



# 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 2020

\* for identification purpose only

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)  
Mr. Ma Fengkui  
(Chief Executive Officer)  
Mr. Zhang Junmin (Vice President)

## NON-EXECUTIVE DIRECTOR

Mr. Chang Yong  
(Vice Chairman)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## SUPERVISORS

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

## COMPANY SECRETARY

Ms. Wong Lai Yuk

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Hu Hanhui (Chairman)  
Mr. Niu Zhongjie  
Mr. Zhang Junmin

## STRATEGIC COMMITTEE

Mr. Sha Min (Chairman)  
Mr. Ma Fengkui  
Mr. Zhang Junmin

## 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 Xinjiekou 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” or “Sample Technology”), I hereby present the annual report of the Company (with its subsidiaries, referred to collectively as the “Group”) for the year ended 31 December 2020 (the “period under review”) for your review and consideration.*



# Chairman's Statement

## RESULTS

For the 2020 financial year, total operating income of the Group and the net profit attributable to shareholders of the parent company were respectively RMB945,958,244.32 and a loss of RMB139,375,086.61 (corresponding figures for the year ended 31 December 2019 were RMB1,487,129,114.80 and RMB107,023,458.97), representing a decrease of 36.39% and profit turning into loss, respectively. The reduced total operating income was mainly due to the impact of novel coronavirus ("COVID-19") pandemic in 2020, lockdown of certain cities, quarantine of migrants, as well as delays in bidding and commencement of some projects, which led to a decline in the overall income of the Group. The turning into loss of net profit attributable to shareholders of the parent company was mainly due to 1) the decline in the Group's operating income; 2) the delay in accounts receivable causing the Group's receivables to fall short of expectation and the increase in provision for impairment during the period under review as a result of the impact of COVID-19.

## DIVIDEND

In light of the global economic impact of the COVID-19 pandemic and the consequent emergence of multiple market risks, maintaining sufficient liquidity is of paramount importance to the Group's long-term development. As a result, the Board decided not to propose distribution of a final dividend for the year ended 31 December 2020.

## REVIEW OF BUSINESS AND OPERATIONS

The Group's strategic plan has set upholding long-term business development as its 2020 strategic goal, which aims to consistently optimize market presence, improve organization structure and concentrate on fostering technical strength. With such strategic goal in mind, the Company, under the leadership of the Company's board of directors, attained certain achievements in various aspects such as market expansion, R&D and market synergy, internal management standard and improvement in user satisfaction in 2020.

### **Uphold long-term business development to improve organization structure and concentrate on fostering technical strength**

In 2020, the Group, on the one hand, improved its organization structure by revamping and aligning internal management system for long-term business development, with the aim to optimize assets, concentrate on main business, reinforce input in core segments, strengthen the coordination of market resources, product technology and other dimensions between business departments. On the other hand, the Group focused on improving the scientific and technological capabilities of front-line workers to build a core team that excels at learning and innovation, dares to take responsibility, strives to improve product and program development and standard and insists on thorough marketing and customer services.

## Chairman's Statement

In September 2019, the 19th National Congress of the Communist Party of China unveiled the significant strategic plan for strengthening the nation through transportation development. With full swing development of intelligent transportation, China is now transforming from a country with good transportation infrastructure to a country with excellent transportation infrastructure. The closer integration of intelligent transportation with various new technologies has resulted in the creation of a number of products with significant social and economic benefits. During the period under review, project progress was hindered by the worldwide raging of COVID-19 pandemic in 2020. The Group uses its best endeavour to consistently improve corporate management and continue to deliver high-quality projects to customers through strong technical strength and efficient services. To ensure projects are safe with zero incident, we carefully organized the transportation set up and gave due safety and protection consideration for all construction projects, especially for those projects that were based on developed paths, to prevent accidents from occurring. We achieved zero delay in progress and completed the works within a relatively short period of time under meticulous organization and reinforced interface. In markets where we had no advantages and in new segments, the Group actively sought cooperation with resources from all parties to make up for its weaknesses with its own strengths and complemented each other. Meanwhile, we used technology-driven innovation to boost our market competitiveness and consistently achieved market breakthroughs.

Economic globalization has made modern logistics supply chain business increasingly complex with larger scale, sophisticated data and fierce competition. By effectively integrating and realizing the linkage of resources like goods, logistics and information flow, we have set improving logistics efficiency and lowering logistics costs as the primary objective of modern logistics supply chain. Riding on the rich experience we accumulated in providing intelligent comprehensive solutions for customs and logistics sectors over the last 20 years and the strengths we possessed as a result of our in-depth knowledge in customs regulatory requirements, the Group was able to take into account the positioning, demand and future business direction of logistics customers like customs, special customs supervision zones (including bonded areas and cross-border comprehensive experimental areas), ports, terminals and airports as a whole, to devise a package of intelligent solutions from customs regulatory requirements perspective that included informatization planning, software products, hardware products, information system integration and operation and maintenance services. Subject to the satisfaction of customs regulatory requirements, we were able to provide more efficient customs clearance services for goods transportation and raise the level of information, intelligence and standardization of logistics supervision. During the period under review, the Group assisted Zibo Comprehensive Bonded Zone and other comprehensive bonded zones to develop a comprehensive bonded zone customs supervision information system, with the aim to provide a convenient working environment for customs, management committees and enterprises stationed in such zones.

# Chairman's Statement

## Further enhance brand influence by strengthening external exchanges and collaborations

During the period under review, the Coordination and Steering Team for Establishing Provincial Corporate Social Responsibilities under the Jiangsu Provincial Department of Industry and Information Technology launched the 2019 Comprehensive Evaluation of Establishing Corporate Social Responsibilities in the Province pursuant to the requirements stipulated in the “Guiding Opinions on Establishing Corporate Social Responsibilities in Jiangsu Province” (Su Zheng Ban Fa [2017] No. 22) issued by the Jiangsu Municipal Office. The Group was successfully included in the “List of Enterprises Excels at Establishing Corporate Social Responsibilities in Jiangsu Province in 2019”. Recognizing that apart from economic and legal responsibilities, enterprises should also bear social and moral responsibilities, Jiangsu Province in recent years has been pressing for supply-side structural reforms and seeking to foster an independent and controllable modern industrial system that can facilitate high-end development of the industrial economy while concentrate on establishing corporate social responsibilities. The purpose is to encourage all enterprises to regard fulfilling corporate social responsibilities as an important element to improving sustainability and core competitiveness as well as facilitating high-end economic development. The Group's inclusion in the list represents that our implementation of the new development concept and fulfillment of social responsibilities have been recognised by the community.

During the period under review, the Group was invited to participate in events such as the 11th Cloud Forum for Free Trade Zone and Specific Zone Establishment and Industrial Development hosted by the China Customs Press. Riding on its technical strengths in customs and logistics sectors, Sample Technology was able to facilitate “technical development in customs” and further enhance the intelligence and accuracy of supervision from China customs' regulatory requirements perspective. The comprehensive strengthening of China Customs' supervision over “on-transit” and “at customs” logistics can effectively enhance supervision efficiency and guarantee economic security.

## PROSPECTS

On 22 May 2020, Li Keqiang, the Premier of the State Council, presented the government work report at the opening of the third session of the 13th National People's Congress. The report sets out the main development objectives and next phase of work and proposes to increase investment in supporting the building of "new infrastructure and new urbanization initiatives and major projects". As stated in the government work report, the key elements of these new projects include: strengthen the development of new infrastructure to construct the next generation of information networks, expand 5G applications, install charging piles, promote new energy vehicles, stimulate new consumer demand and help industrial upgrading; strengthen the development of new urbanization areas to largely upgrade county public facilities and service capabilities, with the aim to meet farmers' increasing demand for county employment and settlement opportunities. A total of 39,000 old communities in cities and towns are subject to renovation with works including the installation of elevators and developing diverse community services such as dining and cleaning; and strengthening of development of major projects such as transportation and water conservancy.

The building of "new infrastructure and new urbanization initiatives and major projects" has actually represented a significant move of the country to support the expansion of domestic demand through people-oriented approach, which means "boosting consumption to benefit the people's livelihood while adjusting structure to stimulate stamina". New infrastructure construction ("New Infrastructure") is a fresh driver for the real economy to move towards high-end that meets the needs of high-quality development and mass consumption upgrades. Specifically, the New Infrastructure covers various industrial chains under seven main segments: 5G base station, ultra-high voltage, intercity high-speed railway and urban rail transit, charging piles for new energy vehicles, big data centers, artificial intelligence and industrialized internet. The New Infrastructure represents a platform that provides services such as digital transformation, intelligent upgrading and integration innovation as it is guided by new development concept, driven by technological innovation, based on information networks and adapted to the needs of high-end development. "New infrastructure" is also empowering the construction of traditional infrastructure, including railways and highways, to enable the whole society to run faster, smarter and greener.

Over the last 20 years, Sample Technology has always concentrated on the research and development and implementation of Internet of Things (IOT) solutions and has accumulated tremendous skills and rich industrial application experience in segments like internet and 5G applications, big data and artificial intelligence. In the future, Sample Technology will remain resolute in its principal business by keeping its hard work to uphold the concept of using scientific and technological capabilities to benefit our customers, increasing investment in scientific and technological research and development, strengthening the capabilities of Internet of Things solutions and enhancing its competitiveness in various business segments such as intelligent transportation and intelligent logistics, and make "achieving steady and fission growth" a reality.

## Chairman's Statement

Looking forward, Sample Technology will continue to focus on two core segments, namely the expressway intelligent transportation and customs intelligent logistics. Supported by the in-depth integration of Internet + Internet of Things technology, Sample Technology, with technology and innovation as the key drivers, will continue to provide customers with new intelligent services like “intelligent hardware + platform system + data service” in the two core segments through the 2-wheeled development model of “technology + market”. In respect of the expressway intelligent transportation segment, the Group will focus on projects that can make use of intelligent expressway application to facilitate technology upgrades, implement pilot projects of intelligent roads and develop monitoring cloud platforms. In respect of the customs intelligent logistics segment, the Group will continue to focus on product differentiation development and explore potential expansion of application, strengthen its research and development efforts and further upgrade the solutions centered on core customers.

Our quest for technology is for our customers. Sample Technology has always adhered to the work attitude that delivers output of high quality and efficiency under the framework of stringent management, meticulous organization and security, and strived to offer satisfactory solutions to every customer. On behalf of Sample Technology, I would like to express my heartfelt gratitude to the support and faith that our customers, suppliers and shareholders have shown to the Group. I will urge all our staff to keep up their effort in innovation and work together to create a better future.

By Order of the Board

**Sha Min**

*Chairman*

Nanjing, China

31 March 2021

## FINANCIAL REVIEW

### Total Operating Income

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

### Gross Profit

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

### Selling and Distribution Costs

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

### Administrative Expenses

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

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

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

# Management Discussion and Analysis

## Other Equity Instrument Investment

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

## Other Receivables

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

## Non-Current Liabilities Due Within One Year

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

## FINANCIAL RESOURCES AND LIQUIDITY

The Group adopted stringent financial management policies and maintained a healthy financial position. The Group's working capital (being current assets less current liabilities) as at 31 December 2020 was RMB1,195,309,903.18 (as at 31 December 2019: RMB807,688,234.33). As at 31 December 2020, the bank balances and cash of the Group amounted to RMB396,527,387.13 (as at 31 December 2019: RMB163,444,153.79).

## CAPITAL STRUCTURE

As at 31 December 2020, the total bank borrowings of the Group was RMB1,098,285,488.89 (as at 31 December 2019: RMB1,173,529,550.35), which included secured bank borrowings of RMB102,250,000.00 with an annual interest rate of 4.41% and are repayable within 15 years, and secured bank borrowings of RMB450,000,000.00 with annual interest rates ranging from 4.1% to 5.1% and are repayable within one year. The remaining of RMB546,035,488.89 was guaranteed bank borrowings, including bank borrowings of RMB456,035,488.89 with annual interest rates ranging from 4.785% to 7% and are repayable within one year, bank borrowings amounted to RMB90,000,000.00 with an annual interest rate of 7.00% and are repayable within two years. During the period under review, the bank borrowings were mainly used in support of the Group's business development and the funds obtained were mainly used for project procurement and prepayments for projects.

# Management Discussion and Analysis

## PLEDGE OF ASSETS

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

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

## GEARING RATIO

For the year ended 31 December 2020, gearing ratio (being sum of short-term loan, long-term loan and non-current liabilities due within 1 year less cash and cash equivalents divided by equity) of the Group was approximately 0.36 (2019: 0.49).

## FOREIGN CURRENCY EXPOSURE

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

## Summary of Key Financial Ratios

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

### Key financial ratios

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

Note:

- (1) Net profit ratio refers to net profit divided by principle operating income
- (2) Return on net assets ratio refers to the net profit divided by net assets
- (3) Return on equity ratio refers to the net profit divided by shareholders' equity
- (4) Debt ratio refers to the total liabilities divided by total assets
- (5) Current ratio refers to total current assets divided by total current liabilities
- (6) Quick ratio refers to current assets less inventory and contract assets divided by current liabilities
- (7) The 2020 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2020
- (8) The 2019 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2019

# Management Discussion and Analysis

## Net Profit Ratio

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

## Return on Net Assets Ratio

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

## Return on Equity Ratio

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

## Debt Ratio

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

## Current Ratio

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

## Quick Ratio

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

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENT HELD

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

Unit: RMB

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

Description of the investment:

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

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

## SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

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

## Management Discussion and Analysis

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

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

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

## Management Discussion and Analysis

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

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

### CAPITAL COMMITMENT

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

### CONTINGENT LIABILITIES

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, total employees’ remuneration of the Group was approximately RMB65,274,729.05 (2019: RMB64,047,722.15) and the number of employees was 290 (2019: 306). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

# Management Discussion and Analysis

## BUSINESS REVIEW AND BUSINESS OUTLOOK

### Business Development

During the period under review, various cities adopted lockdown and quarantine measures to inbound travelers due to the COVID-19 pandemic, delaying the commencement of tendering and construction of some of the projects, which in turn significantly affected the project progress. In the midst of such severe challenge, the Group and its employees continue to serve their customers without interruption while maintain a high morale and keep motivated to devise various solutions that help overcoming challenges and alleviating adverse impact, achieving positive progress for various projects along the way. In April 2020, the Group was included in the “List of Key Secured Enterprises for the Prevention and Control of Novel Coronavirus Pneumonia Epidemic”, a recognition from all levels of government of the Group’s full utilization of internet-of-things and business expertise for epidemic prevention and control.

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

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

## Management Discussion and Analysis

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

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

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

# Management Discussion and Analysis

## Research and Development

During the period under review, the Group actively participated in the work of the national internet-of-things standard working group led by China Electronics Standardization Institute of the Ministry of Industry and Information Technology. The Group led the formulation of a national standard “Internet-of-things Information Sharing Exchange Part 4: Data Interface (GBT 36478.4-2019)” which was officially implemented from 1 March 2020.

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

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

## Business Outlook

### Future Business Development Plan

In 2021, the Group will continue to focus on two core industries of intelligent transportation and intelligent logistics, adhere to the customer-orientated approach and market-demand-oriented target and realize technology-driven product and solution innovation under specific scenarios. The Group would build the ecological system of an intelligent city by focusing on both technological and business model innovation, centralizing the Group’s resources and using information technologies such as the internet-of-things and “internet +” as its core.

## Management Discussion and Analysis

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

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

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

### Research and Development Planning

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

## Management Discussion and Analysis

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

### EXECUTIVE DIRECTORS

**Mr. Sha Min (沙敏)**, aged 56, a senior engineer and senior economist, received postgraduate education, is an executive Director and Chairman and the chairman of the strategic committee of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. He joined the Company in December 1997 and was first appointed as an executive Director and Chairman in December 1999. He is currently the president of China RFID Association, a committee member of the 12th Chinese People's Political Consultative Conference of Jiangsu Province, vice-chairman of Federation of Industry and Commerce of Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing, vice president of Nanjing Software Industry Association, vice-chairman of Nanjing Enterprises Association, president of Jiangsu Badminton Association and President of Nanjing Alumni Association of Southeast University etc. Mr. Sha is currently a non-executive director of Jiangsu NandaSoft Technology Company Limited (a company listed on the Hong Kong Stock Exchange, 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), the subsidiary of the Company.

**Mr. Ma Fengkui (馬風奎)**, aged 47, holds a master's degree. Mr. Ma graduated from South China Normal University with a master's degree in business administration in 2015 and is currently studying for the 35th EMBA program at Cheung Kong Graduate School of Business (長江商學院). 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 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) and general manager of Sumpower Gsun Xiangyun Technology Services Co., Ltd.\* (三寶金山祥雲科技服務有限公司). Mr. Ma has been assistant to the chairman and chief executive officer of the Company since February 2020 and July 2020, respectively. Mr. Ma is currently an director of Jiangsu Intellitrans Company Ltd.\* (江蘇智運科技發展有限公司), Qingdao Big Data Technology Development Group Co., Ltd.\* (青島大數據科技發展有限公司), Federal International Enterprise Limited (永鴻國際企業有限公司) and Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司), subsidiaries of the Company, 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), a subsidiary of the Company.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhang Junmin (張軍民)**, aged 48, holds a bachelor's degree and is a senior engineer. From 1992 to 1996, Mr Zhang studied at the Dalian Ocean University and obtained a bachelor's degree in thermal energy and power machinery. From July 1996 to February 1998, he worked as a project engineer at Jiangsu Anda Technology & Trade Co., Ltd.\* (江蘇安達技貿公司). From March 1998 to December 2000, he worked as a project manager at Jiangsu I-Front Science and Technology Co., Ltd. (江蘇安防科技有限公司). Since January 2001 to present, Mr. Zhang has worked at Jiangsu Intellitrans Company Ltd.\* (江蘇智運科技發展有限公司), a subsidiary of the Company, where he served as a department manager, deputy general manager and general manager. He is currently a director of Jiangsu Intellitrans Company Ltd., a subsidiary of the Company. Mr. Zhang has acted as vice president of the Company since July 2020.

### NON-EXECUTIVE DIRECTOR

**Mr. Chang Yong (常勇)**, aged 54, a senior economist, is a non-executive Director and vice chairman of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from July 1990 to September 1992. He worked as a manager of Nanjing Kentucky Fried Chicken Company Limited from September 1992 to March 1993. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive Director and president of the Company in December 1997, then became the vice-president of the Company from May 2014 to May 2019. Mr. Chang also currently holds the position as the chairman of the board of directors of Jiangsu Intellitrans Company Limited and Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd. respectively, both of which are the subsidiaries of the Company, and holds directorships in Jiangsu Ruifu Intelligent Tech. Co., Limited and Nanjing City Intelligent Transportation Co., Ltd..

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hu Hanhui (胡漢輝)**, aged 64, professor and instructor of doctorate students, is an independent non-executive Director, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company. He had served as the Associate Head of Department of Management Science and Engineering in Nanjing Institute of Technology, the Deputy Director of the Technology Research Institution and the president of the University's Union in Southeast University, a part-time researcher of the Humanities and Social Science Research Institution of Education Department in Dongbei University of Finance and Economics, a member of Professional Committee in China Development Bank and a member of the "Expert Group of Basic Requirements on Entrepreneurship Education in High Schools" in Ministry of Education. Currently, Mr. Hu has served as the Director of the Research Institution of Entrepreneur Group Economics and Industrial Organization of School of Economics and Management in Southeast University. Mr. Hu was appointed as an independent non-executive Director of the Company in May 2016.

**Mr. Gao Lihui (高立輝)**, aged 57, received doctoral education, is a senior economist and an independent non-executive Director and a member of the audit committee and the nomination committee of the Company. Mr. Gao holds a diploma from The Business School of Yangzhou University in the PRC, a master degree in Business Administration from The School of Business and Economics of Maastricht University in the Netherlands and a doctoral degree in management from The School of Business of Nanjing University. Mr. Gao worked at Jiangsu Branch of Bank of China from 1991 to 1992 and was mainly responsible for the management of foreign exchange, finance and Japanese Yen sub-ledgers. He served as General Ledger Accountant of Jiangsu Branch of Bank of China from 1992 to 1995 and was responsible for the management of foreign exchange and finance. In addition, Mr. Gao had been appointed as the deputy manager of the Gulou branch of Bank of Nanjing, the manager of Danfeng Street branch of Bank of Nanjing and the general manager of the Business department of HengFeng Bank. Mr. Gao was appointed as an independent non-executive Director of the Company in May 2017.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Niu Zhongjie (牛鐘潔)**, aged 53, 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 65, 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 an independent director of Neoglory Prosperity Inc.\* (a company listed on the Shenzhen Stock Exchange, stock code: 002147), Tianjin Tai Da Limited\* (a company listed on the Shenzhen Stock Exchange, stock code: 000652) and Nanjing Kangni Mechanical & Electrical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603111).

**Mr. Dai Jian Jun (戴建軍)**, aged 51, a practising lawyer, is a supervisor of the Company. He was educated in Jiangsu Police Institute from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a practicing lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003. Mr. Dai is currently an independent director of Nanjing Canatal Data-Centre Environmental Tech. Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603912).

**Mr. Zou Tao (鄒濤)**, aged 51, 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 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 and a member of Jiangsu Internet of Things Standardized Technology Committee. Mr. Zou was appointed as a supervisor of the Company in May 2016.

### SENIOR MANAGEMENT

**Mr. Li Chengyang (李成陽)**, aged 42, holds a bachelor's degree and is a non-practicing member of Chinese Certified Public Accountant Association and the financial director of the Company. Mr. Li graduated from Hefei University of Technology in 2002 with a bachelor's degree in accounting. He served as a financial accountant of China Railway 24th Bureau Group Fujian Railway Construction Co., Ltd from August 2002 to December 2005, deputy financial manager (hosting) of Zhong Dian Environmental Protection Limited\* (中電環保股份有限公司) from March 2006 to December 2008, and assistant to the general manager of Jiangsu China Satellite Navigation and Communications Co., Ltd. from February 2009 to October 2013. Mr. Li joined the Company in November 2013 and successively served as a financial manager and financial director. Mr. Li served as the financial director since May 2019. Mr. Li is currently a director of Nanjing Intelligent Urban Constructive Investment Co., Ltd., a subsidiary of the Company.

**Mr. Liu Min (劉民)**, aged 46, holds a bachelor's degree in engineering and is a senior engineer. From August 1996 to August 1997, Mr. Liu worked as secretary of the Qinglin Railway Transportation Management Office of the Shandong Provincial Local Railway Bureau (山東省地方鐵路局青臨鐵路運管處辦公室). From September 1997 to July 1999, he worked in Tsinghua Unisplendour Limited where he successively served as sales manager and after-sales service manager. Mr. Liu joined the Company in August 1999 and served as department manager, deputy general of Jiangsu Intellitrans Company Ltd. (江蘇智運科技發展有限公司), a subsidiary of the Company, general manager at Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司), a subsidiary of the Company, general manager, director and assistant to the chairman of Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司), a former subsidiary of the Company. Mr. Liu has served as vice president of Nanjing Sample Technology Co., Ltd. since July 2020. Mr. Liu currently also serves as a director and general manager of Qingdao Big Data Technology Development Group Co., Ltd.\* (青島大數據科技發展有限公司), a subsidiary of the Company.

