



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 2023

* for identification purpose only

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Note: This report is prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ms. Cai Lijuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGIC COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Ma Fengkui
Ms. Wong Lai Yuk

AUDITOR

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STOCK CODE

1708



To all shareholders:

On behalf of the board of directors (the “Board”) of Nanjing Sample Technology Co., Ltd. (the “Company”), I hereby present the annual report of the Company (with its subsidiaries, referred to collectively as the “Group”) for the year ended 31 December 2023 (the “Review Period”) for your review and consideration.

Mr. Sha Min

Chairman

Chairman's Statement

RESULTS

For the financial year 2023, the Group recorded a total operating income of RMB493,541,069.55, representing a decrease of approximately 3.73% as compared to the previous year. The net profit attributable to the shareholders of the parent company was RMB1,994,964.77, compared to a net loss attributable to the shareholders of the parent company of RMB273,526,467.22 for the same period last year, realizing a turnabout from loss to profit.

DIVIDEND

In consideration of multiple uncertain risks in the industry, combined with the Company's long-term development goals and short-term operating conditions, the Board recommended not to pay a final dividend for the year ended 31 December 2023.

REVIEW OF BUSINESS AND OPERATIONS

The year 2023 is the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China, and a year of economic recovery after the transition of the COVID-19 epidemic prevention and control. The domestic economy continues to recover and the overall trend is improving. However, the world economic recovery continues to be under pressure, market consumption is sluggish, and there are still many unpredictable factors. Faced with opportunities and challenges, the Group proactively seizes the opportunity of market recovery, adheres to the development approach of seeking opportunities in crisis and implementing timely strategies. It leverages a comprehensive research and development system and continuous R&D investment and years of industry accumulation as its foundation. While maintaining a good market share in segmented markets and specialized solution businesses, the Group actively explores the Internet of Things (IoT) smart application market and empowers the layout of digital economy industry.

In the field of smart transportation business, while rooted in the development of traditional regional markets during the review period, the Group fully utilized various market resources to actively exploring new businesses in disadvantaged areas and gained significant progress in expanding multiple types of customer resources. The Company continuously enriches the application scenarios of comprehensive management solutions in the field of smart logistics business and actively carries out the construction of smart customs logistics to improve the comprehensive efficiency of infrastructure and meet its core business management needs. Enhancing regulatory efficiency, reducing regulatory costs and streamlining customs clearance processes have collectively contributed to boosting trade flow. In addition, the Group continuously strengthens internal efficient operation management, optimizes organizational management methods for core businesses, further focuses on regional customers, achieves deep cultivation of customers, seeks the maximum intersection between customer needs and company resources, and realizes the transition from single cooperation of product-type project to long-term business cooperation, so that customers can truly perceive the value brought by changes.

The Group continues to actively adjust its business structure and integrate internal resources, implement strict cost control measures, the overall financial situation gradually returns to normal levels. During the year, the Company strengthened the project assessment system by strictly implementing project budgets approval and execution; strengthened the ability to control labor construction costs by formulating labor service fee standards to creating a high-performance corporate culture that is result-oriented and pursuit of excellence.

PROSPECTS

The year 2024 is a crucial year for our country to implement the goals and tasks of the '14th Five-Year Plan'. The Group will uphold the vision of 'wisdom creates quality life', focusing on the two core industries of smart transportation and smart logistics. With customers and the market as the demand orientation, through the planning and design of comprehensive solutions, fully use of the latest technical products in the industry, improving the management efficiency of the transportation industry and customs logistics industry so as to opening up more growth space for the sustainable development of the Group, and providing new ideas for the high-quality development of the industry.

Looking forward to the new development stage, the Group adheres to customer-centric approach, creates value for customers, serves customers closely. By fully excavating, responding quickly, effectively solving customer needs and providing efficient and high-quality comprehensive services, thereby enhancing customer loyalty. The Company insists on enterprise governance in accordance with the law and regulations, strengthens governance normativity, adheres to the bottom line of compliance, continuously improves the internal control mechanism, continuously strengthens the awareness of risk prevention, grasps the rectification of internal and external audit issues to safeguard the Company's development. The Company will systematically advance safety and environmental management, enhance production efficiency, and focus on key project construction. It aims to accelerate the creation of a high-quality development and wholeheartedly safeguard the legitimate rights and interests of investors. With a spirit of determination and vigor, the Company is poised to open a new chapter!

