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

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

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL HIGHLIGHTS**

The total operating income of the Group for the year ended 31 December 2022 (the “Review Period”) amounted to RMB512,665,194.01, representing a decrease of approximately 43.91% as compared to the corresponding period of last year.

The net loss attributable to shareholders of the parent company for the year ended 31 December 2022 was RMB273,526,467.22, as compared to the net loss attributable to shareholders of the parent company of RMB59,244,735.65 for the corresponding period of last year.

The basic loss per share for the year ended 31 December 2022 was approximately RMB0.35 (2021: basic loss per share of approximately RMB0.07).

The Board did not propose the payment of a final dividend for the year ended 31 December 2022.

**ANNUAL RESULTS**

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

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

**Consolidated balance sheet***At 31 December 2022*

<b>ASSETS</b>	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Current assets:</b>			
Cash at bank and on hand		<b>472,877,356.21</b>	379,312,843.32
Settlement provisions		–	–
Placements with banks and other financial institutions		–	–
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Notes receivable	3	<b>5,278,413.60</b>	3,600,960.00
Accounts receivable	3	<b>240,880,565.69</b>	326,188,720.07
Receivables financing	3	<b>1,505,158.27</b>	4,000,000.00
Prepayments	3	<b>91,147,323.41</b>	142,015,522.10
Premiums receivable		–	–
Reinsurance receivable		–	–
Reinsurance contract reserve receivable		–	–
Other receivables	3	<b>366,840,678.68</b>	821,201,854.95
Financial assets held under resale agreements		–	–
Inventories		<b>36,949,072.95</b>	70,393,240.44
Contract assets		<b>547,320,001.45</b>	607,228,964.84
Held-for-sale assets		–	428,077,500.00
Non-current assets due within one year		<b>24,687,737.50</b>	–
Other current assets		<b>66,184,323.09</b>	74,216,262.60
<b>Total current assets</b>		<b><u>1,853,670,630.85</u></b>	<b><u>2,856,235,868.32</u></b>

ASSETS (CONTINUED)	<i>Note</i>	2022	2021
<b>Non-current assets:</b>			
Loans and advances to customers		—	—
Debenture investments		—	—
Other debenture investment		—	—
Long-term receivables		—	—
Long-term equity investments		<b>10,132,457.00</b>	114,791.00
Other equity instruments investment		<b>502,211,599.45</b>	5,613,951.53
Other non-current financial assets		<b>160,405,352.56</b>	140,947,660.22
Investment property		<b>236,803,100.00</b>	236,490,100.00
Fixed assets		<b>152,999,306.59</b>	208,814,233.66
Construction in progress		<b>172,212.40</b>	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets		<b>10,395,621.02</b>	10,308,157.92
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses		—	620,319.39
Deferred income tax assets		<b>71,504,724.83</b>	68,446,098.11
Other non-current assets		—	23,665,787.50
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b><u>1,144,624,373.85</u></b>	<b><u>695,021,099.33</u></b>
<b>TOTAL ASSETS</b>		<b><u>2,998,295,004.70</u></b>	<b><u>3,551,256,967.65</u></b>

<b>LIABILITIES &amp; OWNERS' EQUITY</b>	<i>Note</i>	<b>2022</b>	2021
<b>Current liabilities:</b>			
Short-term borrowings		<b>729,107,789.86</b>	772,812,942.91
Borrowings from central bank		-	-
Placements from banks and other financial institutions		-	-
Held-for-trading financial liabilities		-	-
Derivative financial liabilities		-	-
Notes payable	4	-	4,000,000.00
Accounts payable	4	<b>420,268,845.60</b>	547,731,378.35
Advances from customers	4	-	17,872.20
Contract liabilities	4	<b>55,344,250.54</b>	53,269,281.83
Financial assets sold under repurchase agreements		-	-
Customer deposits and deposits from banks and other financial institutions		-	-
Securities trading of agency		-	-
Securities underwriting		-	-
Staff salaries payable		<b>15,845,751.94</b>	16,063,182.97
Taxes payable		<b>4,175,039.57</b>	7,599,550.52
Other payables	4	<b>88,604,051.24</b>	52,244,563.53
Bank charges and commissions due		-	-
Reinsurers due		-	-
Held-for-sale liabilities		-	-
Non-current liabilities due within 1 year		<b>6,000,000.00</b>	96,000,000.00
Other current liabilities		<b>8,679,446.46</b>	3,618,602.10
		<b><u>1,328,025,175.21</u></b>	<b><u>1,553,357,374.41</u></b>
Total current liabilities		<b><u>1,328,025,175.21</u></b>	<b><u>1,553,357,374.41</u></b>