# Report of the Directors

The Board present the annual report and audited financial statements for the year ended 31 December 2020.

## 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 2020 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 8 and "Management Discussion and Analysis" on pages 9 to 20. An analysis of the Group's performance during the year ended 31 December 2020 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 238. In addition, the risks in relation to financial instruments of the Group can be referred in note VIII to the financial statements on pages 200 to 204.

### Key risks and uncertainties affecting the Company

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

At the same time, with the country's strong support for informatization and intelligence in road transportation, customs logistics and other fields, the Company's downstream industry market demand continues to expand, attracting social capital to increase investment in such field. The increase in new entrants will bring competitive pressures on the Company's technological, capital and marketing aspects. If the Company is unable to adapt to the increasingly intense market competition, it will adversely affect the sustained and healthy development of the business. Therefore, the Group faces the risk of intensified market competition.

In addition, the Company is also subject to the risk of significant change in customers, risk in technology R&D, management risk, risk of bad debt loss on accounts receivable, etc.

In view of the above risks, the Group will continue to consolidate and make full use of its advantages in technology research and development, comprehensive business qualifications, brand awareness, operation and management, constantly emphasize on and actively drive market development on the basis of establishing long-term friendly cooperation relationship with key customers, and achieve quality improvements in both operating income and technology. The Group will closely follow the policy orientation and actively develop new business in line with the policy directions; continue to strengthen investment in technology R&D, reinforce protection and daily management of its core technologies, further improve and strictly implement various internal control systems, and attach importance to the introduction and nurturing of outstanding management talents. From a strategic perspective, the Group will strengthen the overall allocation of development planning, resource integration, and factor sharing of internal departments and subsidiaries to further improve the Company's profitability and comprehensive competitiveness while protecting the long-term interests of shareholders. Through such measures, the Company aims to mitigate the impact of the above risks.

## 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.

For details, please refer to the 2020 Environmental, Social and Governance Report of Nanjing Sample Technology Co., Ltd. to be published before the end of May by the Company.

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## MAJOR RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

# Report of the Directors

## RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2020 are set out on pages 59 to 237 of this annual report.

The Board decided not to propose distribution of a final dividend for the year ended 31 December 2020 (2019: nil).

## PROPERTY, PLANT AND EQUIPMENT

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

## INVESTMENT PROPERTY

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

## DIRECTORS AND SUPERVISORS

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

### Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Ma Fengkui (*Chief Executive Officer*) (appointed on 10 August 2020)

Mr. Zhang Junmin (*Vice President*) (appointed on 10 August 2020)

Mr. Zhu Xiang (*Chief Executive Officer*) (resigned on 10 August 2020)

Ms. Yu Hui (*Vice President*) (resigned on 7 July 2020)

### Non-executive Director

Mr. Chang Yong (*Vice Chairman*)

### Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie

### Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Zou Tao

# Report of the Directors

## **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

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

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

Save as disclosed below, as at 31 December 2020, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

# Report of the Directors

## Long Positions in Shares

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

### Notes:

- (1) Mr. Sha Min ("**Mr. Sha**") directly holds 3,375,000 Domestic Shares and is indirectly interested in 60.40% of equity interest of Jiangsu Sample Holding Limited\*(江蘇三寶控股有限公司)("Jiangsu Sample") which in turn owns 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.

- (2) Mr. Chang Yong ("**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.

# Report of the Directors

## SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2020, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Long position in Shares:

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

# Report of the Directors

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
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%
Active Gold Holding Limited (Note 3)	123,862,500 Domestic Shares	Beneficial owner	15.64%
Jian Ying Sample High Growth Investment Fund (Note 3)	123,862,500 Domestic Shares	Interest of controlled corporation	15.64%

Notes:

- (1) 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, West Coast Development 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 West Coast Development Group which is 100% owned by SASAC of Qingdao.
- (2) 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, the Vice Chairman of the Company, held 99% in each of Shanghai Lianqi and Nanjing Runge.
- (3) Active Gold Holding Limited is indirectly wholly owned by Jian Ying Sample High Growth Investment Fund.

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

Save as disclosed above, as at 31 December 2020, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2020, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

## SHARE OPTION SCHEME

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

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

On 30 September 2020, the Company (as the Limited Partner) and Qingdao Jufuhuiyin Asset Management Co., Ltd.\* (青島聚富匯銀資產管理有限公司) (as the General Partner and fund manager), Qingdao West Coast Finance Development Co., Ltd.\* (青島西海岸金融發展有限公司) (as the Limited Partner), Nanjing Sample Digital Technology Co., Ltd.\* (南京三寶數碼科技有限公司) (as the Limited Partner) and Qingdao High Innovation Sci-Tech Capital Operation Co., Ltd.\* (青島高創科技資本運營有限公司) (as the Limited Partner) entered into the Partnership Agreement, pursuant to which the parties shall contribute an aggregate amount of RMB500,000,000 for the establishment of Qingdao Smart Data Technology Venture Capital Partnership (Limited Partnership)\* (青島智慧數科創業投資合夥企業(有限合夥)), among which the Company shall contribute RMB25,000,000.

Each of Mr. Sha Min, the chairman of the Board, an executive Director and a de facto controller of the Company, and Mr. Chang Yong, the vice chairman of the Board and a non-executive Director, were 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 the equity interest in Sample Group, a controlling shareholder of the Company, and Sample Group owns 100% equity interests in Nanjing Sample Digital Technology Co., Ltd.. Therefore, each of Mr. Sha and Mr. Chang was considered to have a material interest in the above-mentioned transactions.

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

# Report of the Directors

## PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Group. At no time during the year ended 31 December 2020 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 57.84% (2019: 26.41%) of the total sales for the year and sales to the largest customer included therein amounted to 30.44% (2019: 7.95%). 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 45.83% (2019: 29.32%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 34.84% (2019: 9.24%). 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 V (LIV) 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 238 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 2020, 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.

## RESERVES

Details of the movements of reserves of the Group during the year are set out on page 76 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the Group's reserves available for distribution amounted to RMB871,694,716.41 (2019: RMB1,011,075,961.59).

## INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the People's Republic of China ("PRC"). A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of annual final dividend to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of annual final dividend to natural persons whose names are registered on the H shares register of members of the Company. For the year ended 31 December 2020, 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 2020.

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

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

## EQUITY-LINKED AGREEMENTS

As at 31 December 2020, 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.

# Report of the Directors

## AUDIT COMMITTEE

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors and supervisors for the year ended 31 December 2020 are set out below:

- (1) On 7 July 2020, Mr. Zhu Xiang resigned as chief executive officer of the Company.
- (2) On 7 July 2020, Mr. Ma Fengkui was appointed as chief executive officer of the Company.
- (3) On 7 July 2020, Ms. Yu Hui resigned as an executive Director of the Company and ceased to be vice president, a member of the strategic committee and nomination committee of the Company.
- (4) On 10 August 2020, Mr. Zhu Xiang resigned as an executive Director of the Company and ceased to be an authorized representative, a member of the strategic committee and remuneration committee of the Company.
- (5) On 10 August 2020, Mr. Ma Fengkui was appointed as an executive Director, an authorized representative, a member of the strategic committee and remuneration committee of the Company.
- (6) On 10 August 2020, Mr. Zhang Junmin was appointed as an executive Director, a member of the strategic committee and nomination committee of the Company.
- (7) On 29 June 2020, Mr. Hu Hanhui ceased to act as an independent director of Nanjing Textiles Import & Export Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600250) due to expiry of term.
- (8) On 28 May 2020, Mr. Qiu Xiang Yang resigned as an independent director of Archermind Technology (Nanjing) Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 300598) due to personal reasons.
- (9) On 21 April 2020, due to change of session, Mr. Zou Tao served as deputy chairman of Jiangsu Software Engineering Standardization Technical Committee.

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 2020.

## 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 fulfill 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

### Connected Transactions Exempt From Independent Shareholders' Approval Requirements

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

As West Coast Development Group directly holds 51% of the equity interests in Sample Group, Sample Group directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares, accounting for approximately 50.77% of the issued share capital of the Company. As such, Sample Group is the substantial and the single largest shareholder of the Company.

## Report of the Directors

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

Since the General Partner, Jufuhuiyin, is a wholly-owned subsidiary of the Limited Partner, West Coast Finance Development, which in turn is a wholly-owned subsidiary of West Coast Development Group, Sample Digital is a wholly-owned subsidiary of Sample Group, and West Coast Development Group directly holds 51% of the equity interest of Sample Group. Sample Group directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for approximately 50.77% of the Company’s issued share capital and therefore, Sample Group is a substantial and the single largest shareholder of the Company. Accordingly, West Coast Finance Development, Sample Digital and Jufuhuiyin are all regarded as connected persons in the aforementioned transactions.

### CONTINUING CONNECTED TRANSACTIONS

On 31 December 2018, the Company (as the lessor) and Sample Group (as the lessee) entered into the Property Leasing Framework Agreement, pursuant to which the Company agreed to lease their lawfully owned properties to Sample Group and its associates, and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. The annual caps for the rent to be paid to the Company by Sample Group and its associates for each of the three years from 2019 to 2021 is RMB8,000,000. Details have been disclosed in the announcement dated 31 December 2018. The actual rental paid to the Company by Sample Group and its associates for the year ended 31 December 2020 was RMB3,168,932.95.

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

# Report of the Directors

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 2020 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

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report before the end of May in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

# Report of the Directors

## 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 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 for 2019 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 2020 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 2021

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

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

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

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2020.

## BOARD OF DIRECTORS AND BOARD MEETINGS

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

### Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Ma Fengkui (*Chief Executive Officer*) (appointed on 10 August 2020)

Mr. Zhang Junmin (*Vice President*) (appointed on 10 August 2020)

Mr. Zhu Xiang (*Chief Executive Officer*) (resigned on 10 August 2020)

Ms. Yu Hui (*Vice President*) (resigned on 7 July 2020)

### Non-executive Director

Mr. Chang Yong (*Vice Chairman*)

### 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 2021 and at which time the further renewal for another terms of three years shall be subject to the approval of the shareholders at the annual general meeting of the Company.

# Corporate Governance Report

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control, risk management and monitoring the performance of the senior management. The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 21 to 25 of this annual report. The Board of Directors held at least one full Board meeting half-yearly. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

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

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

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

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

During the year ended 31 December 2020, 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.

# Corporate Governance Report

## 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 2020. The attendance of the Directors at the meetings was as follows:

Name of Directors	Board meeting	General meeting
<b>Executive Directors</b>		
Mr. Sha Min ( <i>Chairman</i> )	7/7	2/2
Mr. Ma Fengkui ( <i>Chief Executive Officer</i> ) (appointed on 10 August 2020)	2/2	0/0
Mr. Zhang Junmin ( <i>Vice President</i> ) (appointed on 10 August 2020)	2/2	0/0
Mr. Zhu Xiang ( <i>Chief Executive Officer</i> ) (resigned on 10 August 2020)	5/5	2/2
Ms. Yu Hui ( <i>Vice President</i> ) (resigned on 7 July 2020)	4/4	1/1
<b>Non-executive Director</b>		
Mr. Chang Yong ( <i>Vice Chairman</i> )	7/7	2/2
<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.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by each Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2020 is recorded in the table below.

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending seminars/ programmes
<b>Executive Directors</b>		
Mr. Sha Min	√	√
Mr. Ma Fengkui ( <i>Chief Executive Officer</i> ) (appointed on 10 August 2020)	√	√
Mr. Zhang Junmin ( <i>Vice President</i> ) (appointed on 10 August 2020)	√	√
Mr. Zhu Xiang ( <i>Chief Executive Officer</i> ) (resigned on 10 August 2020)	√	√
Ms. Yu Hui ( <i>Vice President</i> ) (resigned on 7 July 2020)	√	√
<b>Non-executive Director</b>		
Mr. Chang Yong ( <i>Vice Chairman</i> )	√	√
<b>Independent Non-executive Directors</b>		
Mr. Hu Hanhui	√	√
Mr. Gao Lihui	√	√
Mr. Niu Zhongjie	√	√

# Corporate Governance Report

## **NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS**

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

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

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

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

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

## **REMUNERATION COMMITTEE**

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

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

# Corporate Governance Report

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

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

	<b>Number of attendance</b>
Mr. Hu Hanhui	2/2
Mr. Gao Lihui	2/2
Mr. Ma Fengkui (appointed on 10 August 2020)	0/0
Mr. Zhu Xiang (resigned on 10 August 2020)	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. Zhang Junmin.

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

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

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

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

# Corporate Governance Report

Two meetings were held during the year by the nomination committee to review and consider (i) the recommendation of the appointment of new Directors based on the diversity criteria; and (ii) the recommendation of candidates for senior management.

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

	<b>Number of attendance</b>
Mr. Hu Hanhui	2/2
Mr. Niu Zhongjie	2/2
Mr. Zhang Junmin (appointed on 10 August 2020)	0/0
Ms. Yu Hui (resigned on 7 July 2020)	2/2

## **AUDIT COMMITTEE**

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

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

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

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

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

	<b>Number of attendance</b>
Mr. Hu Hanhui	3/3
Mr. Gao Lihui	3/3
Mr. Niu Zhongjie	3/3

# Corporate Governance Report

During the year, the Group's unaudited annual results for the year ended 31 December 2019, audited annual results for the year ended 31 December 2019 and the unaudited interim results for the six months ended 30 June 2020 have been reviewed by the audit committee. Besides, the audit committee also reviewed the Group's audited annual results for the year ended 31 December 2020, and has reviewed and confirmed the accounting principles and practices adopted by the Group. Internal control 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. Zhang Junmin.

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 2020:

	<b>Number of attendance</b>
Mr. Sha Min	1/1
Mr. Ma Fengkui (appointed on 10 August 2020)	0/0
Mr. Zhang Junmin (appointed on 10 August 2020)	0/0
Mr. Zhu Xiang (resigned on 10 August 2020)	1/1
Ms. Yu Hui (resigned on 7 July 2020)	1/1

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2020 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 2020 are set out below:

	2020 RMB'000	2019 RMB'000
<b>Services rendered</b>		
Audit services		
– Da Hua Certified Public Accountants (Special General Partnership)	–	1,000
– BDO China Shu Lun Pan Certified Public Accountants LLP	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 53 to 58 of this annual report.

## COMPANY SECRETARY

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

# Corporate Governance Report

## INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

# Corporate Governance Report

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

Establish a reporting policy to encourage employees on confidential basis to report to management of any possible misconduct on any matter regarding the Group. The Group will keep confidential all information received and protect the identity and interests of whistleblowers. During the year, the Board authorised the audit committee to review the work of the internal audit functional departments and the external auditors, review the regular reports on risk management and regulatory compliance that prepared by the management, and review the adequacy and effectiveness of the Group's risk management and internal control systems. During the review, the audit committee also assessed and considered the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and its training plans and budget. The Board considers that the Group's risk management and internal control systems for the year ended 31 December 2020 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.

# Corporate Governance Report

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.

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

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

## CHANGE IN CONSTITUTIONAL DOCUMENT

There has been no significant change in the Company's Articles of Association during the year ended 31 December 2020.

# Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2020 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 2021

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

**1. OPINION**

We have audited the financial statements of Nanjing Sample Technology Company Limited (the "Sample Technology Company"), which comprise its and consolidated balance sheets as at 31 December 2020, and its and consolidated income statements, its and consolidated cash flow statements, its and consolidated statements of change in equity for the year then ended, and notes to the financial statements.

In our opinion, the attached financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a true and fair view of the Sample Technology Company's and consolidated financial position as at 31 December 2020, and of its and consolidated financial performance and cash flows for the year 2020.

**2. BASIS FOR OPINION**

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

**3. KEY AUDIT MATTERS**

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

# Auditor's Report

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

## Key audit matters

## Audit response

### (I) Recognition of 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.

For the year ended 2020, Sample Technology generated a revenue of RMB546,794,375.65 from system integration, representing 57.80% of the total operating revenue for the year ended 2020 and is significant to the financial statements as a whole.

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. The expected total contract revenue and total contract costs shall be determined by management according to the contract budget of the system integration project, which shall be continuously evaluated and revised 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 construction operations;
- (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; and
- (5) Making on-site selection of samples of system integration projects to observe the work progress, discussing with site project managers the extent to which the work was completed and executing further inspection procedures by comparing with the performance progress in record.

## Key audit matters

## Audit response

### (II) Bad debt provision for account receivables

As shown in note (III) of “V. Notes to the main items in consolidated financial statements”, as at 31 December 2020, Sample Technology’s account receivables amounted to RMB1,393,820,765.76 (2019: RMB1,296,531,239.84) and bad debt provisions amounted to RMB291,768,766.49 (2019: RMB182,456,209.90). In making estimation of credit losses on account receivables, the management has taken into consideration historical defaults, current credit risk exposure and future economic conditions forecast. As the management is required to exercise significant accounting estimates and judgements in determining the impairment of account receivables, we believe there are significant exposures to bad debt provision for account receivables and it is necessary to identify the impairment of account receivables as a key audit matter.

The audit procedures we executed in relation to the accuracy of bad debt provision of account receivables 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;
2. For account receivables 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 which expected credit losses are measured on collective 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 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.

# Auditor's Report

## 4. OTHER INFORMATION

The management of the Sample Technology Company (the "Management") are responsible for the other information. The other information comprises the information included in the 2020 annual report of Sample Technology 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, exercised and maintained as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

## Auditor's Report

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

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

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

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 2021

# Consolidated Balance Sheet

31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

<b>ASSETS</b>	Note V	<b>Closing balance</b>	Closing balance at preceding year
Current assets:			
Cash at bank and on hand	(I)	<b>396,527,387.13</b>	163,444,153.79
Settlement provisions			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	(II)	<b>8,637,671.16</b>	576,000.00
Accounts receivable	(III)	<b>1,102,051,999.27</b>	1,114,075,029.94
Receivable financing	(IV)	<b>1,988,651.45</b>	1,220,000.00
Prepayments	(V)	<b>375,556,663.32</b>	206,861,485.08
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve receivable			
Other receivables	(VI)	<b>95,973,149.21</b>	139,362,794.66
Financial assets held under resale agreements			
Inventories	(VII)	<b>173,477,816.65</b>	150,627,602.21
Contract assets	(VIII)	<b>524,489,072.34</b>	1,149,189,607.89
Held-for-sale assets	(IX)	<b>428,077,500.00</b>	
Non-current assets due within one year			
Other current assets	(X)	<b>68,953,437.14</b>	50,252,379.01
<b>Total current assets</b>		<b>3,175,733,347.67</b>	2,975,609,052.58

# Consolidated Balance Sheet

31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

<b>ASSETS</b>	Note V	<b>Closing balance</b>	Closing balance at preceding year
<b>Non-current assets:</b>			
Loans and advances to customers			
Debenture investments			
Other debt investment			
Long-term receivables			
Long-term equity investments	(XI)	<b>118,352.11</b>	14,034,388.49
Other equity instruments investment	(XII)	<b>219,653,402.05</b>	679,253,400.00
Other non-current financial assets	(XIII)	<b>132,643,300.91</b>	125,359,255.07
Investment property	(XIV)	<b>235,215,900.00</b>	230,602,600.00
Fixed assets	(XV)	<b>244,054,351.67</b>	294,887,205.17
Construction in progress	(XVI)	<b>185,099.99</b>	3,424,335.80
Productive biological assets			
Oil and gas assets			
Intangible assets	(XVII)	<b>10,587,936.48</b>	11,173,166.61
Development expenditures			
Goodwill	(XVIII)		526,438.04
Long-term deferred expenses	(XIX)	<b>3,880,507.35</b>	2,182,783.12
Deferred income tax assets	(XX)	<b>70,233,553.55</b>	49,419,949.36
Other non-current assets	(XXI)	<b>86,906,437.50</b>	73,145,879.55
<b>Total non-current assets</b>		<b><u>1,003,478,841.61</u></b>	<b><u>1,484,009,401.21</u></b>
<b>TOTAL ASSETS</b>		<b><u>4,179,212,189.28</u></b>	<b><u>4,459,618,453.79</u></b>

# Consolidated Balance Sheet

31 December 2020

(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)	<b>756,035,488.89</b>	680,071,088.70
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	(XXIII)		6,593,170.50
Accounts payable	(XXIV)	<b>660,645,469.09</b>	898,959,973.99
Advances from customers	(XXV)	<b>9,572.20</b>	
Contract liabilities	(XXVI)	<b>261,560,369.57</b>	131,652,689.48
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Securities trading of agency			
Securities underwriting			
Payroll payables	(XXVII)	<b>15,805,390.78</b>	4,804,999.97
Taxes payable	(XXVIII)	<b>16,655,425.87</b>	26,958,471.76
Other payables	(XXIX)	<b>81,343,497.87</b>	36,026,989.45
Bank charges and commissions due			
Reinsurers due			
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXX)	<b>156,000,000.00</b>	356,946,404.90
Other current liabilities	(XXXI)	<b>32,368,230.22</b>	25,907,029.50
<b>Total current liabilities</b>		<b>1,980,423,444.49</b>	2,167,920,818.25

# Consolidated Balance Sheet

31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

Page 59 to page 237 of the financial statements were signed by the following person in charge:

<b>Sha Min</b>	<b>Sha Min</b>	<b>Ma Fengkui</b>
Legal representative	Director	Director
	<b>Li Chenyang</b>	<b>Li Chenyang</b>
	Person in charge of accounting function	Head of the Person in charge of accounting department

# Balance Sheet of the Parent Company

31 December 2020

(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		51,059,590.76	24,326,946.00
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	(I)	7,713,142.56	100,576,000.00
Accounts receivable	(II)	545,520,293.67	630,358,597.13
Receivable financing	(III)	1,000,000.00	100,000.00
Prepayments		114,454,321.76	106,694,899.79
Other receivables	(IV)	100,830,966.83	88,325,785.54
Inventories		92,238,821.63	112,272,114.11
Contract assets		49,972,577.61	45,470,818.44
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>1,390,956,928.92</b>	<b>1,108,214,875.11</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(V)	539,458,668.76	946,530,323.86
Other equity instruments investment		219,653,402.05	221,544,600.00
Other non-current financial assets		119,593,500.91	111,712,855.07
Investment property		235,215,900.00	230,602,600.00
Fixed assets		126,424,632.39	142,096,999.48
Construction in progress			215,678.49
Productive biological assets			
Oil and gas assets			
Intangible assets		12,515,295.14	12,490,216.45
Development expenditures			
Goodwill			
Long-term deferred expenses		1,603,773.59	
Deferred income tax assets		26,253,441.20	14,902,990.54
Other non-current assets		62,900,000.00	63,898,388.10
<b>Total non-current assets</b>		<b>1,343,618,614.04</b>	<b>1,743,994,651.99</b>
<b>TOTAL ASSETS</b>		<b>2,734,575,542.96</b>	<b>2,852,209,527.10</b>