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

By Order of the Board

Sha Min
Chairman

Nanjing, China
25 April 2024

Management Discussion and Analysis

FINANCIAL REVIEW

Total Operating Income

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

Gross Profit Margin

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

Selling and Distribution Costs

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

Administrative Expenses

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

Gain from Changes in Fair Value

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

Management Discussion and Analysis

Net Profit Attributable to Shareholders of the Parent Company

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

Other Receivables

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

Investment Property

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

Fixed Assets

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

FINANCIAL RESOURCES AND LIQUIDITY

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

Management Discussion and Analysis

PLEDGE OF ASSETS

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

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

GEARING RATIO

For the year ended 31 December 2023, gearing ratio (being sum of short-term loan, long-term loan and non-current liabilities due within 1 year less cash and cash equivalents divided by equity) of the Group was approximately 0.21 (2022: 0.33).

FOREIGN CURRENCY EXPOSURE

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

SUMMARY OF KEY FINANCIAL RATIOS

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

Key financial ratios

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

Note:

- (1) Net profit ratio refers to net profit divided by principle operating income
- (2) Return on net assets ratio refers to the net profit divided by net assets
- (3) Return on equity ratio refers to the net profit divided by shareholders' equity
- (4) Debt ratio refers to the total liabilities divided by total assets
- (5) Current ratio refers to total current assets divided by total current liabilities
- (6) Quick ratio refers to current assets less inventory and contract assets divided by current liabilities
- (7) The 2023 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2023
- (8) The 2022 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2022

Management Discussion and Analysis

NET PROFIT RATIO

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

RETURN ON NET ASSETS RATIO

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

RETURN ON EQUITY RATIO

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

DEBT RATIO

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

CURRENT RATIO

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

QUICK RATIO

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

SIGNIFICANT INVESTMENTS HELD

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

SUBSTANTIAL ACQUISITION AND DISPOSAL

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 December 2023, the Company did not commit any future plan for material investment or capital assets.

Management Discussion and Analysis

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, total employees' remuneration of the Group was RMB48,429,827.93 (2022: RMB59,242,390.13) and the number of employees was 215 (2022: 261). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW AND PROSPECTS

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

Business development

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

Management Discussion and Analysis

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

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

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

During the Review Period, the Group completed the acceptance of the EPC project for the first section of the import and export processing industrial park (Phase I) of Ganzhou International Land Port – subcontracting of customs informatization project, informatization system and equipment procurement for the cross-border e-commerce supervision center in 9610 Jiujiang District, Wuhu, the north cargo area and flight area supporting project of the third phase expansion project of Zhengzhou Xinzheng International Airport – civil aviation air traffic control project and airport weak power system project – equipment procurement and installation contracts for the card gate system. Meanwhile, the Group has newly entered into equipment procurement projects for customs supervision warehouse informatization of Jingdezhen Logistics Park, business supporting engineering for Guanyun Airport A-type Bonded Logistics Park, port customs supervision regional information system and supporting facilities project for Nantong Haoyang Port, procurement of customs supervision informatization equipment for Suqian City Bonded Logistics Center (B type) and other projects.

Management Discussion and Analysis

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

Research and development

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

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

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

Management Discussion and Analysis

Business Outlook

Future business development plan

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

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

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

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

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

Management Discussion and Analysis

Research and Development Plan

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

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

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

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

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 59, graduated from Southeast University (東南大學) with a master's degree, is a senior engineer and a senior economist. Mr. Sha joined the Company in December 1997 and is currently nominated as the executive Director of the eighth session of the board of Directors, the Chairman and the chief executive officer and the chairman of the strategic committee of the Company.