<b>LIABILITIES &amp; OWNERS' EQUITY (CONTINUED)</b>	<i>Note</i>	<b>2022</b>	2021
<b>Non-current liabilities:</b>			
Insurance contract reserves		—	—
Long-term borrowings		<b>88,032,451.78</b>	90,250,000.00
Bonds payables		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Lease liabilities		—	—
Long-term payables		—	—
Long-term staff salaries payable		—	—
Estimated liabilities		—	—
Deferred income		<b>6,935,213.17</b>	14,385,829.85
Deferred income tax liabilities		<b>16,709,856.83</b>	15,804,508.85
Other non-current liabilities		—	—
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b><u>111,677,521.78</u></b>	<b><u>120,440,338.70</u></b>
<b>Total liabilities</b>		<b><u>1,439,702,696.99</u></b>	<b><u>1,673,797,713.11</u></b>
<b>Owners' equity:</b>			
Share capital		<b>792,058,500.00</b>	792,058,500.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Capital reserves		<b>80,999,419.73</b>	103,269,821.12
Less: treasury stocks		—	—
Other comprehensive income		<b>34,759,511.88</b>	25,457,396.42
Special reserves		—	—
Surplus reserves		<b>104,128,024.15</b>	104,128,024.15
General risk provision		—	—
Undistributed profits	<u>5</u>	<b><u>536,999,877.42</u></b>	812,449,980.76
<b>Total owners' equity attributable to the parent company</b>		<b><u>1,548,945,333.18</u></b>	<b><u>1,837,363,722.45</u></b>
Minority interest		<b><u>9,646,974.53</u></b>	<b><u>40,095,532.09</u></b>
<b>Total owners' equity</b>		<b><u>1,558,592,307.71</u></b>	<b><u>1,877,459,254.54</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b><u>2,998,295,004.70</u></b>	<b><u>3,551,256,967.65</u></b>

## Consolidated income statement

For the year ended 31 December 2022

ITEMS	Note	2022	2021
<b>1. Total operating income</b>	6	<b>512,665,194.01</b>	914,013,755.55
Including: Operating income		<b>512,665,194.01</b>	914,013,755.55
Interest income		–	–
Premiums earned		–	–
Fee and commission income		–	–
<b>2. Total operating cost</b>		<b>638,933,934.01</b>	954,710,351.64
Including: Operating costs	6	<b>483,429,208.33</b>	744,568,376.45
Interest expenses		–	–
Fee and commission expense		–	–
Surrenders		–	–
Net expenses of claim settlement		–	–
Net provisions for insurance contract		–	–
Insurance policy dividend payment		–	–
Reinsurance cost		–	–
Tax and surcharges		<b>4,771,144.79</b>	5,639,530.48
Selling expenses		<b>44,130,186.93</b>	38,544,136.51
Administrative expenses		<b>46,632,855.46</b>	58,204,990.99
Research and development expenses		<b>23,139,593.40</b>	48,556,855.68
Financial expenses	9	<b>36,830,945.10</b>	59,196,461.53
Including: Interest expense		<b>42,758,466.41</b>	59,758,364.88
Interest income		<b>5,672,499.57</b>	1,894,057.79
Add: Other gains		<b>12,050,298.38</b>	12,178,328.56
Investment income (losses are represented by “-”)		<b>-1,194,716.82</b>	9,777,733.14
Including: Investment income of associates and joint ventures		<b>17,666.00</b>	-3,561.11
Gains arising from derecognition of financial assets measured at amortised cost		–	–
Exchange gain (losses are represented by “-”)		–	–
Income on hedging the net exposure (losses are represented by “-”)		–	–
Gains arising from changes in fair value (losses are represented by “-”)		<b>1,608,967.14</b>	10,536,503.31
Credit impairment loss (losses are represented by “-”)		<b>-199,369,835.55</b>	-44,990,267.50
Asset impairment loss (losses are represented by “-”)		<b>5,495,847.96</b>	-1,551,448.31
Gains on disposal of assets (losses are represented by “-”)		<b>-67,124.70</b>	-11,351.46