# Balance Sheet of the Parent Company

31 December 2020

(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>400,561,900.00</b>	368,337,213.70
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			100,598,870.50
Accounts payable		<b>270,721,062.20</b>	205,021,876.45
Advances from customers		<b>3,000.00</b>	
Contract liabilities		<b>67,133,864.41</b>	86,912,915.88
Payroll payables		<b>9,977,836.13</b>	2,624,151.49
Taxes payable		<b>5,324,311.37</b>	6,969,817.78
Other payables		<b>394,123,880.81</b>	319,379,718.35
Held-for-sale liabilities			
Non-current liabilities due within one year		<b>156,000,000.00</b>	345,317,666.66
Other current liabilities		<b>14,076,571.30</b>	11,218,903.96
<b>Total current liabilities</b>		<b><u>1,317,922,426.22</u></b>	<b><u>1,446,381,134.77</u></b>
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>186,250,000.00</b>	127,610,000.00
Bonds payables			
Including: preferred shares			
perpetual bond			
Long-term payables			
Long-term payroll payables			
Estimated liabilities			
Deferred income		<b>19,202,575.22</b>	24,202,575.22
Deferred income tax liabilities		<b>13,773,619.21</b>	11,899,527.33
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>219,226,194.43</u></b>	<b><u>163,712,102.55</u></b>
<b>Total liabilities</b>		<b><u>1,537,148,620.65</u></b>	<b><u>1,610,093,237.32</u></b>

# Balance Sheet of the Parent Company

31 December 2020

(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>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>29,093,428.67</b>	32,794,514.86
Special reserves			
Surplus reserves		<b>104,128,024.15</b>	104,128,024.15
Undistributed profits		<b>171,497,269.81</b>	212,485,551.09
<b>Total owners' equity</b>		<b>1,197,426,922.31</b>	1,242,116,289.78
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,734,575,542.96</b>	2,852,209,527.10

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

# Consolidated Income Statement

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

# Consolidated Income Statement

For the year ended 31 December 2020

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

# Consolidated Income Statement

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
2. Other comprehensive income which will be reclassified to profit and loss		<b>-1,573,580.77</b>	1,250,397.52
(1) Other comprehensive income accounted for using equity method which will be reclassified to profit and loss			
(2) Changes in fair value of other equity instruments investment			
(3) 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>-1,573,580.77</b>	1,250,397.52
(7) Others			
<b>Other comprehensive income attributable to minority shareholders, net of tax</b>		<b>-157,436,133.49</b>	81,470,796.06
<b>7. Total comprehensive income</b>		<b>-157,436,133.49</b>	81,470,796.06
Total comprehensive income attributable to the equity holders of the parent company		<b>-144,649,753.57</b>	106,306,937.10
Total comprehensive income attributable to minority shareholders		<b>-12,786,379.92</b>	-24,836,141.04
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)		<b>-0.18</b>	0.14
(2) Diluted earnings per share (RMB/share)		<b>-0.18</b>	0.14

# Income Statement of the Parent Company

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	Current period	Previous period
<b>I. Operating income</b>	(VI)	<b>566,081,768.75</b>	612,222,839.36
Less: Operating cost	(VI)	<b>478,126,941.96</b>	457,677,644.94
Taxes and surcharges		<b>3,971,060.49</b>	4,558,009.29
Selling and distribution expenses		<b>26,158,153.63</b>	19,861,906.28
Administrative expenses		<b>38,971,853.49</b>	37,920,852.72
Research & development expenses		<b>24,092,521.67</b>	20,710,992.73
Financial expenses		<b>51,039,342.75</b>	56,893,122.60
Including: Interest expenses		<b>45,022,601.22</b>	56,805,313.82
Interest income		<b>159,098.72</b>	1,334,992.01
Add: Other income		<b>15,452,213.47</b>	10,279,894.75
Investment income			
(losses are represented by "-")	(VII)	<b>45,633,314.55</b>	51,641,766.60
Including: Investment income from			
associates and joint ventures		<b>-32,236.93</b>	-1,871,834.34
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>12,493,945.84</b>	8,049,424.81
Credit impairment losses			
(losses are represented by "-")		<b>-62,423,690.52</b>	-6,681,745.23
Asset impairment losses			
(losses are represented by "-")		<b>-5,750,491.46</b>	-227,818.59
Income on disposal of assets			
(losses are represented by "-")		<b>-33,820.83</b>	1,326,117.88
<b>II. Operating profit</b>			
<b>(losses are represented by "-")</b>		<b>-50,906,634.19</b>	78,987,951.02
Add: Non-operating income		<b>454,922.46</b>	0.15
Less: Non-operating expenses		<b>4,998.14</b>	42,455.54
<b>III. Total profit (losses are represented by "-")</b>		<b>-50,456,709.87</b>	78,945,495.63
Less: Income tax expenses		<b>-9,468,181.66</b>	3,929,644.28
<b>IV. Net profit (losses are represented by "-")</b>		<b>-40,988,528.21</b>	75,015,851.35
(I) Net profit from the continuing operations			
(losses are represented by "-")		<b>-40,988,528.21</b>	75,015,851.35
(II) Net profit from the discontinued operations			
(losses are represented by "-")			

# Income Statement of the Parent Company

For the year ended 31 December 2020

(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>-3,701,086.19</b>	-2,057,491.05
(I) Other comprehensive income that will not be reclassified to profit or loss		<b>-3,701,086.19</b>	-2,057,491.05
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>-3,701,086.19</b>	-2,057,491.05
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>-44,689,614.40</b>	72,958,360.30

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

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

(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>2,777,495,293.62</b>	1,487,010,811.43
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>2,577,359.39</b>	2,060,569.83
Cash received relating to other operating activities	(LVIII)	<b>462,636,165.30</b>	220,039,662.72
Sub-total of cash inflows from operating activities		<b>3,242,708,818.31</b>	1,709,111,043.98
Cash paid for goods and services		<b>2,432,598,769.36</b>	1,303,994,608.09
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>53,492,401.93</b>	69,434,786.43
Payments of tax charges		<b>39,128,423.09</b>	50,541,583.81
Cash paid relating to other operating activities	(LVIII)	<b>434,445,365.58</b>	75,327,375.50
Sub-total of cash outflows from operating activities		<b>2,959,664,959.96</b>	1,499,298,353.83
<b>Net cash flows from operating activities</b>		<b>283,043,858.35</b>	209,812,690.15

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

(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>15,956,794.73</b>	183,224,651.02
Cash received from returns on investments			813,400.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>156,991.95</b>	372,330.33
Net cash received from disposal of subsidiaries and other operating entities			781,663.67
Cash received relating to other investing activities	(LVIII)	<b>45,973,408.03</b>	
Sub-total of cash inflows from investing activities		<b>62,087,194.71</b>	185,192,045.02
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>520,014.23</b>	1,382,273.54
Cash paid to acquire investments		<b>35,970,000.00</b>	61,767,841.56
Cash paid for investments			
Net cash paid to acquire subsidiaries and other operating entities			12,452,932.92
Cash paid relating to other investing activities	(LVIII)	<b>3,203,116.68</b>	
Sub-total of cash outflows from investing activities		<b>39,693,130.91</b>	75,603,048.02
<b>Net cash flows from investing activities</b>		<b>22,394,063.80</b>	109,588,997.00

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

(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		<b>30,000,000.00</b>	
Including: Cash received from investment by minority shareholders of subsidiaries		<b>30,000,000.00</b>	
Cash received from borrowings		<b>1,138,290,000.00</b>	954,265,648.58
Cash received relating to other financing activities	(LVIII)		1,500,000.00
Sub-total of cash inflows from financing activities		<b>1,168,290,000.00</b>	955,765,648.58
Cash repayments of borrowings		<b>1,170,554,669.99</b>	1,077,690,103.59
Cash payments for interest expenses and distribution of dividends or profits		<b>60,089,304.42</b>	146,701,026.08
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Cash paid relating to other financing activities	(LVIII)		411,478,400.00
Sub-total of cash outflows from financing activities		<b>1,230,643,974.41</b>	1,635,869,529.67
<b>Net cash flows from financing activities</b>		<b>-62,353,974.41</b>	-680,103,881.09
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>218,159.19</b>	78,522.05
<b>V. Net increase in cash and cash equivalents</b>		<b>243,302,106.93</b>	-360,623,671.89
Add: Cash and cash equivalents at beginning of period		<b>135,920,529.76</b>	496,544,201.65
<b>VI. Cash and cash equivalent at end of period</b>		<b>379,222,636.69</b>	135,920,529.76

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

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	Current period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		<b>693,022,377.70</b>	620,273,484.20
Refund of taxes and surcharges		<b>2,390,463.47</b>	2,060,569.83
Cash received relating to other operating activities		<b>1,068,156,743.16</b>	45,425,404.22
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		<b>1,763,569,584.33</b>	667,759,458.25
		<hr/>	<hr/>
Cash paid for goods and services		<b>543,995,314.61</b>	126,879,122.58
Cash paid to and on behalf of employees		<b>31,973,404.71</b>	40,193,306.39
Payments of taxes and surcharges		<b>12,110,150.58</b>	22,093,201.23
Cash paid relating to other operating activities		<b>1,063,047,105.07</b>	32,598,967.39
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		<b>1,651,125,974.97</b>	221,764,597.59
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		<b>112,443,609.36</b>	445,994,860.66
		<hr/> <hr/>	<hr/> <hr/>
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		<b>11,150,700.00</b>	142,981,853.83
Cash received from returns on investments		<b>50,000,000.00</b>	50,813,400.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>43,430.00</b>	342,254.80
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		<b>61,194,130.00</b>	194,137,508.63
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>285,914.38</b>	3,289,367.64
Cash paid to acquire investments		<b>52,493,500.00</b>	588,244,341.56
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		<b>52,779,414.38</b>	591,533,709.20
		<hr/>	<hr/>
<b>Net cash flows from investing activities</b>		<b>8,414,715.62</b>	-397,396,200.57
		<hr/> <hr/>	<hr/> <hr/>

# Cash Flow Statement of the Parent Company

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	Current period	Previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Cash received from borrowings		<b>650,290,000.00</b>	562,925,000.00
Cash received relating to other investing activities			241,205,142.46
		<hr/>	<hr/>
Sub-total of cash inflows from financing activities		<b>650,290,000.00</b>	804,130,142.46
		<hr/>	<hr/>
Cash repayments of borrowings		<b>705,290,000.00</b>	899,869,833.34
Cash payments for interest expenses and distribution of dividends or profits		<b>41,152,181.58</b>	136,759,854.05
Cash paid relating to other financing activities			281,195.89
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		<b>746,442,181.58</b>	1,036,910,883.28
		<hr/>	<hr/>
<b>Net cash flows from financing activities</b>		<b><u>-96,152,181.58</u></b>	<b><u>-232,780,740.82</u></b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b><u>-1,787.42</u></b>	
<b>V. Net increase in cash and cash equivalents</b>		<b>24,704,355.98</b>	-184,182,080.73
Add: Cash and cash equivalents at beginning of period		<b>19,836,266.00</b>	204,018,346.73
		<hr/>	<hr/>
<b>VI. Cash and cash equivalent at end of period</b>		<b><u>44,540,621.98</u></b>	<b><u>19,836,266.00</u></b>

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



# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period													
	Equity attributable to the owners of parent company													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal	Minority interest	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 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	792,063,500.00				103,269,821.12		23,419,490.31		104,123,024.15		871,694,716.41	-94,889.60	82,530,099.73	1,977,106,651.72

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



# Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										Total owners' equity					
	Equity attributable to the owners of parent company															
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Unappropriated 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 made 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																
					6,476,071.62		-1,677.32				1,677.32	6,476,071.62				6,476,071.62
<b>IV. Closing balance of current period</b>	<b>792,056,300.00</b>				<b>103,269,821.12</b>		<b>28,782,888.30</b>		<b>1,041,281,024.16</b>		<b>1,011,075,961.59</b>	<b>2,089,315,195.16</b>		<b>76,274,910.97</b>		<b>2,115,590,006.13</b>

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 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period							Total owners' equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits
<b>I. Closing balance of prior year</b>	792,058,500.00				100,649,699.68		32,794,514.86		104,128,024.15	212,485,551.09	1,242,116,289.78
Add: Change of accounting policy											
Correction of accounting errors for prior period											
Other											
<b>II. Opening balance of current year</b>	792,058,500.00				100,649,699.68		32,794,514.86		104,128,024.15	212,485,551.09	1,242,116,289.78
<b>III. Changes during the period (losses are represented by "-")</b>											
(I) Total comprehensive income							-3,701,086.19			-40,988,281.28	-44,689,367.47
(II) Owners' contribution by shareholders							-3,701,086.19			-40,988,528.21	-44,689,614.40
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Other											
(III) Profit appropriation											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											

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

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period							Total owners' equity				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits	
(IV) Internal transfer of owners' equity												
1. Capital reserves transferred to share capital												
2. Surplus reserves transferred to share capital												
3. Surplus reserves make up for losses												
4. Changes of defined benefits plan transferring to retained earnings												
5. Other comprehensive transferring to retained earnings												
6. Other												
(V) Special reserve												
1. Appropriation in the current period												
2. Utilized in the current period												
(VI) Others												
<b>IV. Closing balance of current period</b>	<b>792,058,500.00</b>				<b>100,649,899.68</b>		<b>29,093,428.67</b>		<b>104,128,024.15</b>	<b>171,497,269.81</b>	<b>246.93</b>	<b>1,197,426,922.31</b>

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 2020

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period							Total owners' equity				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits	
(IV) Internal transfer of owners' equity												
1. Capital reserves transferred to share capital												
2. Surplus reserves transferred to share capital												
3. Surplus reserves make up for losses												
4. Changes of defined benefits plan transferring to retained earnings												
5. Other comprehensive income transferring to retained earnings												
6. Other												
(V) Special reserve												
1. Appropriation in the current period												
2. Utilized in the current period												
(VI) Others												
<b>IV. Closing balance of current period</b>	<b>792,058,500.00</b>				<b>100,649,689.68</b>		<b>32,794,514.86</b>		<b>104,128,024.15</b>	<b>212,485,551.09</b>		<b>1,242,116,289.78</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 2020, the Company had issued an aggregate of 792,058,500 shares, with a registered capital of RMB792,058,500. The address of the registered office of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City. The address of the headquarters of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City.

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

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

These financial statements were approved by the Board of the Company on 31 March 2021.

### (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 period under review were set out in “Note VI. Changes in the Scope of Consolidation”.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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”), in conjunction with the relevant provisions of the “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting” issued by the China Securities Regulatory Commission.

### (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” Revenue”.

### (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 2020 and the consolidated and parent company’s operation results and cash flow for 2020 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 2020

(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\$”). These 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 agency 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, and 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. 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, the cash flows 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 cash flow statement, 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 joint control due to additional investment, the equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance of retained earnings or current profit or loss in the comparative period under review.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. 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 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 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 the period in 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, changes in other owner's equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. 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 period when the control is lost.

If all transactions control 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. 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.

Balance sheet date foreign currency monetary items 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 2020

(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 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 profit or loss, and other financial assets that are measured at fair value through profit or loss. For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as a financial asset (equity instrument) that is measured at fair value and whose changes are included in other comprehensive income. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 measured at amortized cost:

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

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 solely payments of principal 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)*

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 a measurement or recognition inconsistency.
- 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.

#### 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 purchase price obtained and the book value of such financial assets is included in the current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)*

- (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.

- (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.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)*

- (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.

- (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 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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 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).

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 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 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.

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 6. Test and accounting methods for impairment of financial instruments *(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 trade receivables and contractual asset 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 measures 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (X) Inventories

#### 1. Classification and costs of inventories

Inventories are classified into raw materials, goods in stock, 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 determining 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 4. Inventory system

The Company adopts a perpetual inventory system.

#### 5. Amortisation of low-value consumables and packaging materials

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

### (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 the accounting treatment of accounts receivable in relation to Note “III. (IX) 6. Testing of Impairment of Financial Assets and Accounting Treatment Methods”.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 needs to be approved by the relevant authorities or supervision department of the Company, 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 shareholders' 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 joint 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 2020

(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

- (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, adjustment shall be made to the net profit and other comprehensive income of the investee.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)*

##### (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, which are attributable to impairment of assets, shall be fully recognised.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company shall write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses shall be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realise net profit in the future, the Company shall recognise the income sharing amount when the unrecognised loss sharing amount is offset with the income sharing amount.

##### (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 long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognized originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes in Owners' Equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognized upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes in Owners' Equity shall be transferred to the current profit or loss in full.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 on account of the 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 carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes in Owners' Equity recognized on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion. 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 cost. The carrying amount is adjusted on the basis of the fair value of investment properties as at the balance sheet date. The difference between the fair value and the original value is included in profit and loss in the current period.

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (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 of it is determined by carrying value after deducting the provision for the impairment based on 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 (%)
Buildings and structures	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 net of its carrying amount and related taxes and expenses is recognized in current profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (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.

### (XVII) Borrowing expenses

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

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

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

#### 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, nonmonetary asset transferred or interest-bearing obligations assumed for the construction or production of an asset that meets capitalization conditions;
- (2) the borrowing expenses have occurred;
- (3) the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

#### 4. Calculation rate and calculation of capitalized amount of borrowing expenses

As to specific borrowings for the acquisition, construction or production of qualifying assets, 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 qualifying assets, 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 capitalisation rate of the said general borrowings. The capitalisation rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

During the capitalisation 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 2020

(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 limited life

Item	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 period under review, the Company did not have intangible assets with uncertain 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 phase and expenses in the development phase.

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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 reduce the book value of the goodwill allotted to such group or portfolio, and then reduce book values of other assets than the goodwill in such group or portfolio based on proportions of these book values.

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

### (XX) Long-term Prepaid Expenses

Long-term prepaid expenses refer to expenses that already been spent and the benefit period is one year or more.

The amortization period and amortization method of various expenses are:

Type	Amortization method	Amortization period (years)
e-card fee	Straight-line method	5
Insurance fee	Straight-line method	2
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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 settle 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 settle the related present obligation.

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

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 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXIV) Income

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

The Company recognizes revenue 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 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 revenue 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 revenue accumulatively recognized which is not likely to be significantly reversed when the relevant 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

For revenue 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 revenue only to the extent of the cost until a reliable measure of performance progress can be made.

For revenue 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 2. Specific methods for revenue recognition

- (1) Revenue 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 revenue is recognized within the contract period in accordance with the performance progress. The Company adopts the input method, which is to determine the appropriate performance schedule according to the proportion of the actual cost incurred to the total contract cost.

- (2) Sales revenue 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 revenue is recognized after passing the acceptance of the customer.

- (3) Revenue 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 revenue agreed in the contract during the service period.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 revenue 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 revenue 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 2020

(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 revenue.

Government grants 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 grants related to income refer to the government grants 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 grants 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### 3. Accounting treatment

Asset-related government grants 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 grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income).

Government grants 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 grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the grants used to compensate relevant costs or losses that have incurred by the Company are recorded directly in current profit or loss (government grants related to the Company's daily activities shall be included in other income; government grants 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 tax and deferred 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 2020

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

### **(XXVII) Deferred Tax Assets and Deferred 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 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 tax assets are recognised.

On the balance sheet date, deferred tax assets and deferred 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 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 tax assets and deferred 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 2020

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## 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 start date, the Company evaluates whether the contract is a lease or includes a lease. If a party in a contract cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

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 parts, the lessee and the lessor shall separate the lease and non-lease parts.

#### 1. The Company as lessee

##### (1) Right-of-use assets

At the beginning of the lease term, the Company recognizes the right-of-use assets for leases other than short-term leases and low value asset leases. The right-of-use assets are initially measured at cost. This cost includes:

- The initial measurement amount of the lease liability;
- Amount of lease payment paid on or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- Initial direct expenses incurred by the Company;
- The estimated cost incurred by the Company to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the status which agreed in the lease terms, except the cost incurred for the production of inventory.

The Company makes provision for the depreciation for right-of-use assets with refer to the relevant depreciation policy of the note "III. (XV) Fixed assets". If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of lease term or the end of the useful life of the right-of-use assets.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the note "III. (XIX) Impairment of long-term assets" and conducts accounting treatment for the impairment losses identified.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVIII) Lease *(Continued)*

#### 1. The Company as lessee *(Continued)*

##### (2) Lease liabilities

At the beginning of the lease term, the Company recognizes lease liabilities for leases other than short-term leases and low value asset leases. Lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- 1) Fixed payment amount (including actual fixed payment amount) less relevant lease incentives (if there are lease incentives);
- 2) Variable lease payments that are based on index or ratio;
- 3) The estimated payable amount according to the guarantee residual value provided by the Company.
- 4) The exercise price of the purchase option, provided that the Company reasonably determines that it will exercise the option;
- 5) The payment to be paid for the exercise of the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease;

The Company adopts the implicit interest rate in lease as the discount rate, but if the interest rate implicit in lease cannot be reasonably determined, the incremental borrowing interest rate of the Company shall be used as the discount rate.

The Company calculates the interest expense of the lease liabilities in each period of the lease term according to the fixed periodic interest rate and includes it in the current profit or loss or relevant asset costs.

The variable lease payments excluded from the measurement of lease liabilities shall be included in the current profit or loss or relevant asset costs when they are actually incurred.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVIII) Lease *(Continued)*

#### 1. The Company as lessee *(Continued)*

##### (2) Lease liabilities *(Continued)*

After the inception date of lease term, if the following circumstances occur, the Company remeasures the lease liabilities and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced. The Company accounts for the difference in the current profit or loss:

- When the assessment results of the purchase, extension or termination option or the actual exercise condition changes, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the revised discount rate;
- When in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, in which case the present value is calculated by using a revised discount rate.

##### (3) 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.

##### (4) Change of lease

If the lease changes and meets the following conditions at the same time, the Company will treat the change of lease as a separate lease for accounting treatment:

- The change of lease change extends the lease scope by adding one or more right-of-use assets.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVIII) Lease *(Continued)*

#### 1. The Company as lessee *(Continued)*

##### (4) Change of lease *(Continued)*

- The increased consideration is equivalent to the adjusted amount of individual prices which adjusted according to the conditions of the contract for the expansion of the lease scope.

If the change of lease is not deemed as a separate lease, the Company shall redistribute the consideration of the changed contract and redetermine the lease term on the effective date of the change of lease, and remeasure the lease liabilities according to the present value of the adjusted lease payment and the revised discount rate.