Mr. Sha currently serves as a director of the Company's subsidiaries, namely Nanjing IOT Research Institute Development Co., Ltd.* (南京物聯網研究院發展有限公司) ("Nanjing IOT Company") and Nanjing Sample Logistic Company Ltd.* (南京三寶物流科技有限公司). He is also the vice chairman and general manager of Nanjing Sample Technology Group Co., Ltd.* (南京三寶科技集團有限公司) ("Sample Group"), the controlling shareholder of the Company. He holds positions in certain subsidiaries of Sample Group, including a director of Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd.* (南京同仁堂健康藥業集團有限公司), an executive director and general manager of Nanjing Sample Corporate Development Co., Ltd.* (南京三寶企業發展有限公司), the chairman of Jiangsu Cross-border e-Commerce Services Co., Ltd.* (江蘇跨境電子商務服務有限公司) ("Jiangsu Cross-border Company") and Zhong Jian Zhi Kang Supply Chain Service Company Ltd.* (中健之康供應鏈服務有限責任公司), the vice chairman of Nanjing Wuzhou Refrigeration Group Co., Ltd.* (南京五洲製冷集團有限公司) and Xinyirun Supply Chain Management (Shanghai) Co., Ltd.* (鑫一潤供應鏈管理(上海)有限公司) ("Xinyirun Supply Chain Company"), the general manager of Sample Supply Chain Management (Nanjing) Co., Ltd.* (三寶供應鏈管理(南京)有限公司) ("Sample Supply Chain Management Company"). In addition, Mr. Sha is currently a non-executive director of Jiangsu NandaSoft Technology Company Limited* (江蘇南大蘇富特科技股份有限公司) (a company listed on the Hong Kong Stock Exchange, Hong Kong stock code: 8045), the vice chairman of Nanjing Turbine Motor (Group) Co., Ltd.* (南京汽輪電機(集團)有限責任公司), the chairman and general manager of Jiangsu Century Express Technology Co., Ltd.* (江蘇世紀運通科技有限公司), an executive director and general manager of Jiangsu Sample Holding Ltd.* (江蘇三寶控股有限公司).

Mr. Ma Fengkui (馬風奎), aged 50, graduated from South China Normal University (華南師範大學) with a master's degree in business administration and EMBA from Cheung Kong Graduate School of Business (長江商學院). Mr. Ma worked at TCL Computer Technology (Shenzhen) Co., Ltd.* (TCL 電腦科技(深圳)有限公司) from 1999 to 2005, serving as service manager and chief service officer. He worked at Nanjing JoyMain Science and Technology Development Co. Ltd.* (南京中脈科技發展有限公司) from 2005 to 2009, serving as director of the information center and customer service center and deputy general manager. From 2009 to 2014, he worked at Beijing Baidu Netcom Science and Technology Co., Ltd.* (北京百度網訊科技有限公司) and served successively as sales director and deputy general manager of Shenzhen branch and deputy general manager of Guangzhou branch. Mr. Ma worked with the Company from November 2014 to November 2017 as the assistant to the chairman. From November 2017 to January 2020, he worked for certain subsidiaries of Sample Group, the Company's controlling shareholder, serving as the general manager of Jiangsu Cross-border Company and general manager of Sample Jinshan Holding Co., Ltd.* (三寶金山控股有限公司) ("Sample Jinshan Company").

Biographical Details of Directors, Supervisors and Senior Management

Mr. Ma joined the Company in February 2020 and is currently nominated as an executive Director of the eighth session of the board of Directors and a vice president, and a member of the strategic committee and remuneration committee of the Company. He currently holds positions in subsidiaries of the Company, being a director of Jiangsu Intellitrans Company Ltd.* (江蘇智運科技發展有限公司) (“Jiangsu Intellitrans Company”), a director and the general manager of Nanjing IOT Company and a director of Taizhou Traffic Digital Intelligence Technology Development Co., Ltd.* (台州交投數智科技發展有限公司). In addition, Mr. Ma currently holds positions in several subsidiaries of the Sample Group, the controlling shareholder of the Company, including the chairman of Shenzhen Defu Supply Chain Co., Ltd.* (深圳市德孚供應鏈有限責任公司) and Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司) (“Jiangsu Yudao Company”), a supervisor of Xinyirun Supply Chain Company.