ITEMS	Note	2022	2021
<b>3. Operating profit (losses are represented by “-”)</b>		<b>-307,745,303.59</b>	-54,757,098.35
Add: Non-operating income		<b>3,375,741.13</b>	51,313.02
Less: Non-operating expenses		<b>628,961.93</b>	832.62
		<hr/>	<hr/>
<b>4. Total profit (total losses are represented by “-”)</b>		<b>-304,998,524.39</b>	-54,706,617.95
Less: Income tax expense	10	<b>-4,136,298.22</b>	1,205,569.68
		<hr/>	<hr/>
<b>5. Net profit (net losses are represented by “-”)</b>		<b>-300,862,226.17</b>	-55,912,187.63
(1) Classified by business continuity			
1. Net profit from continuing operations (net losses are represented by “-”)		<b>-300,862,226.17</b>	-55,912,187.63
2. Net profit from discontinued operations (net losses are represented by “-”)		—	—
(2) Classified by the attribution of the ownership			
1. Net Profit attributable to the equity shareholders of the parent company (net losses are represented by “-”)		<b>-273,526,467.22</b>	-59,244,735.65
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)		<b>-27,335,758.95</b>	3,332,548.02
		<hr/>	<hr/>
<b>6. Net other comprehensive income after tax</b>		<b>7,385,247.62</b>	2,037,906.11
(1) Net other comprehensive income after tax attributable to owners of the parent company		<b>7,385,247.62</b>	2,037,906.11
1. Other comprehensive income which cannot be reclassified subsequently to profit and loss		<b>4,199,602.89</b>	5,066,467.06
(1) Changes as a result of re-measurement of defined benefit plan		—	—
(2) Other comprehensive income that cannot be reclassified to profit and loss under equity method		—	—
(3) Changes in fair value of other equity instruments investment		<b>4,199,602.89</b>	5,066,467.06
(4) Changes in fair value of the enterprise’s own credit risk		—	—

ITEMS	Note	2022	2021
2. Other comprehensive income which can be reclassified to profit and loss		3,185,644.73	-3,028,560.95
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
(2) Changes in fair value of other equity instruments investment		-	-
(3) Amount of financial assets reclassified to other comprehensive income		-	-
(4) Provision for credit impairment of other bonds investment		-	-
(5) Cash flow hedging reserve		-	-
(6) Translation difference of financial statements in foreign currencies		3,185,644.73	-3,028,560.95
(7) Others		-	-
(2) Net other comprehensive income after tax attributable to minority shareholders		-	-
<b>7. Total comprehensive income</b>		<b>-293,476,978.55</b>	<b>-53,874,281.52</b>
(1) Total comprehensive income attributable to the owners of the parent company		<b>-266,141,219.60</b>	<b>-57,206,829.54</b>
(2) Total comprehensive income attributable to minority shareholders		<b><u>-27,335,758.95</u></b>	<b><u>3,332,548.02</u></b>
<b>8. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)	11	<b>-0.35</b>	-0.07
(2) Diluted earnings per share (RMB/share)		<b><u>-0.35</u></b>	<b><u>-0.07</u></b>



## NOTES

### 1. GENERAL

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

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

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

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

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

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

## Changes in significant accounting policies and accounting estimates

### (I) Changes in significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There was no change in accounting estimates during the reporting period.