If the change of lease results in a narrower lease or a shorter lease term, the Company reduces the carrying value of the right-of-use assets accordingly, and recognises relevant gains or losses for the partial and complete termination of leases into the current profit or loss. For other change of lease that causes the lease liabilities to be remeasured, the Company adjusts the carrying value of the right-of-use assets accordingly.

#### 2. The Company as lessor

On the lease commencement date, the Company divides the lease into financial lease and operating lease. Financial lease refers to a lease that transfers substantially all the risks and returns related to the ownership of the leased asset, regardless of whether the ownership is ultimately transferred or not. Operating lease refers to a lease other than a financial lease. When the Company is the sublessee, 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 2020

(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 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) Description of changes in the presentation items of financial statements

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

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

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

#### ① The identification of related parties

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXX) Description of changes in the presentation items of financial statements *(Continued)*

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

1. Implementation of “Interpretation of Accounting Standards for Business Enterprises No. 13” *(Continued)*

##### ② Definition of business

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXX) Description of changes in the presentation items of financial statements *(Continued)*

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

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

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

During the period under review, the Company did not experience any rent concession.

## 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, 6, 13
City maintenance and construction tax	Based on value-added tax and consumption taxes paid	7
Enterprise income tax	Based on taxable profits	15, 16.50, 25

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## IV. TAXATION (Continued)

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

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
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	15
Nanjing City Intelligent Transportation Co., Ltd.	15
Nanjing Sample Chain Information Technology Co., Ltd.	15
Sample Technology (H.K.) Co., Limited	16.50 (Note)
Federal International Enterprise Limited	16.50 (Note)
Other subsidiaries	25

Note: 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%.

### (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 sales of the self-developed and produced software products general taxpayers, the VAT refund policies will be applied for the excess of the actual VAT burden over 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## IV. TAXATION *(Continued)*

### (II) Preferential tax *(Continued)*

#### 2. Enterprise income tax

Approved by Jiangsu Department of Science and Technology, Jiangsu Department of Finance, State Tax Bureau of Jiangsu Province and Local Tax Bureau of Jiangsu Province, 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, State Tax Bureau of Jiangsu Province and Local Tax Bureau of Jiangsu Province, Jiangsu Intellitrans Company Ltd., the subsidiary, 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.

On 30 November 2018, Jiangsu Ruifu Intelligent Tech. Co., the subsidiary, obtained a Certification of High-New Technology Enterprise (code: GR201832005107) issued by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and State Tax Bureau of Jiangsu Province with a valid period of 3 years. From 30 November 2018 to 30 November 2021, the company enjoys a preferential 15% of High-New Technology Enterprise income tax rate under key support of the state.

On 28 November 2018, Nanjing City Intelligent Transportation Co., Ltd., the subsidiary, obtained a Certification of High-New Technology Enterprise (code: GR201832001719) issued by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and State Tax Bureau of Jiangsu Province with a valid period of 3 years. From 28 November 2018 to 28 November 2021, the company enjoys a preferential 15% of High-New Technology Enterprise income tax rate under key support of the state.

On 30 November 2018, Nanjing Sample Chain Information Technology Co., Ltd., the subsidiary, obtained a Certification of High-New Technology Enterprise (code: GR201832006230) issued by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and State Tax Bureau of Jiangsu Province with a valid period of 3 years. From 30 November 2018 to 30 November 2021, 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 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	<b>25,107.27</b>	296,584.00
Bank deposits	<b>380,175,698.00</b>	135,580,205.01
Other monetary fund	<b>16,326,581.86</b>	27,567,364.78
Total	<b>396,527,387.13</b>	163,444,153.79
Including: Total amount of funds abroad	<b>12,790,605.60</b>	4,169,070.54

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 bank acceptance bills		3,077,507.05
Deposits of guarantee letter	<b>10,782,841.11</b>	21,935,078.37
Borrowing certificate deposit	<b>5,500,000.00</b>	1,500,000.00
Bid deposit	<b>1,021,909.33</b>	1,011,038.61
Total	<b>17,304,750.44</b>	27,523,624.03

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 2020

(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	<b>7,142,128.26</b>	
Commercial acceptance bills	<b>1,495,542.90</b>	576,000.00
Total	<b>8,637,671.16</b>	576,000.00

#### 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	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Notes receivable subjected to provision for expected credit losses on individual basis										
Notes receivable subjected to provision for expected credit losses on portfolio basis	9,007,711.50	100.00	370,040.34	4.00	8,637,671.16	600,000.00	100.00	24,000.00	4.00	576,000.00
Including:										
Bank acceptance bills	7,449,854.31	82.71	307,726.05	4.00	7,142,128.26					
Commercial acceptance bills	1,557,857.19	17.29	62,314.29	4.00	1,495,542.90	600,000.00	100.00	24,000.00	4.00	576,000.00
Total	9,007,711.50	100.00	370,040.34		8,637,671.16	600,000.00	100.00	24,000.00		576,000.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(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	Written off		
Notes receivable subjected to provision for expected credit losses on portfolio basis	24,000.00	346,040.34				<b>370,040.34</b>
Including:						
Bank acceptance bills		307,726.05				<b>307,726.05</b>
Commercial acceptance bills	24,000.00	38,314.29				<b>62,314.29</b>
Total	<u>24,000.00</u>	<u>346,040.34</u>				<b><u>370,040.34</u></b>

### (III) Accounts receivable

#### 1. Accounts receivable disclosed based on aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	<b>538,432,355.50</b>	702,842,316.76
1 to 2 years	<b>336,816,974.25</b>	436,111,052.22
2 to 3 years	<b>361,725,374.63</b>	78,146,805.86
Over 3 years	<b>156,846,061.38</b>	79,431,065.00
Sub-total	<b>1,393,820,765.76</b>	1,296,531,239.84
Less: Provision for bad debts	<b>291,768,766.49</b>	182,456,209.90
Total	<b><u>1,102,051,999.27</u></b>	<u>1,114,075,029.94</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable (Continued)

#### 2. Disclosure based on classification of provision method for bad debts

Classification	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 expected credit losses on individual basis	572,536,440.57	41.08	66,878,250.33	11.68	505,658,190.24	47,930,000.00	3.70	20,090,300.00	41.92	27,839,700.00
Accounts receivable subjected to provision for expected credit losses on portfolio basis	821,284,325.19	58.92	224,890,516.16	27.38	596,393,809.03	1,248,601,239.84	96.30	162,365,909.90	13.00	1,086,235,329.94
Including:										
Engineering and sales receivable from non-related party	791,168,901.02	56.76	223,384,744.95	28.23	567,784,156.07	1,216,338,611.01	93.81	160,752,778.46	13.22	1,055,585,832.55
Engineering and sales receivable from related party outside the scope of consolidation	30,115,424.17	2.16	1,505,771.21	5.00	28,609,652.96	32,262,628.83	2.49	1,613,131.44	5.00	30,649,497.39
Total	1,393,820,765.76	100.00	291,768,766.49		1,102,051,999.27	1,296,531,239.84	100.00	182,456,209.90		1,114,075,029.94

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable (Continued)

#### 3. Accounts receivable subjected to provision for expected credit losses on individual basis

Name of units	Closing balance			Reasons for provision
	Carrying balance	Provision for bad debts	Provision proportion (%)	
Jiangsu Deya Intelligent Technology Co., Ltd. (江蘇德亞智能科技股份有限公司)	26,657,617.80	26,657,617.80	100.00	Expected unrecovery
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	166,643,400.00	13,331,472.00	8.00	Expected credit loss
Guangxi Longguang Guanghe Expressway Co., Ltd. (廣西龍光廣賀高速公路有限公司)	6,920,805.80	1,720,000.00	24.85	Expected credit loss
Sichuan Guanggan Expressway Co., Ltd. (四川廣甘高速公路有限責任公司)	7,918,670.12	2,260,000.00	28.54	Expected credit loss
Sichuan Li Pan Expressway Co., Ltd. (四川麗攀高速公路有限公司)	10,364,760.54	1,030,000.00	9.94	Expected credit loss
Zhangzhou Xiacheng Expressway Co., Ltd. (漳州廈成高速公路有限責任公司)	21,608,529.91	8,318,000.00	38.49	Expected credit loss
Chengdu Longguang Erhuan Expressway Co., Ltd. (成都龍光二環高速公路有限公司)	6,643,642.95	530,000.00	7.98	Expected credit loss
China Coal Construction Group Co., Ltd. (中煤建工集團有限公司)	325,779,013.45	13,031,160.53	4.00	Expected credit loss
<b>Total</b>	<b>572,536,440.57</b>	<b>66,878,250.33</b>		

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 include)	216,796,555.23	8,557,350.99	4.00
1 to 2 years	305,802,512.49	24,464,201.00	8.00
2 to 3 years	111,723,771.92	33,517,131.58	30.00
Over 3 years	156,846,061.38	156,846,061.38	100.00
Total	<u>791,168,901.02</u>	<u>223,384,744.95</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>30,115,424.17</u>	<u>1,505,771.21</u>	5.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	Opening balance	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Accounts receivable subjected to provision for expected credit losses on individual basis	20,090,300.00	94,717,950.33		47,930,000.00	66,878,250.33
Accounts receivable subjected to provision for expected credit losses on portfolio basis	162,365,909.90	62,524,606.26			224,890,516.16
Including:					
Engineering and sales receivable from unrelated party	160,752,778.46	62,631,966.49			223,384,744.95
Engineering and sales receivable from related party outside the scope of consolidation	1,613,131.44	-107,360.23			1,505,771.21
Total	182,456,209.90	157,242,556.59		47,930,000.00	291,768,766.49

#### 6. Accounts receivable actually written off in the period

Name of unit	Write-off amount	Reason for write-off	Whether the amount is due to related party transactions
Changzhou Haide Real Estate Co., Ltd. (常州海德置業有限公司)	34,370,000.00	Unable to recover	No
Jiaxing Dongxing Real Estate Co., Ltd. (嘉興東興置業有限公司)	13,560,000.00	Unable to recover	No
Total	47,930,000.00		

Note: The aforementioned write-off of accounts receivable has been considered and approved at the tenth meeting of the seventh session of the Board of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable (Continued)

#### 7. Particulars of the top five of accounts receivable at the end of the period

Name of unit	Closing balance	Percentage of the closing balance of accounts receivable (%)	Provision for bad debts
China Coal Construction Group Co., Ltd. (中煤建工集團有限公司)	365,813,613.45	26.25	15,353,928.54
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	174,526,996.14	12.52	15,696,550.84
Zhongji Guoneng Power Engineering Co., Ltd. (中機國能電力工程有限公司)	131,599,180.00	9.44	10,612,234.00
Shanghai Shuoqi Trading Co., Ltd. (上海朔奇商貿有限公司)	59,403,900.00	4.26	2,376,156.00
Shenyang Jiatian Technology Co., Ltd. (瀋陽迦天科技有限公司)	45,100,000.00	3.24	4,081,000.00
Total	776,443,689.59	55.71	48,119,869.38

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	<u>1,988,651.45</u>	<u>1,220,000.00</u>

#### 2. Changes in receivables financing and fair value changes in the current period

Items	Opening balance	Addition during the period	Derecognized during the period	Other changes	Closing balance	Accumulated loss provision recognized in other comprehensive income
Bank acceptance bills	<u>1,220,000.00</u>	<u>15,847,236.02</u>	<u>15,078,584.57</u>	<u></u>	<u>1,988,651.45</u>	<u></u>

#### 3. Provision for impairment of receivables financing

As at 31 December 2020, the bank acceptance bills held by the Company were commercial banks with higher credit rating and there was no significant credit risk.

#### 4. The Company has no pledged notes at the end of the period

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (V) Prepayments

#### 1. Prepayments by aging

Aging	Closing balance		Closing balance at preceding year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (1 year inclusive)	<b>216,820,033.75</b>	<b>57.73</b>	137,285,641.56	66.37
1 to 2 years	<b>93,027,828.55</b>	<b>24.77</b>	64,413,680.34	31.14
2 to 3 years	<b>61,649,644.36</b>	<b>16.42</b>	1,908,421.12	0.92
Over 3 years	<b>4,059,156.66</b>	<b>1.08</b>	3,253,742.06	1.57
Total	<b>375,556,663.32</b>	<b>100.00</b>	206,861,485.08	100.00

#### 2. Particulars of the top five of prepayments at the end of the period

Name of unit	Closing balance	Percentage of total prepayments (%)
Jiangsu Engao Industrial Technology Research Institute Co., Ltd. (江蘇恩高工業技術研究院有限公司)	<b>61,930,000.00</b>	16.49
Zhenjiang Xinhudian Group Co., Ltd. (鎮江新華電集團有限責任公司)	<b>46,939,258.72</b>	12.50
Nantong Jiangshan Communication Technology Co., Ltd. (南通江山通信科技有限公司)	<b>30,276,262.63</b>	8.06
Tunliu County Hengshi Trading Co., Ltd. (屯留縣恆實貿易有限公司)	<b>24,900,000.00</b>	6.63
Qingdao Haohan Industrial Co., Ltd. (青島浩翰實業有限公司)	<b>24,007,518.65</b>	6.39
Total	<b>188,053,040.00</b>	50.07

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables

Item	Closing balance	Closing balance at preceding year
Interest receivable		4,519,333.06
Dividend receivable		
Other receivables	<b>95,973,149.21</b>	134,843,461.60
Total	<b>95,973,149.21</b>	139,362,794.66

#### 1. Interest receivable

(1) Category of interest receivable

Item	Closing balance	Closing balance at preceding year
Interest receivable on debt investment due within one year		5,021,481.18
Less: Provision for bad debts		502,148.12
Total		4,519,333.06

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables (Continued)

#### 1. Interest receivable (Continued)

(2) Particulars of provision for bad debts of interest receivable

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Closing balance at preceding year		502,148.12		502,148.12
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				
Reversal in the current period		502,148.12		502,148.12
Charge-off in the current period				
Write-off in the current period				
Other changes				
Closing balance				

#### 2. Other receivables

(1) Disclosure based on aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	65,039,065.45	133,410,167.30
1 to 2 years	43,858,205.00	5,587,301.17
2 to 3 years	3,660,979.42	6,150,463.24
Over 3 years	17,066,955.76	13,915,840.61
Sub-total	129,625,205.63	159,063,772.32
Less: Provision for bad debts	33,652,056.42	24,220,310.72
Total	95,973,149.21	134,843,461.60

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables (Continued)

#### 2. Other receivables (Continued)

(2) Disclosed in three stages of impairment of financial assets

Items	Closing balance			Closing balance at preceding year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Stage I	113,625,205.63	25,652,056.42	87,973,149.21	159,063,772.32	24,220,310.72	134,843,461.60
Stage II						
Stage III	16,000,000.00	8,000,000.00	8,000,000.00			
Total	<u>129,625,205.63</u>	<u>33,652,056.42</u>	<u>95,973,149.21</u>	<u>159,063,772.32</u>	<u>24,220,310.72</u>	<u>134,843,461.60</u>

(3) Particulars of provision for bad debts of other receivables

	Stage I	Stage II	Stage III	Total
	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Provision for bad debts	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Closing balance at preceding year	24,220,310.72			24,220,310.72
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	3,128,263.40	8,000,000.00		11,128,263.40
Reversal in the current period				
Charge-off in the current period	1,671,030.70			1,671,030.70
Write-off in the current period				
Other changes (disposal of subsidiaries)	25,487.00			25,487.00
Closing balance	<u>25,652,056.42</u>	<u>8,000,000.00</u>	<u>33,652,056.42</u>	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables (Continued)

#### 2. Other receivables (Continued)

##### (3) Particulars of provision for bad debts of other receivables (Continued)

Movements in the carrying amounts of other receivables are as follows:

Carrying amount	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	
Balance at preceding year	159,063,772.32			159,063,772.32
Balance at preceding year during the period that:				
–transferred to stage II				
–transferred to stage III	-16,000,000.00			-16,000,000.00
–reversed to stage II				
–reversed to stage I				
Addition during the period	-21,972,714.99		16,000,000.00	-5,972,714.99
Derecognition during the period	1,671,030.70			1,671,030.70
Other movements	5,794,821.00			5,794,821.00
Closing balance	<u>113,625,205.63</u>	<u></u>	<u>16,000,000.00</u>	<u>129,625,205.63</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables (Continued)

#### 2. Other receivables (Continued)

- (4) Other receivables actually written off in the period

Item	Write-off amount
Other receivables actually written off	1,671,030.70

Of which, significant other receivables written off:

Name of unit	Nature of payment	Write-off amount	Reason for write off	Whether arising from connected transactions
Jiangsu Real Estate Development Co., Ltd. (江蘇省房地產發展實業有限公司)	Current accounts	1,290,367.30	Unlikely to be recovered	No

- (5) Classification by nature

Nature	Closing balance	Closing balance at preceding year
Retention monies	<b>65,242,610.33</b>	107,837,443.09
Equity transfer	<b>4,028,194.50</b>	8,650,000.00
Petty cash	<b>2,233,309.43</b>	6,352,591.25
Current accounts	<b>55,471,628.60</b>	
Consideration for creditor's right transfer		17,290,367.30
Disposal of fixed assets		12,825,106.94
Others	<b>2,649,462.77</b>	6,108,263.74
Total	<b>129,625,205.63</b>	159,063,772.32

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Other receivables (Continued)

#### 2. Other receivables (Continued)

(6) Particulars of the top five of other receivables at the end of the period

Name of units	Nature	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of provision for bad debts
Jiangsu Sairui Hongan Health Industry Development Co., Ltd. (江蘇賽瑞弘安健康產業發展有限公司)	Retention monies	30,000,000.00	1 to 2 years	23.14	3,000,000.00
Jiangsu Ruike Supply Chain Management Co., Ltd. (江蘇睿科供應鏈管理有限公司)	Current accounts	20,000,000.00	Within 1 year	15.43	1,000,000.00
Nanjing Wendawei Network Technology Co., Ltd. (南京文達威網絡科技有限公司)	Current accounts	16,000,000.00	Within 1 year	12.34	800,000.00
Jiangsu Beidou Water Network Technology Co., Ltd. (江蘇北斗水聯網科技有限公司)	Current accounts	5,400,000.00	Within 1 year	4.17	270,000.00
Xuzhou Guanghong Transportation Construction Development Co., Ltd. (徐州市廣弘交通建設發展有限公司)	Current accounts and equity transfer	5,369,913.50	1 to 2 years	4.14	536,991.35
Total		<u>76,769,913.50</u>		<u>59.22</u>	<u>5,606,991.35</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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		
	Book balance	Provision for decline in value/ provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for decline in value/ provision for impairment of contract performance costs	Carrying amount
Raw materials	4,795,818.70	1,148,773.75	3,647,044.95	5,148,845.49	1,148,773.75	4,000,071.74
Commodity stocks	16,256,504.53	596,617.89	15,659,886.64	79,330,077.20	596,617.89	78,733,459.31
Contract performance costs	154,844,291.43	673,406.37	154,170,885.06	67,894,071.16		67,894,071.16
Total	175,896,614.66	2,418,798.01	173,477,816.65	152,372,993.85	1,745,391.64	150,627,602.21

#### 2. Provision for inventory depreciation and provision for impairment of contract performance costs

Item	Closing balance at preceding year	Balance at beginning of the year	Provision for the period	Reserved or recovered during the period	Closing balance
Raw materials	1,148,773.75	1,148,773.75			1,148,773.75
Commodity stocks	596,617.89	596,617.89			596,617.89
Contract performance costs			673,406.37		673,406.37
Total	1,745,391.64	1,745,391.64	673,406.37		2,418,798.01

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VIII) Contract assets

#### 1. Particulars of Contract assets

Items	Closing balance			Opening balance		
	Book balance	Provision for depreciation	Carrying amount	Book balance	Provision for depreciation	Carrying amount
Contract assets	<b>579,597,887.95</b>	<b>55,108,815.61</b>	<b>524,489,072.34</b>	1,211,884,152.11	62,694,544.22	1,149,189,607.89

#### 2. Particulars of impairment provision for contract assets during the period

Type	Book balance	Closing balance				Closing balance at preceding year							
		Proportion		Provision proportion		Book balance	Provision for impairment						
		Amount	(%)	Amount	(%)		Carrying amount	Amount	(%)	Amount	(%)	Carrying amount	
Provision for impairment by single item	53,056,406.35	9.15	34,047,156.35	64.17	19,009,250.00								
Provision for impairment by portfolio	526,541,481.60	90.85	21,061,659.26	4.00	505,479,822.34	1,211,884,152.10	100.00	62,694,544.21	4.00	1,149,189,607.89			
Including: Engineering and sales receivable from non-related party	526,541,481.60	90.85	21,061,659.26	4.00	505,479,822.34	1,211,884,152.10	100.00	62,694,544.21	4.00	1,149,189,607.89			
Total	<b>579,597,887.95</b>	<b>100.00</b>	<b>55,108,815.61</b>		<b>524,489,072.34</b>	1,211,884,152.10	100.00	62,694,544.21		1,149,189,607.89			

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VIII) Contract assets (Continued)

#### 2. Particulars of impairment provision for contract assets during the period (Continued)

(1) Provision for impairment accrued on individual basis:

Project name	Book balance	Closing balance		Reasons for provisions
		Provision for bad debts	Proportion of provision (%)	
Xuzhou Smart City Experience Centre Project	40,889,565.83	21,880,315.83	53.51	Expected credit loss
Construction project for environmental protection electronic card issuing point	518,982.13	518,982.13	100.00	Long ageing and not expected to be recovered
Monitoring system project for the entire coastal expressway	1,043,697.28	1,043,697.28	100.00	Long ageing and not expected to be recovered
Guangzhou Public Security Bureau GZ-ITMS2 second batch of new electronic police project	260,553.24	260,553.24	100.00	Long ageing and not expected to be recovered
Provincial high-definition security checkpoint maintenance project of Pukou Public Security Branch Bureau	9,794.87	9,794.87	100.00	Long ageing and not expected to be recovered
High-definition bayonet system project for Xiamen Expressway and station entrance and exit	734,640.80	734,640.80	100.00	Long ageing and not expected to be recovered
Jiangsu Yanjiang Expressway toll system maintenance and technical consultation support project	26,138.04	26,138.04	100.00	Long ageing and not expected to be recovered
Traffic signal monitoring system project for eight roads in Binhu New Area	9,573,034.16	9,573,034.16	100.00	Long ageing and not expected to be recovered
<b>Total</b>	<b>53,056,406.35</b>	<b>34,047,156.35</b>		

(2) Provision for impairment accrued on portfolio basis:

Ageing	Book balance	Closing balance	
		Provision for bad debts	Proportion of provision (%)
Non-related parties project, sale proceeds	526,541,481.60	21,061,659.26	4.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (IX) Held-for-sale assets

Type	Closing balance	Closing balance at preceding year
Assets classified as held-for-sale	<b>428,077,500.00</b>	

#### Assets classified as held-for-sale

Type	Carrying balance	Closing balance Provision for impairment of assets held-for-sale	Carrying amount
Jianan Xuyi Equity Fund No.1 (Note)	<b>428,077,500.00</b>		<b>428,077,500.00</b>

Note: Please refer to Note XIII. (I) for details.