Mr. Liu Min (劉民), aged 49, graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor’s degree in engineering and is a senior engineer (specialized in intelligent transportation). Mr. Liu worked as an office secretary in the Qinglin railway transportation management office of Shandong Provincial Local Railway Bureau* (山東省地方鐵路局) from August 1996 to August 1997. From September 1997 to July 1999, he worked in the Nanjing office of Tsinghua Ziguang Co., Ltd.* (清華紫光股份有限公司) and served as the manager of the sales department and the manager of the after-sales service department. He joined the Company from August 1999 till July 2017, and served as channel manager of the graphics and image business department, a marketing manager of the transportation technology department, the deputy general manager of the strategic promotion center, and was appointed as the deputy general manager of Jiangsu Intellitrans Company and the general manager of Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司), both companies are subsidiaries of the Company. From August 2017 to August 2019, Mr. Liu acted as a director and the general manager of Jiangsu Yudao Company. From October 2019 to July 2020, he served as a director and the general manager of Qingdao Big Data Technology Development Group Co., Ltd.* (青島大數據科技發展有限公司). From August 2020 to March 2023, he worked for Sample Group as an assistant to the chairman.

Mr. Liu joined the Company on 3 March 2023 and is currently appointed as the executive Director of the eighth session of the board of Directors and a vice president, as well as a member of the strategic committee and nomination committee of the Company. In addition, Mr. Liu currently holds positions in the subsidiaries of the Company, being an executive director and the general manager of Nanjing Sample Zhihui Technology Development Co., Ltd.* (南京三寶智匯科技發展有限公司) and an executive director of Nanjing Dingshang Fanxing Technology Co., Ltd.* (南京頂尚繁星科技有限公司).

Biographical Details of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Cai Lijuan (蔡麗娟), aged 49, graduated from the Central Party School of the Communist Party of China* (中共中央黨校) with a bachelor's degree and is an intermediate economist. Ms. Cai worked as office director in Nanjing Hanghai Low Voltage Electrical Appliance Co., Ltd.* (南京航海低壓電器有限責任公司) from August 1997 to June 2003. From April 2005 to September 2008, she worked as a director of administrative and human resources in Jiangsu Intellitrans Company. Since September 2008, she has served as the secretary of the board of directors, office director and administrative and human resources director of Sample Group. Ms. Cai currently serves as a supervisor of Sample Group, the controlling shareholder of the Company and holds positions in certain subsidiaries of Sample Group, including the chairman of Sample Supply Chain Management Company, a director of Qingdao Baohao Technology Co., Ltd.* (青島寶昊科技有限公司), a director and the general manager of Nanjing Chengyi New Energy Technology Co., Ltd.* (南京承一新能源科技有限公司), a supervisor of Sample Jinshan Company, Nanjing Wuzhou Sample Enterprise Development Group Co., Ltd.* (南京五洲三寶企業發展集團有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd.* (南京同仁堂藥業有限責任公司) and Jiangsu Sample Jinshan Supply Chain Management Co., Ltd.* (江蘇三寶金山供應鏈管理有限公司). In addition, Ms. Cai is currently a director of Nanjing Cultural Venture Capital Co., Ltd.* (南京文化創業投資有限公司).

Ms. Cai was appointed as a non-executive director of the eighth session of the board of Directors of the Company in April 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanhui (胡漢輝), aged 67, is a professor and instructor of doctorate students. Mr. Hu had served as the Associate Head of Department of Management Science and Engineering in Nanjing Institute of Technology (南京工學院), the deputy director of the Scientific Research Office and the chairman of the University's Union of Southeast University (東南大學), a part-time researcher of the Humanities and Social Science Research Institution of Education Department in Dongbei University of Finance and Economics (東北財經大學), an expert of Expert Committee of China Development Bank (國家開發銀行) and a member of the Expert Group of Drafting Basic Requirements on Entrepreneurship Education Teaching in General Universities (普通高校創業教育教學基本要求起草專家組) in Ministry of Education and a director of Entrepreneur Group Economics and Industrial Organization of Research Center of School of Economics and Management in Southeast University (東南大學). Mr. Hu currently serves as the deputy chairman of the Second Session of Industrial Supervision Professional Committee of the China Industrial Economics Society (中國工業經濟學會第二屆產業監管專業委員會) and the Industrial Clusters and Regional Development Professional Committee of the National Economic Geography Research Association (全國經濟地理研究會產業集群與區域發展專業委員會).

