RATIO

The Group's quick ratio increased from 0.96 in the same period of last year to 1.40. The reason for the change was mainly the increase in other receivables and the decrease in short-term borrowings.

SIGNIFICANT INVESTMENTS HELD

As of 31 December 2023, there were no other investments held with a value of 5% or more of the Group's total assets.

SUBSTANTIAL ACQUISITION AND DISPOSAL

During the Review Period, the Group did not have any substantial acquisition and disposal.

CAPITAL COMMITMENT

As at 31 December 2023, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, total employees' remuneration of the Group was RMB48,429,827.93 (2022: RMB59,242,390.13) and the number of employees was 215 (2022: 261). 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 PROSPECTS

In 2023, faced with a complex and severe international environment and the arduous and heavy tasks of domestic reform, development and stability, various regions and departments earnestly implemented the decisions and deployments of the Party Central Committee and the State Council under the strong leadership of Comrade Xi Jinping. They integrated the requirements of seeking progress while maintaining stability, promoting stability through progress, and insisting construction before demolition into their work. Efforts were made to achieve greater progress in constructing a new development paradigm, promoting high-quality development, comprehensively deepening reform and opening up, realizing self-reliance and self-strengthening in high-level technology, and comprehensively advancing rural revitalization. This consolidated and enhanced the positive momentum of economic recovery and promoted the steady and robust advancement of China's modernization, achieving stable and long-term economic growth.

Business development

The Group, leveraging years of technical reserves in areas such as the Internet of Things (IoT), video AI, big data analysis and artificial intelligence, provides integrated solutions for IoT smart systems in fields such as intelligent transportation, smart logistics, and smart cities. These solutions include information collection, processing and management control. While maintaining a good market share in segmented markets and specialized solution businesses, the Company continues to increase its research and development efforts and actively explore the application of IoT smart technology.

In the field of intelligent transportation, the Group has deepened its development and application in areas such as highway toll systems, command and dispatch systems, tunnel control systems, and guidance systems over the years. The electromechanical engineering business for highway has achieved nationwide coverage. During the Review Period, the Group effectively advanced the settlement and acceptance work for projects such as the section LN-92 (electromechanical engineering) of Jiangsu section of the Liyang-Ningde Highway, the communication system of the Xinyi to Jiangdu section of the Beijing-Shanghai Highway expansion project, and the ETC gantry system construction project for JHK-JDSG21 section. Additionally, we signed new contracts for projects such as the electromechanical engineering construction project for the connection of Changtai Yangtze River Bridge and the north and south highways, the mechanical and electrical engineering construction project of Jianhu to Xinghua section of Funing to Liyang Highway as well as the intelligent transportation integration construction II standard of tourist highway project for S103 Jizao Line city Hongfu intersection south-Taian boundary section of Jinan.

While firmly rooted in the development of traditional regional markets, the Group fully utilizes various market resources and actively explores new business opportunities in disadvantaged regions. We successfully won bids for the electromechanical engineering project for the Lhasa to Shigatse Airport section of the Yaye (Sichuan Ya'an to Xinjiang Yecheng) Highway and the communication line and pipeline construction project for Tazhong Desert Highway – the 38th Regiment of the Second Division of the Xinjiang Production and Construction Corps, achieving breakthroughs in two regional highway electromechanical projects.

In the field of smart logistics, the Group has been committed to providing comprehensive intelligent solutions including information planning, software products, hardware products, information system integration, and operation and maintenance services for logistics customers such as customs, special customs supervision zones (including bonded zones and cross-border comprehensive experimental zones), port terminals and airports with an aim to improve regulatory efficiency, reduce regulatory costs, enhance customs convenience, and promote trade flows.

During the Review Period, the Group completed the acceptance of the 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, informatization system and equipment procurement for the cross-border e-commerce supervision center in 9610 Jiujiang District, Wuhu, 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 – equipment procurement and installation contracts for the card gate system. Meanwhile, the Group has newly entered into equipment procurement projects for customs supervision warehouse informatization of Jingdezhen Logistics Park, business supporting engineering for Guanyun Airport A-type Bonded Logistics Park, port customs supervision regional information system and supporting facilities project for Nantong Haoyang Port, procurement of customs supervision informatization equipment for Suqian City Bonded Logistics Center (B type) and other projects.

During the Review Period, the Group expanded its existing business areas and signed the upgrade and transformation project of Wenchang City Open Port in Hainan and “Second Line Port” construction project, achieving a breakthrough in the Hainan market and laying the foundation for subsequent market expansion of Hainan Free Trade Zone.