### (X) Other current assets

Items	Closing balance	Closing balance at preceding year
Deductible and pending for verification input VAT	<b>61,709,350.03</b>	13,588,657.00
Prepaid enterprise income tax	<b>2,396,471.11</b>	21,829,000.16
Equity investment	<b>4,847,616.00</b>	14,834,721.85
Total	<b>68,953,437.14</b>	50,252,379.01

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XI) 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		
Associates										
Nanjing Sample Hongzheng Vision Technology Co., Ltd. (南京三賢弘正視覺科技有限公司)	13,883,799.45		13,883,799.45							
Nanjing Sample Intelligent Technology Co., Ltd. (南京三賢智能科技有限公司)	150,589.04			-32,236.93						118,352.11
<b>Total</b>	<b>14,034,388.49</b>		<b>13,883,799.45</b>	<b>-32,236.93</b>						<b>118,352.11</b>

### (XII) Other equity instrument investment

#### 1. Other equity instrument investment

Items	Closing balance	Closing balance at preceding year
Jiangsu Private Investment Holdings Co., Ltd. (江蘇民營投資控股有限公司)	213,480,000.00	217,766,900.00
Jiangsu Sailian Information Industry Research Institute Co., Ltd. (江蘇賽聯信息產業研究院股份有限公司)	1,173,402.05	1,206,100.00
Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd. (徐州市杏山子公交首末站項目管理有限公司)		5,961,100.00
Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站項目管理有限公司)		4,319,300.00
Qingdao Smart Data Technology Venture Capital Partnership (Limited Partnership)	5,000,000.00	
Jiangsu Jianan Investment Development Co., Ltd. (Jianan Xuyi Equity Fund No.1) (江蘇迦南投資發展有限公司(迦南盱眙股權基金1號))		450,000,000.00
<b>Total</b>	<b>219,653,402.05</b>	<b>679,253,400.00</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XII) 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
Jiangsu Private Investment Holdings Co., Ltd. (江蘇民營投資控股有限公司)		-6,520,000.00			Strategic Investment	
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)		-826,597.95			Strategic Investment	
Total		<u>-7,346,597.95</u>	<u>                    </u>			

### (XIII) 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	<b>119,593,500.91</b>	111,712,855.07
Including: Debt instrument investment		
Equity instrument investment	<b>119,593,500.91</b>	111,712,855.07
Derivative financial assets		
Others		
Financial assets designated as at fair value through profit or loss	<b>13,049,800.00</b>	13,646,400.00
Including: Debt instrument investment	<b>13,049,800.00</b>	13,646,400.00
Others		
Total	<u><b>132,643,300.91</b></u>	<u>125,359,255.07</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XIV) Investment property

#### 1. Investment property adopting fair value measurement model

Items	Houses and buildings
I. Closing balance at preceding year	230,602,600.00
II. Movement during the period	4,613,300.00
Add: Change in fair value (Note)	4,613,300.00
III. Closing balance	<u>235,215,900.00</u>

Note: The fair value at the end of the period has been issued by Jiangsu Wealth Assets Valuation Co., Ltd. in Su Hua Ping Bao Zi [2021] Assets Appraisal Report No. 126.

#### 2. Major investment property in the period

Project	Geographical location	Construction area (m <sup>2</sup> )	Rental income during the period under review	Closing fair value	Opening fair value	Change in fair value (%)	Reasons for change in fair value
Office	No. 10 Maqun Avenue, Nanjing	30,575.32	13,715,476.78	235,215,900.00	230,602,600.00	2.00	Increase in rental income

#### 3. The Group does not have any investment property without certificates of ownership at the end of the period under review

### (XV) Fixed assets

#### 1. Fixed assets and disposal of fixed assets

Item	Closing balance	Closing balance at preceding year
Fixed assets	<b>244,054,351.67</b>	294,887,205.17
Disposal of fixed assets		
Total	<b>244,054,351.67</b>	<u>294,887,205.17</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XV) Fixed assets (Continued)

#### 2. Particulars of fixed assets

Items	Property and buildings	Machinery and equipment	Transportation equipment	Electronic and office equipment	Total
1. Original book value					
(1) Closing balance at preceding year	143,521,759.87	315,033,873.14	5,994,518.07	100,807,846.87	565,357,997.95
(2) Increase during the period				1,437,262.15	1,437,262.15
– Acquisition				127,563.30	127,563.30
– Increase in business combination				1,309,698.85	1,309,698.85
(3) Decrease during the period		286,085.68	2,305,477.43	121,612.24	2,713,175.35
– Disposal or write-off			2,305,477.43	59,810.69	2,365,288.12
– Reduction by changes in the scope of consolidation		286,085.68		61,801.55	347,887.23
(4) Closing balance	143,521,759.87	314,747,787.46	3,689,040.64	102,123,496.78	564,082,084.75
2. Accumulated depreciation					
(1) Closing balance at preceding year	34,847,487.07	147,817,332.33	5,071,340.30	63,235,345.10	250,971,504.80
(2) Increase during the period	7,495,617.86	34,368,106.20	210,633.19	9,777,000.11	51,851,357.36
– Provision	7,495,617.86	34,368,106.20	210,633.19	8,715,527.18	50,789,884.43
– Reduction by changes in the scope of consolidation				1,061,472.93	1,061,472.93
(3) Decrease during the period			2,192,609.79	101,807.27	2,294,417.06
– Disposal or write-off			2,192,609.79	55,067.40	2,247,677.19
– Reduction by changes in the scope of consolidation				46,739.87	46,739.87
(4) Closing balance	42,343,104.93	182,185,438.53	3,089,363.70	72,910,537.94	300,528,445.10
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	101,178,654.94	113,853,030.84	599,676.94	28,422,988.95	244,054,351.67
(2) Closing book value at preceding year	108,674,272.80	148,507,222.72	923,177.77	36,782,531.88	294,887,205.17

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XV) Fixed assets (Continued)

#### 3. Fixed assets leased out through operating leases at the end of the period

Items	Closing carrying amount	Closing carrying amount at preceding year
Vehicle intelligent terminal		25,604,005.31
Social security video screen prevention and control system of Bengbu City (expansion)	<b>79,255,937.24</b>	105,559,136.07
Total	<b>79,255,937.24</b>	131,163,141.38

#### 4. There were no fixed assets without certificates of ownership at the end of the period

### (XVI) Construction in progress

#### 1. Construction in progress

Item	Closing balance	Closing balance at preceding year
Construction in progress	<b>185,099.99</b>	3,424,335.80

#### 2. Particulars of construction in progress

Item	Closing balance			Closing balance at preceding year		
	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value
Sporadic projects	<b>185,099.99</b>		<b>185,099.99</b>	3,424,335.80		3,424,335.80

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XVII) Intangible assets

#### 1. Particulars of intangible assets

Items	Land use right	Patented technology	Software	Total
1. Original book value				
(1) Closing balance at preceding year	10,636,583.49	6,183,969.73	21,334,076.22	38,154,629.44
(2) Increase during the period		1,070,282.32		1,070,282.32
– Acquisition		638,431.33		638,431.33
– Internal R&D		217,915.09		217,915.09
– Increase in business combination		213,935.90		213,935.90
(3) Decrease during the period				
(4) Closing balance	10,636,583.49	7,254,252.05	21,334,076.22	39,224,911.76
2. Accumulated depreciation				
(1) Closing balance at preceding year	2,698,736.65	4,525,150.41	18,895,044.02	26,118,931.08
(2) Increase during the period	240,774.36	1,303,700.41	111,037.68	1,655,512.45
– Provision	240,774.36	1,095,707.31	111,037.68	1,447,519.35
– Increase in business combination		207,993.10		207,993.10
(3) Decrease during the period				
(4) Closing balance	2,939,511.01	5,828,850.82	19,006,081.70	27,774,443.53
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	7,697,072.48	562,869.48	2,327,994.52	10,587,936.48
(2) Closing book value at preceding year	7,937,846.84	796,287.57	2,439,032.20	11,173,166.61

#### 2. There was no land use right without certificates of ownership at the end of the period

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XVIII) Goodwill

Name of investee	Closing balance at preceding year	Increase during the period		Decrease during the period		Closing balance
		Resulted from business combination	Other	Disposal	Other	
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	526,438.04			526,438.04		

### (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 fee	2,182,783.12		1,016,446.42		1,166,336.70
System maintenance fee		2,971,698.12	1,367,924.53		1,603,773.59
Renovation fee		1,269,025.18	158,628.12		1,110,397.06
Total	2,182,783.12	4,240,723.30	2,542,999.07		3,880,507.35

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (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
Provision for impairment	323,506,632.13	48,573,170.02	177,051,642.79	26,157,364.13
Fair value change of financial assets at fair value through profit or loss	110,684.24	18,262.90		
Change in fair value of other equity instruments investment that are included in other comprehensive income	4,319,597.95	647,939.69		
Deductible tax losses	50,097,356.00	7,514,603.40		
Temporary differences caused by offsetting internal transactions	2,383,577.60	357,536.64	4,871,974.64	730,796.20
Provision for decline in value of inventories	596,617.89	89,492.68	596,617.89	89,492.68
Impairment provision for contract assets	2,082,190.73	312,328.61	62,694,544.22	9,404,181.64
Accrued construction costs	84,801,464.09	12,720,219.61	86,920,764.72	13,038,114.71
Total	467,898,120.63	70,233,553.55	332,135,544.26	49,419,949.36

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 investment property	75,106,354.26	11,265,953.14	70,493,054.26	10,573,958.14
Asset gains from business combinations involving entities not under common control	955,182.20	143,277.33	1,080,775.53	162,116.32
Investment in other equity instruments/other non-current financial assets (difference between fair value and book costs)	16,717,773.77	2,507,666.07	10,371,368.12	1,719,143.48
Total	<b>92,779,310.23</b>	<b>13,916,896.54</b>	81,945,197.91	12,455,217.94

#### 3. Details of unrecognized deferred tax assets

Items	Closing balance	Closing balance at preceding year
Provision for bad debts	68,649,417.03	14,074,728.19
Deductible tax losses	111,757,281.87	21,850,549.83
Total	<b>180,406,698.90</b>	35,925,278.02

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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
2020		6,502,320.66
2021		2,541,784.27
2022		1,010,799.33
2023	<b>8,142,547.87</b>	8,588,289.43
2024	<b>32,957,046.29</b>	37,262,479.26
2025	<b>12,336,697.99</b>	
2026		
2027		
2028		
2029		
2030	<b>58,320,989.72</b>	
Total	<b>111,757,281.87</b>	<b>55,905,672.95</b>

### (XXI) Other non-current assets

Items	Closing balance			Closing balance at preceding year		
	Carrying amount	Provision for declines in value	Book value	Carrying amount	Provision for declines in value	Book value
Software development cost	<b>62,900,000.00</b>		<b>62,900,000.00</b>	62,900,000.00		62,900,000.00
Equity investment	<b>24,006,437.50</b>		<b>24,006,437.50</b>			
Contract assets				10,245,879.55		10,245,879.55
Total	<b>86,906,437.50</b>		<b>86,906,437.50</b>	<b>73,145,879.55</b>		<b>73,145,879.55</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	450,000,000.00	
Guaranteed loan	305,000,000.00	486,770,000.00
Credit loan		192,533,956.63
Interest payable not yet due	1,035,488.89	767,132.07
Total	<u>756,035,488.89</u>	<u>680,071,088.70</u>

#### 2. There were no due short-term borrowings outstanding at the end of the period

### (XXIII) Notes payable

Types	Closing balance	Closing balance at preceding year
Bank acceptance bills		5,994,300.00
Commercial acceptance bills		598,870.50
Total		<u>6,593,170.50</u>

### (XXIV) Accounts payable

#### 1. Accounts payable

Item	Closing balance	Closing balance at preceding year
Payable for procurement of materials, commodities and services	660,645,469.09	898,959,973.99

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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
Guizhou Qiantong Intelligent Connection Technology and Industry Development Co., Ltd. (貴州黔通智聯科技產業發展有限公司)	12,851,935.00	Unsettled
Jinghe New City Weizhong Construction Installation Service Co., Ltd. (涇河新城唯重建築安裝勞務有限公司)	13,000,000.00	Unsettled
Total	25,851,935.00	

### (XXV) Advances from customers

Items	Closing balance	Closing balance at preceding year
Advance from customers	9,572.20	

### (XXVI) Contract liabilities

Item	Closing balance	Closing balance at preceding year
Contract liabilities	261,560,369.57	131,652,689.48

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 salaries payable	4,785,514.97	61,743,448.21	50,743,057.40	<b>15,785,905.78</b>
Post-employment benefits – defined contribution plan		1,635,543.16	1,635,543.16	
Termination benefits	19,485.00	1,895,737.68	1,895,737.68	<b>19,485.00</b>
Total	<u>4,804,999.97</u>	<u>65,274,729.05</u>	<u>54,274,338.24</u>	<u><b>15,805,390.78</b></u>

#### 2. Particulars of short-term salaries 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	4,491,694.00	56,181,523.30	45,178,137.79	<b>15,495,079.51</b>
(2) Employee welfare		937,028.77	937,028.77	
(3) Social insurance	282.63	1,410,108.46	1,410,391.09	
Including: Basic medical insurance	282.63	1,326,486.69	1,326,769.32	
Work injury insurance		7,601.98	7,601.98	
Maternity insurance		76,019.79	76,019.79	
(4) Housing funds	116,977.06	3,145,774.00	3,145,774.00	<b>116,977.06</b>
(5) Union funds and staff education costs	176,561.28	69,013.68	71,725.75	<b>173,849.21</b>
(6) Short-term paid absence				
(7) Short-term profit sharing plan				
Total	<u>4,785,514.97</u>	<u>61,743,448.21</u>	<u>50,743,057.40</u>	<u><b>15,785,905.78</b></u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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		1,520,395.67	1,520,395.67	
Unemployment insurance		47,512.37	47,512.37	
Corporate annuity payment		67,635.12	67,635.12	
Total		1,635,543.16	1,635,543.16	

### (XXVIII) Taxes payable

Tax items	Closing balance	Closing balance at preceding year
VAT	4,099,957.97	5,820,075.62
Enterprise income tax	1,421,135.77	19,241,605.06
Individual income tax	165,533.12	97,868.00
City maintenance and construction tax	290,188.55	392,548.12
Property tax	751,276.74	764,008.24
Education surcharge	207,382.12	280,391.51
Land use tax	98,413.76	98,413.75
Stamp duty	361,599.03	132,486.48
Water conservancy fund	1,472.07	
Profits tax	9,258,466.74	131,074.98
Total	16,655,425.87	26,958,471.76

### (XXIX) Other payables

Item	Closing balance	Closing balance at preceding year
Interests payable	553,400.00	1,523,536.97
Dividends payable		
Other payables	80,790,097.87	34,503,452.48
Total	81,343,497.87	36,026,989.45

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 with instalment payments and principal due upon maturity	<b>553,400.00</b>	1,523,536.97

#### 2. Other payables

(1) Disclosed by nature

Items	Closing balance	Closing balance at preceding year
Retention monies	<b>28,935,908.46</b>	21,555,986.36
Collection and payment	<b>4,705,356.10</b>	11,384,598.84
Other	<b>378,833.31</b>	1,562,867.28
Borrowings	<b>46,770,000.00</b>	
Total	<b>80,790,097.87</b>	34,503,452.48

(2) 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>156,000,000.00</b>	356,946,404.90
Bonds payable due within one year		
Long-term payable due within one year		
Total	<b>156,000,000.00</b>	356,946,404.90

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 recognised	<b>24,333,706.72</b>	25,907,029.50
Endorsed commercial acceptance bills not yet recognised	<b>8,034,523.50</b>	
Total	<b>32,368,230.22</b>	25,907,029.50

### (XXXII) Long-term borrowing

Types of borrowing	Closing balance	Closing balance at preceding year
Credit loan		8,245,527.00
Pledged loan		37,610,000.00
Secured, pledged and guaranteed loan	<b>96,250,000.00</b>	
Guaranteed loan	<b>90,000,000.00</b>	90,000,000.00
Secured loan		656,529.75
Total	<b>186,250,000.00</b>	136,512,056.75

As at the end of the period under review, the maturity status of long-term borrowings is as follows:

Items	Closing balance
1 to 2 years	<b>96,000,000.00</b>
3 to 5 years	<b>19,400,000.00</b>
Over 5 years	<b>70,850,000.00</b>
Total	<b>186,250,000.00</b>

Description: The lowest annual interest rate for the Company's long-term borrowing during the period under review was 4.41%, while the highest annual interest rate was 7.00%.

### (XXXIII) Deferred income

Item	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Government subsidies	<u>27,140,354.72</u>	<u>7,650,000.00</u>	<u>13,277,158.19</u>	<b><u>21,513,196.53</u></b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXIII) Deferred income (Continued)

Items involving government subsidies:

Items	Closing balance at preceding year	Subsidies increased during the period	Included in other income during the period	Closing balance	Asset-related/ Income related
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	440,000.00			<b>440,000.00</b>	Asset-related
Financial assistance for national scientific and technological support projects	1,622,779.58		627,158.19	<b>995,621.39</b>	Asset-related
Provincial grants for international cooperation	274,999.92			<b>274,999.92</b>	Income-related
Cooperation fee for co-operation with National Natural Science Foundation	1,040,000.00			<b>1,040,000.00</b>	Income-related
Demonstration project of application of comprehensive supervision system based on Internet of things technology for urban intelligent traffic	23,762,575.22		6,000,000.00	<b>17,762,575.22</b>	Income-related
R&D and industrialization of safety monitoring vehicle terminal and cloud platform based on vehicle-person collaboration		6,650,000.00	6,650,000.00		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		<b>1,000,000.00</b>	Income-related
<b>Total</b>	<b>27,140,354.72</b>	<b>7,650,000.00</b>	<b>13,277,158.19</b>	<b>21,513,196.53</b>	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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
<b>Total</b>	<b>792,058,500.00</b>						<b>792,058,500.00</b>

### (XXXV) Capital reserve

Item	Closing balance at preceding year	Increase during the period	Decrease during the period	Closing balance
Capital premium (Share premium)	103,269,821.12			103,269,821.12

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXVI) Other comprehensive income

Items	Closing balance at preceding year	Movement before income tax during the period	Amount during the period				Attributable to the parent company after tax	Attributable to minority shareholder after tax	Closing balance
			Movement included in other comprehensive income	Less: Transfer to profit or loss during the period that previously included in other comprehensive income	Less: Transfer to retained earnings during the period that previously included in other comprehensive income	Less: Income tax expenses			
1. Other comprehensive income that will not be reclassified to profit or loss	-2,511,687.10	-4,319,597.95	118,158.96			-647,939.69	-3,789,817.22		-6,301,504.32
Including: Changes of re-measurement of defined benefit plans									
Changes in fair value of other equity instruments investment	-2,511,687.10	-4,319,597.95	118,158.96			-647,939.69	-3,789,817.22		-6,301,504.32
Changes in fair value of the company's own credit risk									
2. Other comprehensive income that will be reclassified to profit or loss	31,294,575.40	-1,573,580.77				-1,573,580.77			29,720,994.63
Including: Other comprehensive income under equity method that can be reclassified into profit and loss									
Changes in fair value of other debt investments									
Amount of financial assets reclassified and included in other comprehensive income									
Provision for credit impairment of other debt investments									
Reserves for cash flows hedges									
Converted difference in foreign currency statements	-4,047,875.72	-1,573,580.77				-1,573,580.77			-5,621,456.49
Difference between the fair value of the investment property and the book value on the conversion date	35,342,451.12								35,342,451.12
Total other comprehensive income	28,782,888.30	-5,893,178.72	118,158.96			-647,939.69	-5,363,397.99		23,419,490.31

### (XXXVII) Surplus reserve

Item	Closing balance at preceding year	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 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXVII) Undistributed profits

Items	Current period	Previous period
Undistributed profit before adjustment at the end of preceding year	<b>1,011,075,961.59</b>	990,758,260.44
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	<b>1,011,075,961.59</b>	990,758,260.44
Add: Current net profit attributable to owners' equity of the parent company	<b>-139,375,086.61</b>	107,023,458.97
Less: Provision of statutory surplus reserves		7,501,585.14
Provision of other surplus reserves		
Provision for general credit risk		
Ordinary shares dividends payable		79,205,850.00
Ordinary shares dividends transferred to the share capital of ordinary shares		
Transfer to other comprehensive income	<b>6,158.57</b>	-1,677.32
Undistributed profit at the end of the period	<b>871,694,716.41</b>	1,011,075,961.59

### (XXXIX) Operating income and operating cost

#### 1. Operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	<b>917,681,360.77</b>	<b>767,879,612.53</b>	1,455,495,474.22	1,077,966,980.58
Other operation	<b>28,276,883.55</b>	<b>1,700,288.15</b>	31,633,640.58	9,854,131.63
Total	<b>945,958,244.32</b>	<b>769,579,900.68</b>	1,487,129,114.80	1,087,821,112.21

#### 2. Income derived from contracts

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

# Notes to the Financial Statements

For the year ended 31 December 2020

(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

#### 3. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

### (XL) Taxes and surcharges

Items	Current period	Previous period
City maintenance and construction tax	<b>1,239,887.19</b>	1,176,450.94
Education surcharge	<b>959,239.87</b>	919,164.01
Property tax	<b>2,354,997.00</b>	2,507,648.21
Land-of-use tax	<b>393,655.00</b>	393,655.00
Vehicles usage tax	<b>4,320.00</b>	7,020.00
Stamp duty	<b>1,197,534.93</b>	799,983.54
Water conservancy fund	<b>1,739.93</b>	
Others		99,224.89
Total	<b>6,151,373.92</b>	5,903,146.59

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLI) Selling and distribution expenses

Items	Current period	Previous period
Employees' remuneration	<b>16,787,131.40</b>	12,569,129.00
Technical service expenses	<b>5,893,329.68</b>	680,533.77
Entertainment expenses	<b>4,124,603.72</b>	8,013,124.57
Traveling expenses	<b>3,493,224.65</b>	4,278,546.38
Bidding fees	<b>2,848,641.70</b>	1,990,042.97
Depreciation charges	<b>1,867,056.12</b>	682,891.29
Labour expenses	<b>1,498,890.26</b>	1,474,950.44
Consultation and agency fees	<b>1,405,900.06</b>	1,112,368.50
Quality certification fees	<b>956,310.69</b>	26,400.00
Motor vehicle expenses	<b>627,382.43</b>	834,750.02
Lease expenses	<b>606,683.29</b>	459,337.89
Maintenance fees	<b>559,327.41</b>	1,334,130.80
Advertisement expenses	<b>540,094.33</b>	350,943.39
Office expenses	<b>469,605.12</b>	497,446.27
Water and electricity charges	<b>325,235.96</b>	328,079.82
Construction insurance	<b>324,723.62</b>	113,019.66
Project maintenance expenses	<b>314,021.13</b>	3,048,640.95
Postage and telephone communication fees	<b>272,310.93</b>	561,164.38
Others	<b>473,222.60</b>	885,310.85
Total	<b>43,387,695.10</b>	39,240,810.95