### 3. TRADE AND OTHER RECEIVABLES

	2022	2021
Accounts receivable	555,706,138.02	553,791,272.94
Less: Provision for bad debts for accounts receivable	314,825,572.33	227,602,552.87
Receivable financing	1,505,158.27	4,000,000.00
Notes receivable	5,278,413.60	3,600,960.00
Prepayments	91,147,323.41	142,015,522.10
Other receivables	538,967,192.16	907,584,591.12
Less: Provision for bad debts for other receivables	172,126,513.48	86,382,736.17
Interest receivable	—	—
Total	<u>705,652,139.65</u>	<u>1,297,007,057.12</u>

The accounts receivable disclosed according to the aging of the entry date	2022	2021
Within 1 year (including one year)	167,921,165.70	130,360,129.59
1 to 2 years	44,181,366.60	101,924,499.52
2 to 3 years	33,938,309.12	166,512,465.46
Over 3 years	309,665,296.60	154,994,178.37
Total	<u>555,706,138.02</u>	<u>553,791,272.94</u>

### 4. TRADE AND OTHER PAYABLES

Item	2022	2021
Accounts payable	420,268,845.60	547,731,378.35
Notes payable	—	4,000,000.00
Advances from customers	—	17,872.20
Other payables	88,604,051.24	52,244,563.53
Contract liabilities	55,344,250.54	53,269,281.83
Total	<u>564,217,147.38</u>	<u>657,263,095.91</u>

The accounts payable disclosed according to the aging of the entry date	2022	2021
Within 1 year	199,223,954.53	247,841,605.01
1 to 2 years	145,830,320.29	116,605,931.56
Over 2 years	75,214,570.78	183,283,841.78
Total	<u>420,268,845.60</u>	<u>547,731,378.35</u>

## 5. UNDISTRIBUTED PROFITS

	2022	2021
Undistributed profit at the beginning of the year	812,449,980.76	871,694,716.41
Add: Net profit attributable to shareholders of the Company for the current period	-273,526,467.22	-59,244,735.65
Less: Provision of statutory surplus reserves	-	-
Less: Ordinary shares dividends payable	-	-
Less: Undistributed profit converted into share capital	-	-
Add: Others	<u>-1,923,636.12</u>	<u>-</u>
Undistributed profit at the end of the period	<u><u>536,999,877.42</u></u>	<u><u>812,449,980.76</u></u>

## 6. TOTAL OPERATING INCOME

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

### (1) Operating income and operating cost

Items	2022	2021
Principal operating income	481,171,833.77	888,667,611.94
Other operating income	<u>31,493,360.24</u>	<u>25,346,143.61</u>
Total operating income	<u><u>512,665,194.01</u></u>	<u><u>914,013,755.55</u></u>
Principal operating cost	472,427,654.38	736,933,790.77
Other operating cost	<u>11,001,553.95</u>	<u>7,634,585.68</u>
Total operating cost	<u><u>483,429,208.33</u></u>	<u><u>744,568,376.45</u></u>

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

Name of Products	2022		2021	
	Operating income	Operating cost	Operating income	Operating cost
System integration	403,057,943.39	371,292,868.48	765,909,542.84	637,097,464.13
Intelligent terminal sales	26,103,338.93	20,029,569.65	38,153,078.20	31,330,229.48
Service	<u>52,010,551.45</u>	<u>81,105,216.25</u>	<u>84,604,990.90</u>	<u>68,506,097.16</u>
Total	<u><u>481,171,833.77</u></u>	<u><u>472,427,654.38</u></u>	<u><u>888,667,611.94</u></u>	<u><u>736,933,790.77</u></u>

## 7. SEGMENT INFORMATION

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

## 8. GROSS PROFIT

	2022	2021
Operating income	512,665,194.01	914,013,755.55
Operating cost	<u>483,429,208.33</u>	<u>744,568,376.45</u>
Gross profit	<u><u>29,235,985.68</u></u>	<u><u>169,445,379.10</u></u>

## 9. FINANCIAL EXPENSES

Items	2022	2021
Interest expenses	42,758,466.41	59,758,364.88
Less: interest income	5,672,499.57	1,894,057.79
Exchange gain and loss	395.85	217,228.51
Others	<u>-255,417.59</u>	<u>1,114,925.93</u>
Total	<u><u>36,830,945.10</u></u>	<u><u>59,196,461.53</u></u>