Research and development

During the Review Period, the Group cooperated closely with Southeast University and other institutions, and continued to promote the national key project “Research on Key Technologies for Correcting Driver Behavior for the Purpose of Low Emission (面向低排放的駕駛員行為修正關鍵技術研究)” of the specialised projects of “Intergovernmental International Cooperation on Science and Technology Innovation” (政府間國際科技創新合作) of the 2021 National Key Research and Development Programme of China; proactively implemented the “high-value patent cultivation project for Jiangsu Province Intellectual Property Strategic Promotion Plan 2021 (upgrade project)”. The application for joint construction of provincial “High Value Patent Cultivation Demonstration Centre” provides good support for the exploration, application and promotion of patents. The Group fully utilized its leading advantages in the IoT industry in accordance with the selected research and development direction of “key core technologies and applications of the IoT”, continued to carry out the “bottleneck” technology and “led by the nose” technology research and development.

In April 2023, the Group’s technology center successfully passed the evaluation of 2022 Provincial Enterprise Technology Center organized by the Jiangsu Provincial Department of Industry and Information Technology, with an evaluation rating of “Good”. In June 2023, the “Nanjing Cross-border Logistics Information Engineering Technology Research Center” built by the Group was approved and recognized by the Nanjing Science and Technology Bureau. In November 2023, the Group was rated as “2023 Jiangsu Province Technology Innovation Contribution Logistics Enterprise”. In December 2023, the “Road Transport Vehicle Major Accident Risk Prevention and Emergency Avoidance Technology” project, which the Group applied for as the main participating unit, was successfully approved as the key project “Major Natural Disaster Prevention and Control and Public Safety” of the 2023 National Key R&D Program.

During the Review Period, the Group successfully passed the annual on-site supervision and audit work for “Intellectual Property Management System (GB/T 29490-2013)”. The Group continues to strengthen the application and protection of intellectual property rights, with new applications of two invention patent and nine software copyrights, while obtaining authorization for two newly granted invention patents.

Business Outlook

Future business development plan

Looking back on 2023, the domestic economy began to recover, but the complex market environment still has various uncertainties and challenges. Despite the unfavorable market environment, the Group continues to actively adjust its business structure and integrate internal resources, implement strict cost control measures, and the overall financial situation gradually returns to normal.

Looking forward to 2024, the Group will continue to adapt to local conditions, strengthen its own core competitiveness, focus on the two core industries of intelligent transportation and smart logistics, adhere to the principles of customer-centricity, customer and market demand-oriented. Through the planning and design of comprehensive solutions, the Group will fully utilize the latest technology products in the industry to improve the management efficiency of the transportation industry and customs logistics industry so as to achieving the operation and management purpose of reducing costs and increasing efficiency.

As for the intelligent transportation, the Group will continue to push forward the various project implementation work to ensure that the construction progress is not affected by the external environment; will increase the market excavation of disadvantaged areas to strive for business results breakthrough. The Group will accelerate the deep integration of new generation information technologies such as AI, big data, cloud computing, edge computing in the industry application of intelligent highway and vehicle collaboration, deeply integrate traffic intelligence and networking and create new application scenarios for intelligent highway.

As for the smart logistics, the Group will continue to carry out cross-border logistics technology research and development, demonstration project construction; will integrate customs, third-party logistics and other resources to build a comprehensive cross-border logistics information system. Leveraging the IoT technology as the core of its cross-border logistics full-process tracking system and cargo in-transit visual management system, the Group will create a visible logistics environment ensuring the full visibility of logistics, speeding up logistics speed and customs clearance efficiency, reducing the loss rate of goods in the logistics process, and promoting the efficient operation and rapid development of China's cross-border trade enterprises.

At the same time, with the proposal of carbon peak and carbon neutrality goals, “green” has become the “new coordinate” for high-quality development of Chinese enterprises. The Group will implement the development concept of “green transportation”, continue to focus on the development of three major sectors of smart highways, smart ports and smart vehicles.

Research and Development Plan

The Group will take the opportunity of the National Radio Frequency Identification (RFID) System Engineering Technology Center awarded by the Ministry of Science and Technology and the Jiangsu Province Smart Highway Engineering Technology Research Center which is officially approved for construction by the Jiangsu Provincial Department of Science and Technology, and other scientific research and development institutions, with intelligent technology as the core and data governance as the concept, to strengthen the promotion of cloud computing services and intelligent applications as two major research directions, gradually increasing the investment of R&D resources, and establishing layout of the intelligent transportation and smart logistics industry market based on independent products and services.