# Notes to the Financial Statements

For the year ended 31 December 2020

(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	<b>23,891,102.72</b>	23,838,937.35
Depreciation charges	<b>15,739,779.28</b>	11,134,930.87
Agency appointment fees	<b>4,492,473.33</b>	4,788,679.69
Property management expenses	<b>1,617,549.80</b>	2,419,317.01
Water and electricity charges	<b>1,057,786.37</b>	263,319.10
Amortization of intangible assets	<b>1,026,441.66</b>	554,157.27
Entertainment expenses	<b>1,023,498.99</b>	2,624,405.04
Amortization of long-term deferred expenses	<b>717,655.79</b>	465,856.50
Technical service fees	<b>713,375.07</b>	981,983.92
Lease expenses	<b>414,396.35</b>	908,228.23
Motor vehicle expenses	<b>368,794.11</b>	516,819.69
Office expenses	<b>342,702.80</b>	634,313.05
Board fee	<b>291,943.00</b>	293,332.70
Quality certification fees	<b>273,539.23</b>	3,497.90
Maintenance fees	<b>235,704.67</b>	366,885.82
Travelling expenses	<b>212,595.11</b>	368,822.04
Postage and telephone communication fees	<b>174,795.80</b>	213,403.93
Labour protection expenses	<b>112,957.00</b>	16,695.16
Assets insurance fees	<b>103,979.43</b>	115,989.68
Others	<b>506,676.27</b>	1,263,926.26
Total	<b>53,317,746.78</b>	51,773,501.21

# Notes to the Financial Statements

For the year ended 31 December 2020

(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
Direct materials	17,653,564.72	42,795,779.33
Technical service fees	15,449,499.74	2,476,366.14
Employees' remuneration	14,200,144.18	18,706,330.23
Amortization of intangible assets	421,077.69	418,393.32
Entertainment expenses	307,590.80	588,448.38
Depreciation charges	258,148.62	432,133.89
Lease expenses	241,291.42	
Agency and consultation fees	180,383.48	180,387.17
Travelling expenses	169,353.20	337,077.24
Office expenses	98,971.26	126,792.29
Postage and telephone communication fees	88,763.51	152,318.36
Water and electricity charges	74,790.76	178,621.48
Patent expenses	52,967.54	97,795.63
Property management fees	52,066.11	67,814.50
Others	76,612.32	268,999.89
Total	49,325,225.35	66,827,257.85

### (XLIV) Financial expenses

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

### (XLV) Other income

Items	Current period	Previous period
Government subsidies – tax refund	2,390,463.47	2,060,569.83
Government subsidies – others	14,195,163.87	11,033,548.33
Others	51,168.43	
Total	16,636,795.77	13,094,118.16

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### 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	6,237,424.78	Income-related
R&D and industrialization of safety monitoring vehicle terminal and cloud platform based on vehicle-human collaboration	6,650,000.00		Income-related
Job stabilization subsidy	33,159.76	104,027.42	Income-related
Qixia City Settlement Center	8,500.00		Income-related
Maqun Office of the People's Government of Qixia District, Nanjing City	32,500.00		Income-related
The Provincial Intellectual Property Special Fund distributed by The Market Supervision and Administration Bureau of Qixia District, Nanjing City	120,000.00		Income-related
Southeast University subsidy	133,300.00		Income-related
Pandemic economic subsidy	51,250.00		Income-related
Vocational training subsidy of Nanjing Vocational Technical Training and Guidance Centre	104,100.00	4,200.00	Income-related
Yunnan Ruili Project tax rebate	186,895.92		Income-related
Special support funds for economic science recruitment	198,300.00		Income-related
Economics Department 2019 Nanjing Industrial and Information Development Special Fund	50,000.00		Income-related
Financial subsidy for national science support project	627,158.19		Asset-related
Special Fund for the Development of Software and Information Services in Nanjing in 2018		510,000.00	Income-related
Qixia District 2018 High and New Technology Enterprise Cultivation Special Innovation Coupon Cashing Fund			
Science and Technology Development Fund		65,000.00	Income-related

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### Government subsidies included in other income (Continued)

Subsidised items	Current period	Previous period	Asset-related/ income-related
Incentive for joining Maqun Sub-district		570,172.41	Income-related
Second batch of high-level enterprises in 2018 to cultivate storage subsidies			
Incentive subsidy of Maqun Sub-district Office		613,086.13	Income-related
Government subsidy for RFID System Technology Research Center construction project			
Financial subsidy for national science support project		115,000.00	Income-related
Special Fund for the Development of Software and Information Services in Nanjing in 2018		15,000.00	Income-related
Qixia District 2018 High and New Technology Enterprise Cultivation Special Innovation Coupon Cashing Fund			
Science and Technology Development Fund		183,382.92	Asset-related
Incentive for joining Maqun Subdistrict		897,666.67	Asset-related
Maqun Office of the People's Government of Qixia District Nanjing City			
Subsidy from Commerce Bureau of Qixia District Nanjing City		1,069,300.00	Income-related
Financial Settlement Center of Qixia District Nanjing City			
Government subsidy from Transportation Bureau of Jiangsu Province		424,000.00	Income-related
Maqun Office of the People's Government of Qixia District Nanjing City			
Subsidy from Commerce Bureau of Qixia District Nanjing City		125,288.00	Income-related
Financial Settlement Center of Qixia District Nanjing City			
Government subsidy from Transportation Bureau of Jiangsu Province		100,000.00	Income-related
Government subsidies – VAT Software Tax Refund	<b>2,390,463.47</b>	2,060,569.83	Income-related
Total	<b>16,585,627.34</b>	13,094,118.16	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	<b>-32,236.93</b>	-7,616,321.07
Investment income from disposal of long-term equity investments	<b>10,065,102.30</b>	1,376,840.61
Investment income from held-for-trading financial assets during the holding period		68,200.00
Investment income from disposal of held-for-trading financial assets		43,474.24
Investment income of other equity instruments investment during the holding period		744,794.34
Investment income from disposal of other non-current financial assets		-2,054.79
Total	<b>10,032,865.37</b>	-5,385,066.67

### (XLVII) Gain on fair value change

Sources generating gain on fair value change	Current period	Previous period
Change in fair value of other non-current financial assets	<b>7,284,045.84</b>	4,833,604.53
Investment property measured at fair value	<b>4,613,300.00</b>	3,099,300.00
Total	<b>11,897,345.84</b>	7,932,904.53

### (XLVIII) Credit impairment losses

Items	Current period	Previous period
Loss from bad debts of bills receivable	<b>346,040.34</b>	-11,430,795.64
Loss from bad debts of accounts receivable	<b>156,644,356.18</b>	58,519,551.02
Loss from bad debts of other receivables – interest receivable	<b>-502,148.12</b>	2,125,211.24
Loss from bad debts of other receivables – other receivables	<b>11,127,236.69</b>	-6,407,056.93
Loss from bad debts of other current assets	<b>-1,027,239.88</b>	
Contract assets impairment losses		13,662,978.39
Total	<b>166,588,245.21</b>	56,469,888.08

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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	673,406.37	1,351,487.33
Impairment loss of contractual assets	-7,585,728.60	
Impairment loss of long-term equity investment	5,562,918.17	
Impairment loss of fixed assets		18,709,318.09
Total	<b>-1,349,404.06</b>	<b>20,060,805.42</b>

### (L) Income from assets disposal

Items	Current period	Previous period	Amount included in non-recurring profits and losses of the current period
Total gains from disposal of non-current assets	41,024.18	1,331,128.22	41,024.18
Including: Gains from disposal of fixed assets	<b>41,024.18</b>	<b>1,331,128.22</b>	<b>41,024.18</b>

### (LI) Non-operating income

Items	Current period	Previous period	Amount included in non-recurring profits and losses of the current period
Others	<b>462,992.57</b>	214,484.63	462,992.57

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LII) Non-operating expenses

Items	Current period	Previous period	Amount included in non-recurring profits and losses of the current period
Losses on written-off of non-current assets	<b>1,643.16</b>	1,242.92	1,643.16
External donation – cash		30,000.00	
Fines	<b>200.00</b>	11,212.62	200.00
Liquidated damages and compensation expenses		131,122.04	
Others	<b>10.52</b>	20,900.76	10.52
External donation	<b>4,998.14</b>		4,998.14
Total	<b>6,851.82</b>	194,478.34	6,851.82

### (LIII) Auditor's remuneration

Auditor's remuneration for the current year was RMB1,000,000.00 (2019: RMB1,000,000,000).

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIV) Directors, supervisors and employees' emoluments

#### 1. Emoluments of Directors and supervisors

Items	Current year	Previous year
Directors and supervisors' fees:		
Executive Directors	<b>76,943.00</b>	58,333.00
Non-executive Directors and independent non-executive Directors	<b>135,000.00</b>	154,999.70
Supervisors	<b>80,000.00</b>	80,000.00
Sub-total	<b>291,943.00</b>	293,332.70
Executive and non-executive Directors' other emoluments:		
Basic salaries and allowance	<b>3,188,863.30</b>	1,704,661.26
Contributions to retirement benefits/pensions schemes	<b>276,053.39</b>	373,531.68
Sub-total	<b>3,464,916.69</b>	2,078,192.94
Supervisors' other emoluments:		
Basic salaries and allowance	<b>368,578.20</b>	290,439.00
Contributions to retirement benefits/pensions schemes	<b>43,001.49</b>	64,553.16
Sub-total	<b>411,579.69</b>	354,992.16
Senior Management:		
Basic salaries and allowance	<b>1,407,856.36</b>	644,740.00
Contributions to retirement benefits/pensions schemes	<b>138,915.37</b>	155,869.76
Sub-total	<b>1,546,771.73</b>	800,609.76
Total	<b>5,715,211.11</b>	3,527,127.56

None of the directors or supervisors of the Company waived any emoluments during the year.

No emoluments were paid by the Company to the directors or supervisors of the Company as an inducement to join or as incentive upon joining the Company or as compensation for loss of office during the year.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIV) Directors, supervisors and employees' emoluments (Continued)

#### 2. Particulars of Directors and supervisors' emoluments are as follows:

Name	Current year Other emoluments			Total
	Directors and supervisors' fees	Basic salaries and allowance	Contributions to retirement benefits and pensions schemes	
Executive Directors:				
Mr. Sha Min	25,000.00	569,940.34	53,000.05	647,940.39
Mr. Ma Fengkui	5,578.00	725,520.00	46,586.27	777,684.27
Mr. Zhang Junmin	5,578.00	1,122,319.05	53,585.05	1,181,482.10
Ms. Yu Hui	19,229.00	81,352.53	30,190.90	130,772.43
Mr. Zhu Xiang	21,558.00	442,862.53	53,515.05	517,935.58
Sub-total	76,943.00	2,941,994.45	236,877.32	3,255,814.77
Non-executive Director:				
Mr. Chang Yong	25,000.00	246,868.85	39,176.07	311,044.92
Sub-total	25,000.00	246,868.85	39,176.07	311,044.92
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	368,578.20	43,001.49	421,579.69
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	368,578.20	43,001.49	481,579.69
Senior management:				
Mr. Li Chengyang		478,654.02	50,875.05	529,529.07
Mr. Liu Min		442,048.32	37,165.27	479,213.59
Mr. Xie Jinliang	10,000.00	487,154.02	50,875.05	548,029.07
Sub-total	10,000.00	1,407,856.36	138,915.37	1,556,771.73
Total	291,943.00	4,965,297.86	457,970.25	5,715,211.11

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIV) Directors, supervisors and employees' emoluments (Continued)

#### 2. Particulars of Directors and supervisors' emoluments are as follows: (Continued)

Continued:

Name	Directors and supervisors' fees	Previous year Other emoluments		Total
		Basic salaries and allowance	Contributions to retirement benefits and pensions schemes	
Executive Directors:				
Mr. Sha Min	25,000.00	392,802.40	93,382.92	511,185.32
Ms. Yu Hui	8,333.00	484,604.44	93,382.92	586,320.36
Mr. Zhu Xiang	25,000.00	422,294.42	93,382.92	540,677.34
Sub-total	58,333.00	1,299,701.26	280,148.76	1,638,183.02
Non-executive Directors:				
Mr. Ma Jun	20,000.00			20,000.00
Mr. Chang Yong	25,000.00	404,960.00	93,382.92	523,342.92
Sub-total	45,000.00	404,960.00	93,382.92	543,342.92
Independent non-executive Directors:				
Mr. Shum Shing Kei	33,333.00			33,333.00
Mr. Hu Hanhui	30,000.00			30,000.00
Mr. Gao Lihui	30,000.00			30,000.00
Mr. Niu Zhongjie	16,666.70			16,666.70
Sub-total	109,999.70			109,999.70
Supervisor:				
Mr. Zou Tao	10,000.00	290,439.00	64,553.16	364,992.16
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	290,439.00	64,553.16	424,992.16
Senior management:				
Mr. Li Chengyang		321,092.00	77,935.78	399,027.78
Mr. Xie Jinliang	10,000.00	323,648.00	77,933.98	411,581.98
Sub-total	10,000.00	644,740.00	155,869.76	810,609.76
Total	293,332.70	2,639,840.26	593,954.60	3,527,127.56

Note: As considered and passed at the eleventh meeting of the seventh session of the Board of the Company convened on 6 July 2020 and the extraordinary general meeting convened on 10 August 2020, the changes of Directors and senior management were as follows: From 10 August 2020, Mr. Ma Fengkui was appointed as an executive Director; Mr. Zhang Junmin was appointed as an executive Director; Mr. Zhu Xiang resigned as an executive Director and chief executive officer of the Company due to work arrangements; Ms. Yu Hui resigned as an executive Director and vice president of the Company due to work arrangements; Mr. Liu Min was appointed as vice president. In January 2021, Mr. Xie Jinliang resigned as secretary to the Board of the Company due to personal reasons.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIV) Directors, supervisors and employees' emoluments (Continued)

#### 3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, three (2019: four) were Directors. The emoluments of them are disclosed in the notes above. The emoluments of the remaining two (2019: one) individuals are as follows:

Items	2020	2019
Basic salaries and allowance	965,808.04	402,592.00
Contributions to retirement benefits and pensions schemes	101,750.10	90,978.84
Total	1,067,558.14	493,570.84

During the year, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or as incentive upon joining the Company or as compensation for loss of office.

#### 4. Number of individuals with highest emoluments are categorised based on emoluments group as follows

Items	2020	2019
Nil to HK\$800,000 (equivalent to nil to RMB673,280.00)	2	1

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LV) Income tax expenses

#### 1. Table of income tax expenses

Items	Current period	Previous period
Income tax for the current period	-530,794.44	25,781,486.36
Deferred income tax	-18,242,460.72	218,050.45
Total	<b>-18,773,255.16</b>	25,999,536.81

#### 2. Reconciliation between total profit and income tax expenses

Items	Current period
Total profit	-170,934,721.69
Income tax expenses calculated at statutory tax rates	-25,640,208.25
Effect of different tax rates applicable to subsidiaries	369,466.87
Income tax adjustments on prior periods	-1,473,023.61
Effect of additional deductible cost under tax law	-6,454,565.89
Expenses, costs and losses not deductible for tax purposes	343,613.25
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-1,038,042.37
Impact of deductible temporary differences or deductible loss for which deferred income tax assets are not recognized in the current period	15,119,504.84
Income tax expenses	<b>-18,773,255.16</b>

### (LVI) Dividend

Item	Current year	Previous year
No final dividend is proposed for the current period (2019: nil)	-	-

The Board recommended not to distribute a final dividend for the year ended 31 December 2020 on 31 March 2021 (2019: nil).

Item	Current year	Previous year
Final dividend in respect of the previous year approved during the year	-	79,205,850.00
Final dividend in respect of the previous year paid during the year	-	79,205,850.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LVII) Earnings per share

#### 1. Basic earnings per share

Basic earnings per share are computed by dividing the combined 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
Combined net profit attributable to parent company's shareholders of ordinary shares	-139,375,086.61	107,023,458.97
Weighted average number of outstanding ordinary shares of the Company	792,058,500.00	792,058,500.00
Basic earnings per share	-0.18	0.14
Including: Basic earnings per share from continuing operations	-0.18	0.14
Including: Basic earnings per share from discontinued operations		

#### 2. Diluted earnings per share

Diluted earnings per share are computed by dividing the combined 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
Combined net profit attributable to parent company's shareholders of ordinary shares	-139,375,086.61	107,023,458.97
Weighted average number of outstanding ordinary shares of the Company	792,058,500.00	792,058,500.00
Basic earnings per share	-0.18	0.14
Including: Basic earnings per share from continuing operations	-0.18	0.14
Basic earnings per share from discontinued operations		

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LLVIII) Notes to cash flow statement

#### 1. Cash received relating to other operating activities

Items	Current period	Previous period
Income from operating lease	9,575,972.08	
Deposit interest income	1,623,915.92	3,361,466.47
Government subsidies	8,381,109.76	3,855,073.96
Retention monies and security deposit	90,517,074.18	170,940,084.64
Reserved fund	25,172,105.09	
Cash received from fund transactions	174,334,708.04	41,769,034.37
Restricted cash withdrawn during the period	153,031,280.23	
Others		114,003.28
Total	<b>462,636,165.30</b>	<b>220,039,662.72</b>

#### 2. Cash paid relating to other operating activities

Items	Current period	Previous period
Operating lease expenses	917,346.15	
Fees and expenses	78,717,110.53	38,669,719.11
Handling charges from banks	6,568,007.53	2,401,192.73
Penalty charges	200.00	
Liquidated damages and compensation expenses		193,235.42
Retention monies and security deposit	56,380,884.45	4,002,150.89
Reserved fund	20,790,019.46	
Cash paid for current accounts	128,259,390.82	30,061,077.35
Increase in restricted cash during the period	142,812,406.64	
Total	<b>434,445,365.58</b>	<b>75,327,375.50</b>

#### 3. Cash received relating to other investing activities

Item	Current period	Previous period
Cash as at the date of consolidation of Qingdao Big Data Technology Development Co., Ltd. (青島大數據科技發展有限公司)	45,973,408.03	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LVIII) Notes to cash flow statement (Continued)

#### 4. Cash paid relating to other investing activities

Item	Current period	Previous period
Deregistration of subsidiary and transferring cash at the beginning of period	<u>3,203,116.68</u>	<u></u>

#### 5. Cash received relating to other financing activities

Item	Current period	Previous period
Guaranteed deposits for bank loans	<u></u>	<u>1,500,000.00</u>

#### 6. Cash paid relating to other financing activities

Item	Current period	Previous period
Funds returned from inter-enterprise loans	<u></u>	<u>411,478,400.00</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIX) Supplementary information of cash flow statement

#### 1. Supplementary information of cash flow statement

Supplementary information	Current period	Previous period
1. Cash from termination of transferring subsidiary at the beginning of period		
Net profit	<b>-152,161,466.53</b>	82,187,317.93
Add: Credit impairment loss	<b>166,588,245.21</b>	20,060,805.42
Provision for assets impairment	<b>-1,349,404.06</b>	56,469,888.08
Depreciation of fixed assets	<b>50,789,884.43</b>	63,548,211.71
Depreciation of oil and gas assets		
Amortization of intangible assets	<b>1,447,519.35</b>	998,262.18
Amortization of long-term deferred expenses	<b>2,542,999.07</b>	2,012,380.34
Losses from disposal of fixed assets, intangible assets and other long-term assets (with "-" for gains)	<b>-41,024.18</b>	-1,331,128.22
Losses from write-off fixed assets (with "-" for gains)	<b>1,643.16</b>	1,242.92
Losses on change in fair value (with "-" for gains)	<b>-11,897,345.84</b>	-7,932,904.53
Financial expenses (with "-" for gains)	<b>64,040,650.83</b>	67,432,228.72
Investment losses (with "-" for gains)	<b>-10,032,865.37</b>	5,385,066.67
Decrease in deferred tax assets (with "-" for increase)	<b>-20,795,341.29</b>	-773,763.23
Increase in deferred tax liabilities (with "-" for decrease)	<b>2,090,178.88</b>	1,008,878.98
Decrease in inventories (with "-" for increase)	<b>-22,221,535.81</b>	-34,041,356.82
Decrease of operating receivables (with "-" for increase)	<b>319,076,730.50</b>	244,268,802.79
Increase of operating payables (with "-" for decrease)	<b>-115,253,883.59</b>	-289,481,242.79
Others	<b>10,218,873.59</b>	
Net cash flows from operating activities	<b>283,043,858.35</b>	209,812,690.15
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	<b>379,222,636.69</b>	135,920,529.76
Less: cash at the beginning of period	<b>135,920,529.76</b>	496,544,201.65
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	<b>243,302,106.93</b>	-360,623,671.89

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LIX) Supplementary information of cash flow statement (Continued)

#### 2. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
<b>I. Cash</b>	<b>379,222,636.69</b>	135,920,529.76
Including: Cash on hand	<b>25,107.27</b>	296,584.00
Bank deposit available for payment at any time	<b>379,153,788.67</b>	135,580,205.01
Other monetary funds available for payment at any time	<b>43,740.75</b>	43,740.75
Deposits in central banks available for payment		
Deposit of interbank money		
Withdrawal of interbank money		
<b>II. Cash equivalents</b>		
Including: Bond investment due in three months		
<b>III. Cash and cash equivalents at end of the period</b>	<b>379,222,636.69</b>	135,920,529.76

### (LX) Assets with restricted ownership or right of use

Items	Closing balance	Reasons for restriction
Cash at bank and on hand	<b>17,304,750.44</b>	Retention monies
Investment property	<b>235,215,900.00</b>	Pledged for borrowing
Fixed assets	<b>100,158,214.83</b>	Pledged for borrowing
Intangible assets	<b>7,697,072.48</b>	Pledged for borrowing
Investment in other equity instruments	<b>213,480,000.00</b>	Pledged for borrowing
Total	<b>573,855,937.75</b>	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

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

### (LXI) Foreign currency monetary items

#### 1. Foreign currency monetary items

Items	Balance of foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand	15,197,962.93	0.8416	12,790,605.60
Including: Hong Kong dollars	15,197,962.93	0.8416	12,790,605.60
Other receivables	369,300.00	0.8416	310,802.88
Including: Hong Kong dollars	369,300.00	0.8416	310,802.88
Accounts payable	54,480.00	0.8416	45,850.37
Including: Hong Kong dollars	54,480.00	0.8416	45,850.37

#### 2. Foreign Operating Entities

The major overseas companies of the Company are Sample Technology (H.K.) Co., Ltd. and Federal International Enterprise Limited which both operate in Hong Kong. The two companies operate and finance in Hong Kong dollars for pricing and settlement. Therefore, all two companies use Hong Kong dollars as the reporting currency. The reporting currency of the aforementioned foreign operating entities has no change during the period under review.