Mr. Hu was appointed as an independent non-executive Director of the Company in May 2016. He is currently an independent non-executive Director of the eighth session of the board of Directors, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Gao Lihui (高立輝), aged 60, holds a doctoral degree and a senior economist. Mr. Gao holds a bachelor's degree from the Business School of Yangzhou University (揚州大學商學院) in China, a master's degree in business administration from The Maastricht University School of Business and Economics in the Netherlands, and a doctoral degree in management from Nanjing University Business School (南京大學商學院). Mr. Gao worked at Jiangsu Branch of Bank of China (中國銀行) from 1991 to 1995, during which period he was responsible for the of Japanese Yen detailed account management of forex finance and the Japanese Yen general ledger accounting. In addition, Mr. Gao was appointed as the deputy manager of Gulou branch of Bank of Nanjing* (南京銀行鼓樓支行), a manager of Danfeng Street branch of Bank of Nanjing* (南京銀行丹鳳街支行) and the general manager of the corporate business department of Hengfeng Bank* (恒豐銀行). He is currently the chief representative of China Region of US Cathay Financial Holdings Group* (美國國泰金融控股集團).

Mr. Gao was appointed as an independent non-executive director of the Company in May 2017. He is currently an independent non-executive director of the eighth session of the board of Directors, the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Niu Zhongjie (牛鐘潔), aged 56, holds a bachelor's degree in business administration from Northeast Missouri University in the United States and a master's degree in business administration from the University of Hong Kong. Mr. Niu has worked with various financial institutions and has extensive experience in equity capital markets. He is currently a director and the responsible officer of Vision Finance International Company Limited (睿智金融國際有限公司) to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities. He is also 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. * (彼岸控股有限公司) (stock code: 2885.HK), New Media Lab Limited* (新傳企劃有限公司) (Stock code: 1284.HK) and Starlight Culture Entertainment Group Ltd.* (星光文化娛樂集團有限公司) (stock code: 1159.HK).

Mr. Niu was appointed as an independent non-executive Director of the Company since May 2019. He is currently an independent non-executive Director of the eighth session of the board of Directors and a member of the audit committee and nomination committee of the Company.

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 68, holds postgraduate qualification. Mr. Qiu has been engaged in teaching and scientific research in economic management for a long time, and has conducted in-depth research on corporate strategic management and urban industry development. From February 1991 to June 2004, he successively served as deputy dean and dean of the School of Economics and Management of Southeast University (東南大學). In 1992, he was promoted to professor with an exception and was awarded allowance for Expert with Outstanding Contributions by the State Council. Mr. Qiu is currently the chairman of the Jiangsu Provincial Urban Development Research Institute* (江蘇省城市發展研究院) Mr. Qiu is currently a director of CEC Environmental Protection Co., Ltd.* (中電環保股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300172), an independent director of Nanjing Public Utilities Development Co., Ltd.* (南京公用發展股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000421), an independent director of Hongbaoli Group Co., Ltd.* (紅寶麗集團股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002165).

Biographical Details of Directors, Supervisors and Senior Management

Mr. Qiu was appointed as a supervisor of the Company in August 2007 and is currently the chairman of the eighth session of the supervisory committee of the Company.

Mr. Dai Jian Jun (戴建軍), aged 54, a practicing lawyer. Mr. Dai received education at Jiangsu Police College* (江蘇警官學院) from September 1988 to July 1991. He worked for Southeast University* (東南大學) in 1991 and was qualified as a lawyer in PRC in 1996. Mr. Dai has been a practicing lawyer of Jiangsu Zhi Bang Law Firm* (江蘇致邦律師事務所) since 1996.

Mr. Dai was appointed as a supervisor of the Company in August 2003 and is currently a supervisor of the eighth session of the supervisory committee of the Company.

Mr. Zou Tao (鄒濤), aged 54, holds a doctoral degree and is a senior engineer. Mr. Zou graduated from the Xidian University* (西安電子科技大學) in 1996 with a master degree in computer device and equipment professional and graduated from the Nanjing University (南京大學) in 1999 with a doctor's degree in computer application professional. Mr. Zou worked as the head of the development department of Fujitsu Nanda Software Technology, Co., Ltd.* (南京富士通南大軟件技術有限公司) from July 1999 to August 2003. In 2003, he went to Japan and worked as project officer in the Softwise Corporation in Japan. Mr. Zou joined the Company in 2011 and has served as deputy director of the Research Institute and deputy director of the National Radio Frequency Identification (RFID) System Engineering and Technology Research Center* (國家射頻識別 (RFID) 系統工程技術研究中心).