## 10. INCOME TAX EXPENSES

Items	2022	2021
Current income tax	-903,642.29	-1,575,415.65
Deferred income tax	<u>-3,232,655.93</u>	<u>2,780,985.33</u>
Total	<u><u>-4,136,298.22</u></u>	<u><u>1,205,569.68</u></u>

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

<b>Items</b>	<b>2022</b>	<b>2021</b>
Total profit	<b>-304,998,524.39</b>	-54,706,617.95
Income tax expenses calculated at statutory tax rates	<b>-45,749,778.66</b>	-8,205,992.70
Effect of different tax rates applicable to subsidiaries	–	-775,892.78
Effect of non-taxable income	<b>-341,920.52</b>	-123,660.00
Income tax adjustments on prior periods	<b>-903,642.29</b>	336,758.80
Expenses, costs and losses not deductible for tax purposes	<b>75,598.57</b>	10,525,790.66
Effect of additional deductible cost under tax law	<b>-2,636,954.25</b>	-6,187,405.24
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	<b>-1,675,557.78</b>	-1,798,521.21
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized in the current period	<b>47,095,956.71</b>	7,434,492.15
Income tax expenses	<b><u>-4,136,298.22</u></b>	<b><u>1,205,569.68</u></b>

**11. BASIC EARNINGS PER SHARE**

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

<b>Items</b>	<b>2022</b>	<b>2021</b>
Consolidated net profit attributable to ordinary shareholders of the Company	<b>-273,526,467.22</b>	-59,244,735.65
Weighted average number of ordinary shares issued by the Company	<b>792,058,500.00</b>	792,058,500.00
Basic earnings per share (RMB/share)	<b><u>-0.35</u></b>	<b><u>-0.07</u></b>

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2022 and 2021.

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

<b>Items</b>	<b>2022</b>	<b>2021</b>
Ordinary shares issued at the beginning of the year	<b>792,058,500.00</b>	792,058,500.00
Add: Weighted average number of ordinary shares issued during the current period	–	–
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
Weighted average number of ordinary shares issued at the end of the period	<b><u>792,058,500.00</u></b>	<b><u>792,058,500.00</u></b>

## 12. DIVIDENDS

Items	2022	2021
No final dividend proposed (2021: nil)	<u>–</u>	<u>–</u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 on 31 March 2023 (2021: nil).

Items	2022	2021
Final dividend in respect of the previous year approved during the year	–	–
Final dividend in respect of the previous year paid during the year	–	–
Final dividend in respect of the previous year unpaid during the year	<u>–</u>	<u>–</u>

## 13. NET CURRENT ASSETS

	2022	2021
Current assets	<b>1,853,670,630.85</b>	2,856,235,868.32
Less: current liabilities	<b><u>1,328,025,175.21</u></b>	<u>1,553,357,374.41</u>
Net current assets	<b><u>525,645,455.64</u></b>	<b><u>1,302,878,493.91</u></b>

## 14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2022	2021
Total assets	<b>2,998,295,004.70</b>	3,551,256,967.65
Less: current liabilities	<b><u>1,328,025,175.21</u></b>	<u>1,553,357,374.41</u>
Total assets less current liabilities	<b><u>1,670,269,829.49</u></b>	<b><u>1,997,899,593.24</u></b>

## 15. CONTINGENT LIABILITIES

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### *Total Operating Income*

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

#### *Gross Profit*

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

#### *Selling and Distribution Costs*

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

#### *Administrative Expenses*

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

### ***Research and Development Expenses***

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

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

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

### ***Accounts Receivable***

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

### ***Other Receivables***

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

### ***Contract Assets***

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

### ***Other Equity Instrument Investments***

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

### ***Fixed Assets***

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

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

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

## **FINANCIAL RESOURCES AND LIQUIDITY**

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

## **PLEDGE OF ASSETS**

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

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

## **GEARING RATIO**

For the year ended 31 December 2022, gearing ratio (being sum of short-term loan, long-term loan and non-current liabilities due within 1 year less cash and cash equivalents divided by equity) of the Group was approximately 0.33 (2021: 0.32).