In the field of intelligent transportation business, the Group accelerates the deep integration of new generation information technologies such as artificial intelligence, big data, cloud platform, wireless communication, edge computing, etc. in the industry application of intelligent highway vehicle collaboration, highly combines traffic intelligence and networking, creates new application scenarios for intelligent highways, and constructs demonstration and application project for vehicle-road collaborative engineering construction. After years of technical precipitation, the Group has achieved certain results in the research and development of independent products and services, and has successively launched software products such as highway cloud control platform, highway smart dispatch system, tunnel group control system, highway patrol maintenance management system, highway guidance information release system, highway event monitoring system, smart service area management platform, etc.

In the field of smart logistics business, the Group relies on related industry typical application engineering, continues to promote the construction of customs logistics technology service platform, independently initiates research and development projects, continuously optimizes existing products, carries out model innovation and scene extension. In addition to smart checkpoints, artificial intelligence products and station products, the Group actively explores business scenarios such as maritime informatization system, informatization of original inspection laboratory, customs financial informatization, etc., achieving breakthroughs in core technologies of cross-border logistics industry application, successively developing products such as “Special Supervision Area Information System”, “Customs Logistics Information Solution”, “Intelligent Card Gate System”, “AI Container Number Identification System”, etc., some products have been applied, promoting the Group’s technological progress and business expansion.

The Group will surely start from the actual needs of customers, continuously improve service capabilities and optimize product functions, consolidate the transformation of scientific research results and business foundation, strengthen market expansion, consolidate technical and product innovation capabilities, and firmly establish the Company as a technology-driven innovative enterprise. The Group believes that only by continuously focusing on core product technology, truly providing users with core value, solving core pain points of products and services, can we have the opportunity to gain competitive advantage in the existing complex market environment.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including 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 Directors and Supervisors has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference. The primary duties of the audit committee are to supervise the financial reporting process, the internal control and risk management of the Company.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

On 30 December 2021, the Company (as the lessor) and Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) ("Sample Group") (as the lessee) 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.

As Mr. Sha Min, the chairman of the Board and an executive Director of the Company, is interested in 60.40% 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, Mr. Sha is considered to have a material interest in the above-mentioned transactions.

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

CORPORATE GOVERNANCE CODE

The Company has adopted all the requirements of the code provisions of the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 to the Listing Rules.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual.

Since the resignation of Mr. Ma Fengkui as the chief executive officer of the Company on 3 March 2023, Mr. Sha Min has been served as the Chairman as well as the chief executive officer of the Company. Despite the deviation from C.2.1 of the code provision of the Listing Rules, the Board believed that Mr. Sha, being the Chairman of the Company, is familiar with the Company’s business operation and has excellent knowledge and experience of the Company’s business which will be conducive to improving the efficiency of the Company’s overall strategic planning. In addition, Mr. Ma Fengkui, an executive Director of the Company, has been appointed as the vice president of the Company who will assist Mr. Sha in overseeing the business operation and management. At the same time, Mr. Liu Min, an executive Director of the Company, has also been appointed as the vice president of the Company who will assist Mr. Sha in overseeing the asset management business. The Board believed that such management structure layout will be more beneficial to the future development of the Company and will improve the Company’s operating conditions. Under the supervision of the Board which currently comprises 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.

Save as disclosed above, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules for the Review Period.

CHANGE IN CONSTITUTIONAL DOCUMENT

During the Review Period, the shareholders of the Company approved the amendments of its articles of association in order to ensuring the conformity with the Core Standards set out in Appendix A1 to the Listing Rules, removing those articles that have become outdated due to the repeal of the Special Regulations and the Mandatory Provisions, bringing the overall articles of association in line with the PRC Guidelines on Articles of Association and satisfying the requirements under the constitution of the Chinese Communist Party, expanding the business scope of the Company. Details of the amendments were disclosed in the Company's circular dated 29 May 2023. Save as disclosed above, there has been no significant change in the Company's Articles of Association during the Review Period.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix C3 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 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

In consideration of multiple uncertain risks in the industry, combined with the Company's long-term development goals and short-term operating conditions, thus, at the board meeting held on 25 April 2024, the Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

PUBLICATION OF ANNUAL REPORT

The 2023 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.samples.com.cn in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 26 April 2024.

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

Nanjing, the PRC
25 April 2024

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Ma Fengkui and Mr. Liu Min, the non-executive director is Ms. Cai Lijuan; and the independent non-executive directors are Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Niu Zhongjie.

* *For identification purpose only*