Mr. Zou was appointed as a supervisor of the Company since May 2016 and is currently a supervisor of the eighth session of the supervisory committee of the Company.

SENIOR MANAGEMENT

Ms. Xu Yonghui (徐永慧), aged 55, obtained a master's degree in business administration from Inter American University (美國美聯大學) and is an intermediate accountant. Ms. Xu served as the general ledger accountant of the finance department of Nanjing Hualianxing Electronics Co., Ltd.* (南京華聯興電子有限公司) from October 1998 to February 1999. From March 1993 to February 2000, she worked in Nanjing Tianjia Air Conditioning Equipment Co., Ltd.* (南京天加空調設備有限公司) as the general ledger accountant of the finance department. Ms. Xu joined the Company in February 2000 and has successively served as financial manager, general manager of the investment and financing center, and financial director of the strategic promotion department. From June 2022, she took the position as the chief financial officer of the Company and serves as vice president in August 2023.

Report of the Directors

The Board present the annual report and audited financial statements for the year ended 31 December 2023.

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 2023 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 6 to 14. An analysis of the Group's performance during the year ended 31 December 2023 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 216. In addition, the risks in relation to financial instruments of the Group can be referred in note X to the financial statements on pages 182 to 187.

KEY RISKS AND UNCERTAINTIES AFFECTING THE COMPANY

1. Policy risk

The industry of intelligent transportation and logistics, where the Group is engaged in, is closely related to the national macroeconomic situation, top-level planning layout, and industrial development policies. The sustained growth of the Company is positively correlated with the overall economic performance. Benefiting from the country's support policies for new-generation information technologies such as the Internet of Things, big data, artificial intelligence, and 5G networks which has created a better macro environment for the enterprises, the industry has experienced rapid growth in recent years. This favorable policy environment has also influenced the development of our core business to some extent. However, if future government support policies weaken, it may impact certain aspects of our business development. Additionally, since most of our clients are government and its affiliated institutions, their procurement behavior and scale are closely tied to policy changes, which poses a risk of order fluctuations due to shifts in government industry policies.

Counter-measures: The Group will strictly carry out product research and development in accordance with industry regulations and regulatory systems, understand and grasp national industrial policies and other policy information in a timely manner, further strengthen policy research capabilities, and strengthen understanding and prediction of policies to reduce the impact of policy changes on the Company. At the same time, we will continue to consolidate and make full use of our own advantages in technical research and development, comprehensive business qualifications, brand recognition, operation and management, and continue to value and actively promote market development on the basis of establishing long-term friendly cooperative relationships with important customers, reducing the impact of policy risks on the Company's operating performance.

2. Industry volatility risk

In recent years, the continuous growth of our country's macro economy and the rapid advancement of urbanization, however, the pace of both growth and advancement has decelerated. Infrastructure has leaped from the layout of expansion to high quality and digital integration, providing a favorable environment for the development of the industry. Relevant policies are frequently introduced, fostering and guiding the rapid development of the industry. However, if the external environment becomes turbulent, leading to significant changes in the national macroeconomic situation, changes in the direction of industrial policy, and contraction of targeted expenditures by the government and downstream customers, it may have an adverse effect on the Company's development environment and market demand.

Counter-measures: The Group will strengthen the research on the guiding policies, development direction, and industry development pattern of our country's intelligent transportation and customs logistics, strengthen the tracking and judgment of the macro environment, increase the intensity of research and development innovation, expand the product and service portfolio, and use the industrial internet thinking to improve and transform its own construction and operation ideas and business models, increase the value of its own business to customer asset life cycle management, and succeed together with customers. At the same time, accelerate the sorting and integration of various resources, build an industry ecosystem through the establishment of partnership relationships, and jointly promote the research and development of common key technologies in the industry and the innovation and upgrade of business models.

3. Business models risk

The leaders in smart city construction are the city administrators, specifically local governments or relevant government departments. The beneficiaries, on the other hand, are the core entities within the city, namely enterprises and citizens. Given the substantial total investment and lengthy construction period associated with smart city projects, as well as the involvement of numerous local government sub-departments or branches, there are inherent risks in the business model. These risks may arise from factors such as changes in government leadership due to elections or adjustments in national policies, financial constraints faced by local governments leading to delayed or unsustainable funding, inadequate cost control, cash flow pressures, and challenges in recovering payments. Consequently, some smart city projects may face partial or complete implementation delays or termination.