## FOREIGN CURRENCY EXPOSURE

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

## SUMMARY OF KEY FINANCIAL RATIOS

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

### Key financial ratios

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

*Note:*

- (1) Net profit ratio refers to net profit divided by principle operating income
- (2) Return on net assets ratio refers to the net profit divided by net assets
- (3) Return on equity ratio refers to the net profit divided by shareholders' equity
- (4) Debt ratio refers to the total liabilities divided by total assets
- (5) Current ratio refers to total current assets divided by total current liabilities
- (6) Quick ratio refers to current assets less inventory and contract assets divided by current liabilities
- (7) The 2022 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2022
- (8) The 2021 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2021

## NET PROFIT RATIO

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

## RETURN ON NET ASSETS RATIO

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

## RETURN ON EQUITY RATIO

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

## DEBT RATIO

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

## CURRENT RATIO

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

## QUICK RATIO

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

## SIGNIFICANT INVESTMENTS HELD

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

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

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

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

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

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

## **SUBSTANTIAL ACQUISITION AND DISPOSAL**

### **The Acquisition**

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

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

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

## **The Disposal**

On 28 June 2022, the Company (as the vendor) and Nanjing Zijin Investment Group Co., Ltd.\* (南京紫金投資集團有限責任公司) (“Zijin Investment”) (as the purchaser) entered into the Asset Transaction Agreement, pursuant to which, the Company has agreed to sell, and Zijin Investment has agreed to acquire, the 15.1236% equity interest in Nanjing Informatization Investment Holding Co., Ltd.\* (南京市信息化投資控股有限公司) at the consideration of RMB41,263,200. For details of this disposal, please refer to the announcements of the Company dated 23 May 2022 and 28 June 2022.

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

## **CAPITAL COMMITMENT**

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

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, total employees’ remuneration of the Group was RMB59,242,390.13 (2021: RMB68,909,057.67) and the number of employees was 261 (2021: 272). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

## **BUSINESS REVIEW AND BUSINESS OUTLOOK**

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



## **Business development**

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

During the Review Period, the Company strengthened project management, standardized project setup management, tightened its project examination system, formulated a new project budget management mechanism, strictly granted approval to project budgets and implementation of budget, formulated labor service fee standard, improved the Company's internal control management and reinforced its ability in controlling construction cost in a bid to maintain stable operation, reduce the operational risk and secure its profitability.

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

During the Review Period, the electrical and mechanical engineering project in Changning-Boashan Expressway, Yunnan province (section JD2), the electrical and mechanical engineering expansion projects for G3W Chizhou-Qimen section of the Dezhou-Shangrao Expressway and G5011 Wuhu-Lintou section of the Wuhu-Hefei Expressway commenced operation; and progress was made in the construction of the half-span lighting project of the Highway 309 project, the construction of the ZC4 section of the Yancheng City Construction Dynamic Weighing Inspection System project, the additional project of the intelligence panel of the Zhenli section of the 2021 Ningchang section of the Nanjing-Shanghai Company, tender for the construction of the Yancheng City Construction Dynamic Weighing Inspection System project ZC3, and the construction of the centralised inspection platform of the Henan-Shandong provincial border station.



Meanwhile, the Group has entered into the electrical and mechanical engineering construction project of Section JD01 of Lin'an-Jiande Section of Linan-Jinhua Expressway, Shanghai power monitoring system upgrade project, the electrical and mechanical engineering construction project of Section LN-92 of Jiangsu Section of Liyang-Ningde Highway, and labor service construction of EHJD1-EHJD13 of the electrical and mechanical engineering construction project of Emei to Hanyuan Expressway, modification and expansion of the communication system for the Xinyi-Jiangdu section of the Beijing-Shanghai Expressway project, construction of the JHK-JDSG21 section of the ETC gantry system and Tongjing Road Northern extension project - electrical and mechanical installation and other projects.