### (LXII) Government subsidies

Type	Amount	Items presented in the balance sheet	Amount included in current profit and loss or offset loss of relevant costs and expenses		Item included in current profit and loss or offset loss of relevant costs and expenses
			Current period	Previous period	
Asset-related government subsidies	1,435,621.39	Deferred income	627,158.19	1,081,049.59	Other income
Income-related government subsidies	20,077,575.14	Deferred income	12,650,000.00	6,237,424.78	Other income
Income-related government subsidies			3,308,469.15	5,775,643.79	Other income
Total	21,513,196.53		16,585,627.34	13,094,118.16	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VI. CHANGE OF THE SCOPE OF CONSOLIDATION

### (I) Business combinations involving entities not under common control

#### 1. Business combinations involving entities not under common control happened in the current period

Name of acquiree	Time of acquisition of the equity interests	Cost of acquisition of the equity interests	Percentage of acquisition of the equity interests (%)	Method of acquisition of the equity interests	Acquisition date	Determination basis at the acquisition date	Income of acquiree from the date of acquisition to the end of the period	Net profit of acquiree from the date of acquisition to the end of the period
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	2020.10.10	30,000,000.00	60	Acquisition	2020.10.10	Transfer of control rights	997,244.81	-781,640.42

Note: Qingdao Big Data Technology Development Group Co., Ltd. held 60% equity interests in Qingdao Big Data Technology Service Co., Ltd. and 51% equity interests of contribution in Qingdao Big Data Trading Center Co., Ltd. (青島大數據交易中心有限公司) on acquisition date.

#### 2. Combination cost and goodwill

	<b>Qingdao Big Data Technology Development Group Co., Ltd.</b>
<b>Combination cost</b>	
– Cash	30,000,000.00
– Other (impairment provision)	-5,562,918.17
	<hr/>
Total combination cost	24,437,081.83
	<hr/> <hr/>
Less: Fair value of the share of identifiable net assets acquired	24,437,081.83
Goodwill/combination cost less than the amount of fair value of the share of identifiable net assets acquired	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VI. CHANGE OF THE SCOPE OF CONSOLIDATION (Continued)

### (I) Business combinations involving entities not under common control (Continued)

#### 3. Identifiable assets, liabilities of the acquiree at the date of acquisition

	<b>Qingdao Big Data Technology Development Group Co., Ltd.</b>	
	<b>Fair value at the date of acquisition</b>	<b>Book value at the date of acquisition</b>
<b>Assets</b>		
Cash at bank and on hand	45,973,408.03	45,973,408.03
Accounts receivable	20,925,127.53	20,925,127.53
Inventories	1,302,085.00	1,302,085.00
Other current assets	659,274.78	659,274.78
Fixed assets	248,225.92	248,225.92
Intangible assets	5,942.80	5,942.80
Long-term deferred expenses	1,269,025.18	1,269,025.18
	<hr/>	<hr/>
Total assets:	<b>70,383,089.24</b>	<b>70,383,089.24</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Accounts payable	72,030.00	72,030.00
Staff salaries payable	249,502.30	249,502.30
Taxes payable	2,785.39	2,785.39
Other payables	6,431,155.87	6,431,155.87
Contract liabilities	900.00	900.00
	<hr/>	<hr/>
Total liabilities:	6,756,373.56	6,756,373.56
	<hr/>	<hr/>
<b>Net assets</b>	63,626,715.68	63,626,715.68
Less: Minority interests	22,898,245.97	22,898,245.97
	<hr/>	<hr/>
Net assets acquired	<b>40,728,469.71</b>	<b>40,728,469.71</b>
	<hr/> <hr/>	<hr/> <hr/>

(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 period

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VI. CHANGE OF THE SCOPE OF CONSOLIDATION (Continued)

### (IV) Disposal of subsidiaries

#### 1. Loss of control over investment in subsidiaries in a single disposal

Name of subsidiary	Consideration of the equity disposal	Equity disposal percentage (%)	Method of equity disposal	Time of losing control	Determination basis at the time of losing control	Difference between the disposal consideration and the share of the net assets corresponding to the disposal of the investment at the level of the consolidated financial statement	Proportion of remaining equity interest at the date of loss of control	Book value of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain or loss arising from the remaining equity interest re-measured at fair value	Recognition and major assumption of remaining equity interest at the date of loss of control	Investment profit or loss arising from transformation of other comprehensive income which is related to equity investment of former subsidiary
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	438,027,500.00	60.33	Transfer	2020.3.23	Transfer of control	-9,214.69						

Note: Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd. (徐州廣弘城東綜合管廊建設有限公司) and Xuzhou City North Bus Station Project Management Co., Ltd. (徐州市城北汽車客運站項目管理有限公司), subsidiaries of Nanjing Dongbang Equipment Co., Ltd., lost control on the date of disposal.

### (V) Changes in scope of consolidation due to other reasons

Xuzhou Sample Intelligent Technology Development Co., Ltd. and Sun Supreme Enterprises Limited are no longer included in the scope of the Company's consolidation due to deregistration.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VII. INTERESTS IN OTHER ENTITIES

### Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Percentage of shareholding (%)		Way of procurement
				Direct	Indirect	
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	Nanjing, PRC	Nanjing, PRC	Intelligent transportation	100.00	-	Business combination of enterprises not under common control
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	Nanjing, PRC	Nanjing, PRC	Computer software	100.00	-	Established by investment
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	Nanjing, PRC	Nanjing, PRC	IOT technology	100.00	-	Established by investment
Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司)	Nanjing, PRC	Nanjing, PRC	Information Technology	-	65.00	Business combination of enterprises not under common control
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Hong Kong, PRC	Hong Kong, PRC	Consultation and investment	100.00	-	Established by investment
Federal International Enterprise Limited (永鴻國際企業有限公司)	Hong Kong, PRC	Hong Kong, PRC	Electronic products	-	100.00	Business combination of enterprises not under common control
Jiangsu Ruifu Intelligent Tech. Co., Limited (江蘇瑞福智能科技有限公司)	Nanjing, PRC	Nanjing, PRC	Electronic products	-	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)	Nanjing, PRC	Nanjing, PRC	Municipal investment	70.00	-	Business combination of enterprises not under common control

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VII. INTERESTS IN OTHER ENTITIES (Continued)

### Interests in subsidiaries (Continued)

#### 1. Structure of the Group (Continued)

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Percentage of shareholding (%)		Way of procurement
				Direct	Indirect	
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	Nanjing, PRC	Nanjing, PRC	Information technology	100.00	–	Business combination of enterprises not under common control
Lianyungang International Trade Information Technology Co., Ltd. (連雲港海國貿信息技術有限公司)	Lianyungang, PRC	Lianyungang, PRC	Software and information technology	–	100.00	Established by investment
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	Qingdao, PRC	Qingdao, PRC	Software and information technology	60.00		Business combination of enterprises not under common control
Qingdao Big Data Trading Center Co., Ltd. (青島大數據交易中心有限公司)	Qingdao, PRC	Qingdao, PRC	Finance		51.00	Business combination of enterprises not under common control
Qingdao Big Data Information Technology Service Co., Ltd. (青島大數據資訊技術服務有限公司)	Qingdao, PRC	Qingdao, PRC	Software and information technology		60.00	Business combination of enterprises not under common control

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VII. INTERESTS IN OTHER ENTITIES (Continued)

### Interests in subsidiaries (Continued)

#### 2. Significant non-wholly-owned subsidiaries

Name of subsidiaries	Percentage of minority shareholdings (%)	Total profit or loss attributable to minority interests in the current period	Dividends declared to minority shareholders in the current period	Balance of minority interests at the end of period
Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司)	35.00	-11,080,761.73		19,779,898.10
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	30.00	-1,131,623.80		14,117,881.22
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	40.00	-312,656.17		25,978,731.71
Qingdao Big Data Trading Center Co., Ltd. (青島大數據交易中心有限公司)	49.00	-238,591.59		21,715,609.29

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the Board. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company.

The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

### (I) Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include cash at bank and on hand, other receivables and debt investment. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (I) Credit risk *(Continued)*

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the impairment loss of accounts receivable and other receivables based on aging. Accounts receivable and other receivables of the Company involves a large number of customers and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account the current and future forecast economic conditions, such as national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust expected loss rate. For contract assets and long-term receivables, the Company conducted reasonable evaluation to the adjusted expected credit loss after comprehensive consideration of the settlement period, the contractual payment period, the financial position of debtors and the economic situation of the debtors' industry, and takes into account the above forward-looking information.

As of 31 December 2020, the carrying amount and expected credit impairment loss of related assets are as follows:

Aging	Carrying amount	Impairment provision
Bills receivable	9,007,711.50	370,040.34
Accounts receivable	1,393,820,765.76	291,768,766.49
Other receivables	129,625,205.63	33,652,056.42
Contract assets	579,597,887.95	55,108,815.61
Total	2,112,051,570.84	380,899,678.86

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS *(Continued)*

### (II) Liquidity risk

Liquidity risk refers to the risk of short of funds when the Company performs its obligation of cash payment or settlement by other financial assets.

The Company's subordinate financial department is responsible for their respective cash flow projections. Based on the results thereof, the Company continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitoring the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. In addition, the Company entered into a credit line banking facilities agreement with principal business banks to provide support for the Company's obligations related to commercial bills.

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	231,085,935.02	429,559,534.07	660,645,469.09
Other payables	81,343,497.87		81,343,497.87
Short-term borrowings	756,035,488.89		756,035,488.89
Non-current liabilities due within one year	156,000,000.00		156,000,000.00
Other current liabilities	32,368,230.22		32,368,230.22
Long-term borrowings		186,250,000.00	186,250,000.00
<b>Total</b>	<b>1,256,833,152.00</b>	<b>615,809,534.07</b>	<b>1,872,642,686.07</b>

Items	Closing balance at preceding year		Total
	Within 1 year	Over 1 year	
Notes payable	6,593,170.50		6,593,170.50
Accounts payable	605,157,534.69	293,802,439.30	898,959,973.99
Other payables	34,503,452.48		34,503,452.48
Short-term borrowings	680,071,088.70		680,071,088.70
Non-current liabilities due within one year	356,946,404.90		356,946,404.90
Other current liabilities	25,907,029.50		25,907,029.50
Long-term borrowings		136,512,056.75	136,512,056.75
<b>Total</b>	<b>1,709,178,680.77</b>	<b>430,314,496.05</b>	<b>2,139,493,176.82</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 2020, the Company's interest-bearing debts are all RMB fixed-rate loan contracts, with a total amount of RMB1,098,285,488.89 (31 December 2019: RMB1,173,529,600).

As at 31 December 2020, with all other variables remaining unchanged, if the RMB benchmark interest rate rose by 1% or decreased by 1%, the Company's net profit would reduce or increase by RMB9,326,600 (31 December 2019: RMB9,975,000). The management considers that the increase or decrease of the benchmark interest rate by 1% reasonably reflects the reasonable range in which the borrowing interest rate may change in the next year.

#### 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 2020

(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 2020, 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	12,790,605.60	4,169,070.54
Other receivables	205,602.88	218,843.94
Accounts payable	45,850.37	48,874.85
Total	13,042,058.85	4,436,789.33

On 31 December 2020, with all other variables remaining unchanged, the net profits of the Company will decrease or increase by RMB554,900.00 (31 December 2019: RMB184,800.00) 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

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	219,653,402.05	679,253,400.00
Other non-current financial assets	132,643,300.91	125,359,255.07
Total	352,296,702.96	804,612,655.07

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## IX. 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) Financial instruments measured at fair value

Items	Closing fair value			Total
	Level 1	Level 2	Level 3	
<b>Continuous fair value measurement</b>				
◆ Investment in other equity instrument		219,653,402.05	219,653,402.05	
◆ Other non-current financial assets		132,643,300.91	132,643,300.91	
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 measured at fair value and its change included into other comprehensive income				
(1) Investment in equity instruments		132,643,300.91	132,643,300.91	
(2) Others				
<b>Total assets measured at fair value on a recurring basis</b>		<b>352,296,702.96</b>	<b>352,296,702.96</b>	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## IX. 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

For unlisted equity investments, the Company uses the valuation quotations from counterparties or uses valuation approaches, including discounted cash flow analysis, net asset value, market comparison and option pricing models, to determine their fair value. The fair value of these financial instruments may be based on unobservable inputs that have a significant impact on valuation. Unobservable inputs include weighted average cost of capital, discounted liquidity and price-to-book ratio.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 capital (RMB'000)	Equity interests held in the Company (%)	Voting right in the Company (%)
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing, PRC	Investment and development of high-tech industry; investment advisory services, asset management etc.	210,816.3265	50.77	50.77

### (II) Information of subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to “VII. Interests in other entities” of this note.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 “VII. Interests in other entities” of this note.

Other joint ventures or associates in which the Company has a related party transaction or balances caused by a related party transaction in the previous period are as follows:

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 party

Name of other related party	Relationship between other related parties and the Company
Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司)	Enterprise controlled by the same parent 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	Enterprise controlled by the same parent company
Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	Enterprise controlled by the same parent company
Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)	Enterprise controlled by the same parent company
Huangshan Lingtai Lanshi Chinese Medicinal Technology Co., Ltd. (黃山靈台蘭室中藥材科技有限公司)	Enterprise controlled by the same parent company
Qingdao West Coast Development Group Co., Ltd. (青島西海岸發展(集團)有限公司)	Actual controller
Qingdao West Coast Modern Agriculture Development Company Limited (青島西海岸現代農業發展有限公司)	Enterprise controlled by the same parent company

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions

#### 1. Particulars of leasing with related party

Name of the lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the previous period
Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司)	Property leasing	170,956.17	
Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	Property leasing	26,478.88	
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Property leasing	681,135.77	771,182.23
Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	Property leasing	126,038.60	
Nanjing Sample Digital Technology Co., Ltd. (南京三寶數碼科技有限公司)	Property leasing	1,147,680.91	
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	425,911.77	388,264.63
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	Equipment leasing		1,949,805.29
Zhong Jian Zhi Kang Supply Chain Service Company Limited	Property leasing	264,310.57	
Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	Property leasing	60,992.28	310,629.60
Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)	Property leasing	265,428.00	88,476.00
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Property leasing		713,141.86
Total		<u>3,297,412.95</u>	<u>4,349,979.61</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees

1) The Company act as the guaranteed party:

Guarantor	Guaranteed party	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 Co., Ltd.	20,500,000.00	2020-6-5	2021-6-3	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	64,500,000.00	2020-12-29	2021-12-17	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Zhong Jian Zhi Kang Supply Chain Service Company Limited and Sha Min	Nanjing Sample Technology Co., Ltd.	70,000,000.00	2020-6-29	2021-6-27	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	35,000,000.00	2020-6-11	2021-1-11	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	40,000,000.00	2020-4-15	2021-4-14	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	100,000,000.00	2020-10-15	2021-4-15	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	20,000,000.00	2020-9-15	2021-9-8	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	50,000,000.00	2019-6-6	2021-6-2	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	30,000,000.00	2018-3-30	2021-3-30	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	90,000,000.00	2018-3-30	2022-3-30	No

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

1) The Company act as the guaranteed party: (Continued)

Guarantor	Guaranteed party	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 Co., Ltd.	102,250,000.00	2020-9-25	2034-9-16	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	120,000,000.00	2018-10-12	2021-10-12	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	20,000,000.00	2019-9-29	2020-9-27	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	10,000,000.00	2019-1-15	2020-1-14	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司) and Sha Min	Nanjing Sample Technology Co., Ltd.	40,000,000.00	2019-2-2	2020-2-1	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	30,000,000.00	2019-5-22	2020-2-22	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	35,000,000.00	2019-6-18	2020-6-17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	16,770,000.00	2019-8-9	2020-2-5	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Zhong Jian Zhi Kang Supply Chain Service Company Limited	Nanjing Sample Technology Co., Ltd.	70,000,000.00	2019-12-19	2020-6-17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	96,110,623.29	2019-11-18	2020-11-18	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司) and Sha Min	Nanjing Sample Technology Co., Ltd.	120,000,000.00	2018-9-17	2020-9-17	Yes

# Notes to the Financial Statements

For the year ended 31 December 2020

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## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

##### 1) The Company act as the guaranteed party: (Continued)

Guarantor	Guaranteed party	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 Co., Ltd.	6,000,000.00	2018-9-20	2020-3-20	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	96,423,333.34	2019-10-14	2020-10-14	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	5,000,000.00	2019-1-31	2020-1-30	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	35,000,000.00	2020-1-3	2020-12-25	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	10,000,000.00	2020-1-16	2020-12-25	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Co., Ltd.	19,500,000.00	2020-9-27	2020-12-25	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	10,000,000.00	2020-1-20	2020-4-19	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	30,000,000.00	2020-1-17	2020-4-16	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	16,770,000.00	2020-1-21	2020-7-17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	30,000,000.00	2020-2-4	2020-7-31	Yes

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

1) The Company act as the guaranteed party: (Continued)

Guarantor	Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Nanjing Sample Technology Co., Ltd.	46,770,000.00	2020-7-17	2020-12-31	Yes
Total		<u>1,485,593,956.63</u>			

As at 31 December 2020, the Company has issued a total of RMB1,018,813.00 of guarantee in the bank, and the Company has deposited retention monies of RMB1,018,968.78.

2) The Company acts as guarantor:

Guarantor	Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	49,500,000.00	2020-4-7	2021-4-7	No
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,500,000.00	2020-4-14	2021-4-13	No
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	53,000,000.00	2020-12-25	2021-12-17	No
南京三寶科技集團有限公司、Nanjing Sample Technology Co., Ltd. and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2019-10-18	2021-3-31	No
Nanjing Sample Technology Co., Ltd., Zhong Jian Zhi Kang Supply Chain Service Company Limited and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	10,000,000.00	2020-7-10	2021-7-8	No

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

##### 2) The Company acts as guarantor: (Continued)

Guarantor	Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2020-4-15	2021-4-14	No
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	50,000,000.00	2020-9-23	2021-2-21	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2020-6-10	2021-6-10	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Sample Technology Co., Ltd. and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	100,000,000.00	2020-10-13	2021-4-13	No
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2019-1-16	2020-1-15	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2020-1-15	2020-12-22	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	15,000,000.00	2020-1-3	2020-12-22	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	7,000,000.00	2020-3-20	2020-12-22	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,000,000.00	2020-3-20	2020-12-22	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	10,000,000.00	2019-1-17	2020-1-15	Yes

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

2) The Company acts as guarantor: (Continued)

Guarantor	Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Nanjing Sample Technology Co., Ltd., Zhong Jian Zhi Kang Supply Chain Service Company Limited and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	10,000,000.00	2020-1-14	2020-7-13	Yes
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2020-1-17	2020-4-16	Yes
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2019-2-2	2020-2-1	Yes
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	50,000,000.00	2019-12-19	2020-6-17	Yes
Nanjing Sample Technology Co., Ltd., Sha Min and Du Yu	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	50,000,000.00	2020-5-8	2020-9-21	Yes
Nanjing Sample Technology Co., Ltd. and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2019-6-5	2020-6-5	Yes
Nanjing Sample Technology Co., Ltd.	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2019-10-16	2020-10-15	Yes
Nanjing Sample Technology Co., Ltd., Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司) and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2019-10-18	2020-10-17	Yes
Nanjing Sample Technology Co., Ltd. and Sha Min	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,206,529.75	2019-1-10	2020-12-10	Yes
Total		<u>730,206,529.75</u>			

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 2. Related party guarantees (Continued)

2) The Company acts as guarantor: (Continued)

Particulars of guarantees provided for letter of guarantee and bills:

As at 31 December 2020, the Company has provided guarantee totaling RMB29,472,470.02 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.

### (VI) Receivables and payables of related party

#### (1) Receivables

Items	Related parties	Closing balance		Closing balance at preceding year	
		Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable					
	Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司)	68,994.92	3,449.75		
	Huangshan Lingtai Lanshi Chinese Medicinal Technology Co., Ltd. (黃山靈台蘭室中藥材科技有限公司)	12,811.50	640.58		
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	1,780,529.29	89,026.46		
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馮道數據科技有限公司)	23,856,154.98	1,192,807.75	10,986,705.91	549,335.30
	Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	27,802.82	1,390.14		
	Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	1,461.94	73.10		
	Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	3,531.07	176.55		
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	67,452.00	3,372.60	134,904.00	6,745.20
	Zhong Jian Zhi Kang Supply Chain Service Company Limited	11,785.65	589.28		

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## 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 amount	Provision for bad debt	Carrying amount	Provision for bad debt
	Qingdao West Coast Development (Group) Limited (青島西海岸發展(集團)有限公司)	4,284,900.00	214,245.00		
	Panche Data Technology (Nanjing) Co., Ltd. (盤車數據科技(南京)有限公司)			8,500,000.00	425,000.00
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)			374,399.48	18,719.97
Other receivables	Nanjing Nanda Sample Capital Management Co., Ltd. (南京南大三寶資本管理有限公司)	77,513.50	3,875.68	78,375.38	3,918.77
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	150,145.23	7,507.26	96,137.68	4,806.88
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	9,653.50	482.68	12,848,561.31	642,428.07
	Qingdao West Coast Development (Group) Limited (青島西海岸發展(集團)有限公司)	811,158.85	40,557.94		
	Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)			67,536.96	3,376.85

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (VI) Receivables and payables of related party (Continued)

#### (2) Payables

Items	Related parties	Closing balance	Closing balance at preceding year
Other payables			
	Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司)	2,718.09	
	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)	259,996.98	
	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 Technology Group Company Limited (南京三寶科技集團有限公司)	4,986,346.04	
	Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	88,270.26	
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	7,812.40	3,879.90
	Qingdao West Coast Modern Agriculture Development Company Limited (青島西海岸現代農業發展有限公司)	1,472.00	
	Zhong Jian Zhi Kang Supply Chain Service Company Limited	46,355.10	
	Sample Supply Chain Management (Nanjing) Co., Ltd. (三寶供應鏈管理(南京)有限公司)		2.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XI. COMMITMENTS AND CONTINGENCIES

### (I) Significant commitments

1. The Company obtained borrowings of RMB102,250,000 from Nanjing Xinjiekou Sub-branch of Industrial and Commercial Bank of China, with the Company's property located at No. 10 Maqun Avenue, Qixia District, Nanjing City as collateral. Of which, the total pledged area of the property amounted to 39,075.32 square meters, and the total pledged land area was 78,731.00 square meters. As at 31 December 2020, the book value of the collateral was RMB343,071,187.31.
2. The company obtained a borrowing of RMB50,000,000 from the Nanjing Baixia Sub-branch of the Bank of Communications with the shares of Jiangsu Private Investment Holdings Co., Ltd. amounting to RMB200,000,000 held as a pledge. As at 31 December 2020, the carrying amount of the pledge was RMB213,480,000.00.
3. As at 31 December 2020, the total amount of guarantees issued by the Company was RMB21,741,049.30.