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

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

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

During the Review Period, the Group continuously optimized existing products, innovated models and extended scenarios. In addition to smart checkpoints, artificial intelligence products and station products, the Group proactively explored business scenarios like maritime informatization system, informatization of original inspection laboratory, and customs finance informatization. During the Review Period, the Group completed the acceptance of the equipment procurement project for the cross-border e-commerce supervision centre in Zhenjiang Comprehensive Bonded Zone, the information technology project for the cross-border e-commerce supervision centre in Zibo Comprehensive Bonded Zone, and the card gate system for the north cargo area and flight area supporting project of the third phase expansion project of Zhengzhou Xinzheng International Airport - civil aviation air traffic control project and airport weak power system project. Meanwhile, the Group has newly entered into EPC project for the first section of the import and export processing industrial park (Phase I) of Ganzhou International Land Port - subcontracting of customs informatization project, procurement of informatization system for the railway supervision site of Yingtan International Integrated Port, and EPC project for the Yangtze River Delta Integrated Industrial Park in Xuancheng High-tech Zone.

## ***Research and development***

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

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

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

## **Business Outlook**

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

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

In 2023, the Group will continue to focus on two core businesses of intelligent transportation and intelligent customs, insist on serving clients as the core and meeting the customer needs and market demand. Through the planning and design of comprehensive solutions, the Group will give full play to the latest technical products in the industry, improve the management efficiency of the transportation industry and the customs logistics industry, and help customers fully realise the operation and management objectives of reducing costs and increasing efficiency.

In respect of the intelligent transportation segment, in the coming years, with the relaxation of pandemic control, the suppressed policy and demand are expected to recover gradually. The Group will strengthen the implementation of various projects to ensure the construction progress will not be affected by the external environment. We will increase market exploration in deprived regions and strive for breakthroughs in business results. We will closely focus on the digital transformation goal set out in the "14th Five-Year Plan" for strategic planning, fully promote the upgrading of various businesses, and actively expand new business directions, including but not limited to urban transportation, rural roads, intelligent buildings, smart lighting systems, data room and other fields.

In respect of the intelligent customs segment, after the relief of the pandemic, China has continued to release a number of supportive policies to strengthen exchanges with foreign countries and support the development of cross-border e-commerce, which will lead to faster customs clearance. The Group will continue to hold on to the objective of "enhancing regulatory efficiency, reducing regulatory costs and improving the convenience of customs clearance to facilitate trade flow", carry out modes innovation and scenario extension, continuously develop new products and offer new solutions to focus on providing more intelligent solution services for customs logistics industry customers, closely follow the development trend of the industry, and obtain more in-depth understanding of the requirements of the industry customers, to better realise the digitalisation, automation and intelligentization of customs clearance and management, and to continuously improve the efficiency of supervision.

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

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

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

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

## **DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS**

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

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

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

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

## **AUDIT COMMITTEE**

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

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

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

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

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

On 31 December 2021, the Company (as the lessor) and Sample Group (as the lessee) had renewed the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules) and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

Each of Mr. Sha Min, the chairman of the Board and an executive Director of the Company, and Mr. Chang Yong who was the vice chairman of the Board and a non-executive Director of the Company and subsequently resigned on 12 August 2022, are respectively interested in 60.40% and 38.96% of equity interest in Jiangsu Sample Holding Limited\* (江蘇三寶控股有限公司), which in turn owns 49% of equity interest in Sample Group, a controlling shareholder of the Company. Therefore, each of Mr. Sha and Mr. Chang is considered to have a material interest in the above-mentioned transactions.

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

## **CORPORATE GOVERNANCE CODE**

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

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

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

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2022.

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

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

## **FINAL DIVIDEND**

In consideration of the impacts on global economy brought by the ongoing outbreak of COVID-19 pandemic, and the various market risks and uncertainties, it would be crucial for the Group to keep adequate liquidity. Thus, at the Board meeting held on 31 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

## **PUBLICATION OF ANNUAL REPORT**

The 2022 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.samples.com.cn/> in due course.

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

Nanjing, the PRC  
31 March 2023

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

\* *For identification purpose only*