### (II) Contingent events

As of December 31, 2020, please refer to Note X. (V) 2 for the debt guarantee provided by the Company for related parties (subsidiaries) as at 31 December 2020.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XII. EVENTS AFTER BALANCE SHEET DATE

On 28 January 2021, the Company and Jiangsu Intellitrans Company Ltd. (hereinafter referred to as Jiangsu Intellitrans), a subsidiary of the Company, separately entered into a creditor's rights transfer agreement with Nanjing Sample Technology Group Company Limited (hereinafter referred to as Sample Group), the parent of the Company, pursuant to which Sample Group was transferred creditor's rights of RMB505,658,190.23 in aggregate, of which RMB153,311,928.00 was from the Company and RMB352,346,262.23 was from Jiangsu Intellitrans. Such amount of creditor's rights was determined by the carrying amount audited and recognized by Jiangsu Guode Certified Public Accountants Co., Ltd. on the record date (i.e. 30 November 2020). As of the balance sheet date, the carrying amount of the creditor's rights has not changed. Set out below is the breakdown of the creditor's rights:

Transferor	Name of customer with account receivables	Account receivables balance	Provision for bad debt	Carrying amount of the account receivables	Account receivables breakdown
Nanjing Sample Technology Group Company Limited	Zhongji Guoneng Engineering Co., Ltd.	166,643,400.00	13,331,472.00	153,311,928.00	Uncollected receivables of equipment procurement contracts for the 20MW photovoltaic power generation project of Zhongji Guoneng Engineering Co., Ltd.- Feicheng Yingdian Energy Co., Ltd. Old Town Phase II and Daolong 20MW photovoltaic power generation project of Tai'an Langwa Energy Co., Ltd.
Jiangsu Intellitrans Company Ltd.	Guangxi Longguang Guanghe Expressway Co., Ltd.	6,920,805.80	1,720,000.00	5,200,805.80	Uncollected receivables of the Guangxi Lingfeng (Guangxi-Guangdong boundary) to Babu highway project contracted by Guangxi Longguang Guanghe Expressway Co., Ltd.
Jiangsu Intellitrans Company Ltd.	China Coal Construction Group Co., Ltd.	86,300,401.86	3,452,016.08	82,848,385.78	Uncollected receivables of Qinhan Avenue Municipal Road engineering project contracted by China Coal Construction Group Co., Ltd.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XII. EVENTS AFTER BALANCE SHEET DATE (Continued)

Transferor	Name of customer with account receivables	Account receivables balance	Provision for bad debt	Carrying amount of the account receivables	Account receivables breakdown
Jiangsu Intellitrans Company Ltd.	Fujian Expressway Group Co., Ltd.	21,608,529.91	8,318,000.00	13,290,529.91	Uncollected payment receivables and project payments of the supply and installation contracts for traffic electrical and mechanical engineering monitoring, toll collection, communications, tunnel ventilation, lighting consumption, and electricity distribution system along the line from Haixi Expressway Network Changtaimeigong to Chenxiang Expressway contracted by Zhangzhou Xiacheng Expressway Co., Ltd.
Jiangsu Intellitrans Company Ltd.	Sichuan Li Pan Expressway Co., Ltd.	10,364,760.54	1,030,000.00	9,334,760.54	Uncollected receivables of the engineering project of the JD1 Bid Section of the Panzhihua Section in Lijiang-Panzhihua Expressway contracted by Sichuan Li Pan Expressway Co., Ltd.
Jiangsu Intellitrans Company Ltd.	Sichuan Guanggan Expressway Co., Ltd.	7,918,670.12	2,260,000.00	5,658,670.12	Uncollected receivables of full line toll connection, monitoring, communications and procurement and installation of tunnel electromechanical system of the JD6 Section of the Lanzhou-Haikou National Expressway Yaodu (Ganchuan boundary) to Guangyuan highway project contracted by Sichuan Guanggan Expressway Co., Ltd.
Jiangsu Intellitrans Company Ltd.	China Coal Construction Group Co., Ltd.	239,478,611.59	9,579,144.46	229,899,467.13	Uncollected payment receivables and project payments of mechanical and electrical construction and equipment procurement of Shangqiu Municipal Road project contracted by China Coal Construction Group Co., Ltd.

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XII. EVENTS AFTER BALANCE SHEET DATE (Continued)

Transferor	Name of customer with account receivables	Account receivables balance	Provision for bad debt	Carrying amount of the account receivables	Account receivables breakdown
Jiangsu Intellitrans Company Ltd.	Chengdu Longguang Erhuan Expressway Co., Ltd.	6,643,642.95	530,000.00	6,113,642.95	Uncollected receivables of Electrical and Mechanical Works of the A5 Contract Section of the Chengdu Second Ring Expressway project contracted by Chengdu Longguang Erhuan Expressway Co., Ltd.
Total		<u>545,878,822.77</u>	<u>40,220,632.54</u>	<u>505,658,190.23</u>	

On 29 March 2021, the above-mentioned debt transfer agreement was approved at the general meeting of the Company.

## XIII. OTHER IMPORTANT MATTERS

- (I) On 19 March 2020, the Company entered into an Equity Transfer Agreement with China Overseas Development and Construction Group Co., Ltd. (“China Overseas”, 中海外開發建設集團有限公司), pursuant to which both parties agreed to transfer the equity interests amounted to RMB438,000,000 in Nanjing Dongbang Equipment Co., Ltd. held by the Company (accounting for 60.33% of registered capital of such company) to China Overseas at a consideration of RMB438,027,500.00. At the same time, both parties entered into the Fund Transfer Agreement, agreeing to transfer all units of Jianan Xuyi Equity Fund No.1 held by Nanjing Dongbang Equipment Co., Ltd. at a consideration of RMB450,000,000 to China Overseas. Meanwhile, China Overseas was provided an option, which is exercisable by China Overseas within 90 days after the Equity Acquisition and Project Cooperation Agreement comes into effect (the “Option Period”) to decide whether the Fund Transfer Agreement is effective. China Overseas intended to continue to hold Xuyi Equity Fund through Nanjing Dongbang. In view of the large scale of the fund, China Overseas stated that it required more time to conduct an internal evaluation of the fund acquisition in order to form a final decision. As at the approval date of the report, China Overseas has not implemented the above option.
- (II) In August 2020, Qingdao West Coast Development Group Co., Ltd. (青島西海岸發展(集團)有限公司) contributed to the capital of Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), the parent company of the Company, and held 51% of equity interests in the parent company. The ultimate controller of the Company was changed to the State-owned Assets Supervision and Administration Commission of the People’s Government of Qingdao.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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

#### 1. Notes receivable disclosed based on type

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	6,217,599.66	576,000.00
Commercial acceptance bills	1,495,542.90	100,000,000.00
Total	7,713,142.56	100,576,000.00

#### 2. The Company did not have pledged notes receivable during the period

#### 3. Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance bills		6,217,599.66
Commercial acceptance bills		1,495,542.90
Total		7,713,142.56

#### 4. The Company did not have notes that were converted into accounts receivable due to the failure of the drawer to perform the contract during the period

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 based on aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	<b>96,754,951.57</b>	380,028,421.72
1 to 2 years	<b>270,736,433.81</b>	269,786,844.84
2 to 3 years	<b>260,528,846.52</b>	28,298,274.62
Over 3 years	<b>47,625,088.13</b>	26,799,922.25
Sub-total	<b>675,645,320.03</b>	704,913,463.43
Less: Provision for bad debts	<b>130,125,026.36</b>	74,554,866.30
Total	<b>545,520,293.67</b>	630,358,597.13

#### 2. Disclosed based on classification of provision method for bad debts

Classification	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 (%)	
Accounts receivable subjected to provision for expected credit losses on individual basis	193,301,017.80	28.61	39,989,089.80	20.69	153,311,928.00	6,600,000.00	0.94	2,671,500.00	40.48	3,928,500.00
Accounts receivable subjected to provision for expected credit losses on portfolio basis	482,344,302.23	71.39	90,135,936.56	18.69	392,208,365.67	698,313,463.43	99.06	71,883,366.30	10.29	626,430,097.13
Including:										
Engineering and sales receivable from non-related party	456,513,778.06	67.57	88,844,410.35	19.46	367,669,367.71	664,421,352.54	94.26	70,189,804.66	10.56	594,231,547.88
Engineering and sales receivable from related party within the scope of consolidation	25,830,524.17	3.82	1,291,526.21	5.00	24,538,997.96	33,871,232.89	4.80	1,693,561.64	5.00	32,177,671.25
Engineering and sales receivable from related party outside the scope of consolidation						20,878.00				20,878.00
Total	<b>675,645,320.03</b>	<b>100.00</b>	<b>130,125,026.36</b>		<b>545,520,293.67</b>	<b>704,913,463.43</b>	<b>100.00</b>	<b>74,554,866.30</b>		<b>630,358,597.13</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 expected credit loss on individual basis

Name of units	Closing balance		Provision proportion (%)	Reasons for provision
	Carrying balance	Provision for bad debts		
Jiangsu Deya Intelligent Technology Co., Ltd. (江蘇德亞智能科技股份有限公司)	26,657,617.80	26,657,617.80	100.00	Expected unrecvoery
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	166,643,400.00	13,331,472.00	8.00	Expected credit loss
Total	193,301,017.80	39,989,089.80		

#### 4. Accounts receivable subjected to expected credit loss on portfolio basis

##### 1) Engineering and sales receivable from non-related party

Aging	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year (1 year inclusive)	105,183,064.75	4,308,069.97	4.00
1 to 2 years	246,365,615.00	19,709,249.20	8.00
2 to 3 years	57,340,010.18	17,202,003.05	30.00
Over 3 years	47,625,088.13	47,625,088.13	100.00
Total	456,513,778.06	88,844,410.35	

##### 2) Related parties portfolio outside the scope of consolidation

Item	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Related parties portfolio outside the scope of consolidation	25,830,524.17	1,291,526.21	5.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(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	Movement during the period		Closing balance
		Provision	Recovered or reversed / Charged off or written off	
Accounts receivable subjected to provision for expected credit losses on individual basis	2,671,500.00	43,917,589.80	6,600,000.00	<b>39,989,089.80</b>
Accounts receivable subjected to provision for expected credit losses on portfolio basis	71,883,366.30	18,252,570.26		<b>90,135,936.56</b>
Including:				
Engineering and sales receivable from non-related party	70,189,804.66	18,654,605.69		<b>88,844,410.35</b>
Engineering and sales receivable from related party outside the scope of consolidation	1,693,561.64	-402,035.43		<b>1,291,526.21</b>
<b>Total</b>	<b>74,554,866.30</b>	<b>62,170,160.06</b>	<b>6,600,000.00</b>	<b>130,125,026.36</b>

#### 6. Accounts receivable actually written off during the period

Name of unit	Write-off amount	Reason for write-off	Whether the amount is due to related party transactions
Changzhou Haide Real Estate Co., Ltd. (常州海德置業有限公司)	4,850,000.00	Unable to recover	No
Jiaxing Dongxing Real Estate Co., Ltd. (嘉興東興置業有限公司)	1,750,000.00	Unable to recover	No
<b>Total</b>	<b>6,600,000.00</b>		

Note: The aforementioned write-off of accounts receivable has been considered and approved at the tenth meeting of the seventh session of the Board of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### 7. Particulars of the top five of accounts receivable at the end of the period

Name of units	Closing balance	Percentage to the closing balance of accounts receivable (%)	Provision for bad debts provided
Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	174,526,996.14	25.83	15,696,550.84
Zhongji Guoneng Power Engineering Co., Ltd. (中機國能電力工程有限公司)	131,216,000.00	19.42	10,497,280.00
Shanghai Shuoqi Trading Co., Ltd. (上海朔奇商貿有限公司)	59,403,900.00	8.79	2,376,156.00
Shenyang Jiatian Technology Co., Ltd. (瀋陽迦天科技有限公司)	45,100,000.00	6.68	4,081,000.00
China Energy Engineering Group Co., Ltd. (中國能源工程集團有限公司)	36,062,312.08	5.34	2,884,984.97
Total	446,309,208.22	66.06	35,535,971.81

### (III) Receivables financing

#### 1. Receivables financing

Items	Closing balance	Closing balance at preceding year
Notes receivable	1,000,000.00	100,000.00

# Notes to the Financial Statements

For the year ended 31 December 2020

(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 (Continued)

#### 2. Changes in receivables financing for the period and changes in fair value

Items	Closing balance at preceding year	New grants for the period	Derecognition for the period	Other movements	Closing balance	Accumulated allowance for losses recognized in other comprehensive income
Notes receivable	100,000.00	1,000,000.00	100,000.00		1,000,000.00	

### (IV) Other receivables

Item	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		
Other receivables	100,830,966.83	88,325,785.54
Total	100,830,966.83	88,325,785.54

#### Other receivables

(1) Other receivables disclosed based on aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	94,986,815.36	24,541,524.59
1 to 2 years	6,201,734.12	1,064,738.35
2 to 3 years	919,890.50	217,200.00
Over 3 years	4,866,058.96	68,689,705.19
Sub-total	106,974,498.94	94,513,168.13
Less: Provision for bad debts	6,143,532.11	6,187,382.59
Total	100,830,966.83	88,325,785.54

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### Other receivables (Continued)

(2) Disclosed in three stages of impairment of financial assets

Items	Closing balance			Closing balance at preceding year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Stage I	106,974,498.94	6,143,532.11	100,830,966.83	94,513,168.13	6,187,382.59	88,325,785.54
Stage II						
Stage III						
Total	<u>106,974,498.94</u>	<u>6,143,532.11</u>	<u>100,830,966.83</u>	<u>94,513,168.13</u>	<u>6,187,382.59</u>	<u>88,325,785.54</u>

(3) Particulars of provision for bad debts

Provision for bad debts	First stage Expected credit loss in the future 12 months	Second stage Expected credit loss for the entire lifetime (no credit impairment occurred)	Third stage Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Closing balance at preceding year	6,187,382.59			6,187,382.59
Closing balance at preceding year during the period that:				
– transferred to second stage				
– transferred to third stage				
– reversed to second stage				
– reversed to first stage				
Provision for the period	-43,850.48			-43,850.48
Reversal in the current period				
Charge-off in the current period				
Write-off in the current period				
Other movement				
Closing balance	<u>6,143,532.11</u>			<u>6,143,532.11</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### Other receivables (Continued)

#### (3) 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 amount				
Balance at preceding year	94,513,168.13			94,513,168.13
Balance at preceding year during the period that:				
– transferred to stage II				
– transferred to stage III				
– reversed to stage II				
– reversed to stage I				
Addition during the period	12,461,330.81			12,461,330.81
Derecognition during the period				
Other movements				
Closing balance	<u>106,974,498.94</u>			<u>106,974,498.94</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### Other receivables (Continued)

- (4) Other receivables actually written off in the period

Item	Write-off amount
Other receivables actually written off	766,417.44

- (5) Disclosed based on natures of receivables

Natures	Closing book balance	Closing book balance at preceding year
Current accounts of related parties	<b>90,964,887.74</b>	63,977,169.63
Retention monies	<b>9,565,252.78</b>	13,574,245.68
Current accounts	<b>3,325,837.35</b>	2,680,922.74
Reserve funds	<b>1,576,936.55</b>	1,455,723.14
Others	<b>1,541,584.52</b>	
Disposal expenses of fixed assets		12,825,106.94
Total	<b>106,974,498.94</b>	94,513,168.13

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### Other receivables (Continued)

(6) Particulars of the top five of other receivables at the end of the period

Name of units	Nature	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of provision for bad debts
Sample Technology (HK) Co., Ltd. (三寶科技(香港)有限公司)	Current accounts of related parties	58,921,270.59	Within 1 year	55.08	
Jiangsu Intellitrans Company Ltd. (江蘇智運科技發展有限公司)	Current accounts of related parties	32,009,199.30	Within 1 year	29.92	
China Nuclear Northwest Construction Group Co., Ltd. (中核西北建設有限公司)	Retention monies	2,000,000.00	1 to 2 years	1.87	200,000.00
Xuzhou Guanghong Transportation Construction Development Co., Ltd. (徐州市廣弘交通建設發展有限公司)	Current accounts	1,341,719.00	1 to 2 years	1.25	134,171.90
Financial settlement center of Changchun Economic and Technological Development Zone (長春經濟技術開發區財務結算中心)	Retention monies	901,485.20	Over 5 years	0.84	901,485.20
Total		<u>95,173,674.09</u>		<u>88.96</u>	<u>1,235,657.10</u>

# Notes to the Financial Statements

For the year ended 31 December 2020

(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

Nature	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	544,903,234.82	5,562,918.17	539,340,316.65	946,379,734.82		946,379,734.82
Investment in associates and joint ventures	118,352.11		118,352.11	150,589.04		150,589.04
Total	545,021,586.93	5,562,918.17	539,458,668.76	946,530,323.86		946,530,323.86

#### 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. (南京三寶物流科技發展有限公司)	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		
Nanjing Dongbang Equipment Co., Ltd. (南京動邦裝備有限公司)	436,476,500.00	1,523,500.00	438,000,000.00			
Xuzhou Sample Intelligent Technology Development Co., Ltd. (徐州三寶智能科技發展有限公司)	10,000,000.00		10,000,000.00			
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	77,688.00			77,688.00		
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)		45,000,000.00		45,000,000.00	5,562,918.17	5,562,918.17
Total	946,379,734.82	46,523,500.00	448,000,000.00	544,903,234.82	5,562,918.17	5,562,918.17

# Notes to the Financial Statements

For the year ended 31 December 2020

(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		
Associates										
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	150,589.04			-32,236.93						118,352.11

### (VI) Operating income and operating cost

#### 1. Operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	537,935,190.20	476,426,653.81	579,916,122.99	447,823,513.31
Other operation	28,146,578.55	1,700,288.15	32,306,716.37	9,854,131.63
Total	566,081,768.75	478,126,941.96	612,222,839.36	457,677,644.94

#### 2. Income derived from contracts

Items	Current period		Previous period	
	Operating income	Operating costs	Operating income	Operating costs
System integration	188,192,909.34	130,925,097.12	120,531,945.45	79,269,308.72
Intelligent terminal sales	346,817,211.68	343,495,645.36	350,287,149.25	326,251,196.83
Service income	2,925,069.18	2,005,911.33	109,097,028.29	42,303,007.76
Total	537,935,190.20	476,426,653.81	579,916,122.99	447,823,513.31

# Notes to the Financial Statements

For the year ended 31 December 2020

(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)

#### 3. Description of performance obligations

The system integration business is generally constructed in accordance with the contracted construction period, but there has been delay due to the impact of the previous basic engineering;

The sales business of the intelligent terminal is generally delivered according to the delivery time specified in the contract, and the performance obligation is fulfilled after the customer signs or accepts the goods;

The service business generally completes the technology development business according to the time agreed in the contract, and fulfills the performance obligation after the customers' acceptance.

### (VII) Investment income

Items	Current period	Previous period
Investment income from long-term equity investment under cost method	50,000,000.00	50,000,000.00
Investment income from long-term equity investment under equity method	-32,236.93	-1,871,834.34
Investment income from disposal of long-term equity investment	-4,334,448.52	2,656,726.70
Investment income of held-for-trading financial assets during the holding period		68,200.00
Investment income from disposal of held-for-trading financial assets		43,474.24
Investment income from other equity instruments investment during the holding period		745,200.00
Total	45,633,314.55	51,641,766.60

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XV. SUPPLEMENTAL INFORMATION

### (I) Summary of non-recurring profit or loss of the period

Items	Current period
Profits or losses on disposal of non-current assets	10,106,126.48
Tax refund or exemption with unauthorised approval or no formal approval document	
Government subsidies included in profit or loss of the period (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	
Capital use fee received from non-financial enterprises recognised in profit or loss for the period	
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value	
Gains or losses on exchange of non-monetary assets	
Gains or losses on entrusted investment or management of assets	
Provision for impairment of assets due to force majeure such as natural disasters	
Gains or losses on debt restructuring	
Expenses for reorganization such as expenditure for staffing and integration expenses	
Gains or losses on the excess beyond fair value in the transaction with unfair price	
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net	
Gains or losses on contingencies that is in no connection with the normal operation of the Company	

# Notes to the Financial Statements

For the year ended 31 December 2020

(All amounts in Renminbi yuan unless otherwise stated)

## XV. SUPPLEMENTAL INFORMATION *(Continued)*

### (I) Summary of non-recurring profit or loss of the period *(Continued)*

Items	Current period
Gains or losses on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	
Reversal of provisions for impairment of account receivables and contract assets individually subjected to impairment test	
Gains or losses from external entrusted loans	
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value	4,613,300.00
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period	
Trustee fee income from entrusted operations	
Other non-operating income and expenses other than the aforementioned items	456,140.75
Other items of gain or loss in accordance with the definition of extraordinary profit and loss	
Subtotal	15,175,567.23
Impact on income tax	2,525,081.03
Impact on minority interests (after-tax)	1,231.94
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Total	<u>12,649,254.26</u>

### (II) Return on net assets and earnings per share

Profit during the period under review	Weighted average return rate on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-7.08	-0.18	-0.18
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	-7.72	-0.19	-0.19
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# Five-Year Financial Summary

## RESULTS

	2020 RMB'000	Year ended 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total operating income	<b>945,958</b>	1,487,129	1,834,488	1,716,863	1,483,379
Total profit	<b>-170,935</b>	108,187	229,638	262,341	212,052
Net profit	<b>-152,161</b>	82,187	192,696	217,092	178,818
Net profit attributable to shareholders of the parent Company	<b>-139,375</b>	107,023	195,992	222,099	175,826
Minority profit and loss	<b>-12,786</b>	-24,836	-3,296	-5,007	2,992
Basic earnings per share (Renminbi Yuan)	<b>-0.18</b>	0.14	0.25	0.28	0.23

## ASSETS AND LIABILITIES

	2020 RMB'000	At 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Current assets	<b>3,175,733</b>	2,975,609	3,656,893	3,003,436	2,855,062
Non-current assets	<b>1,003,479</b>	1,484,009	1,154,799	682,545	581,146
Current liabilities	<b>1,980,423</b>	2,167,921	2,212,333	1,486,565	1,490,990
Net current assets	<b>1,195,310</b>	807,688	1,444,560	1,516,871	1,364,072
Total owners' equity attributable to the parent Company	<b>1,894,571</b>	2,039,315	2,005,738	1,950,293	1,753,956
Total owners' equity	<b>1,977,109</b>	2,115,590	2,080,992	2,084,346	1,816,752