Counter-measures: The Group will continuously monitor the changes in national policies and relevant legal regulations regarding the construction of smart cities. It will strategically expand its business market by selecting regions with sound local finances and good reputations. A dedicated working team will closely follow up on business projects and provide timely feedback to the Company's management regarding project progress. Additionally, the Group will rigorously control project expenditures and cost inputs in accordance with the project plan.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For details, please refer to the 2023 Environmental, Social and Governance Report of Nanjing Sample Technology Co., Ltd. which has been uploaded to the website of the Company (www.samples.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) together with this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

MAJOR RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2023 are set out on pages 56 to 215 of this annual report.

The Board decided not to propose distribution of a final dividend for the year ended 31 December 2023 (2022: 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 ("PRC"). The area of the land is approximately 118 mu. on which it has office buildings with floor area of approximately 55,805 square meters, of which approximately 47,305 square meters are classified as investment property for rental purpose. The remaining part is self-use by the Company.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the year were:

Executive Directors

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

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

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

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

Non-executive Director

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

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

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

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

Save as disclosed below, as at 31 December 2023, 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 C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Long Positions in Shares

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

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

Sample Group directly holds 397,821,000 Domestic Shares, representing approximately 50.22% of the issued share capital of the Company and Sample Group owns indirectly 4,310,000 H Shares, representing approximately 0.54% of the issued share capital of the Company and Sample Group is owned as to 49% by Jiangsu Sample which in turn is held as to 60.40% by Shanghai Jiaxin Enterprise Management Center (limited partnership)* (上海佳鑫企業管理中心有限合夥) (“**Shanghai Jiaxin**”). Shanghai Jiaxin 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 and Shanghai Jiaxin.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2023, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited (“Sample Group”) (Note 1)	397,821,000 Domestic Shares	Beneficial owner	50.77%
	4,310,000 H Shares	Interest of controlled corporation	
Qingdao Haifa State Owned Capital Investment and Operation Group Co., Ltd. (“Haifa Group”) (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
State-owned Assets Supervision and Administration Commission of the People’s Government of Qingdao (“SASAC of Qingdao”) (Note 1)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Jiangsu Sample Holding Limited* (“Jiangsu Sample”) (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%

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%
Chang Yong (Note 3)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Active Gold Holding Limited (Note 4)	123,862,500 Domestic Shares	Beneficial owner	15.64%
Ferdinand Holdings Limited (Note 4)	123,862,500 Domestic Shares	Interest of controlled corporation	15.64%
Season International Pte. Ltd. (Note 5)	53,855,500 H Shares	Beneficial owner	6.79%
Season Holdco Pte. Ltd. (Note 5)	53,855,500 H Shares	Interest of controlled corporation	6.79%

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, Haifa Group completed the industry and commercial registration procedures in respect of the capital injection in Sample Group. Sample Group is owned as to 51% equity interests by Haifa Group which is 100% owned by SASAC of Qingdao.
- (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 Shanghai Jiaxin and Shanghai Lianqi Enterprise Management Center (limited partnership)* (上海聯啟企業管理中心有限合夥) (“**Shanghai Lianqi**”) as to 60.40% and 39.60% equity interests respectively. Under the SFO, each of Shanghai Jiaxin and Shanghai Lianqi is deemed to be interested in all 397,821,000 Domestic Shares and 4,310,000 H Shares.

- (3) 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 39.60% by Shanghai Lianqi. Shanghai Lianqi is beneficially owned as to 99% by Mr. Chang Yong, a former director of the Company. Under the SFO, Mr. Chang Yong is deemed to be interested in all 397,821,000 Domestic Shares and 4,310,000 H Shares.
- (4) Active Gold Holding Limited is indirectly wholly owned by Ferdinand Holdings Limited.
- (5) Season International Pte. Ltd. is wholly owned by Season Holdco Pte. Ltd.

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2023, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2023, 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 30 December 2021, the Company (as the lessor) and Sample Group (as the lessee) had renewed the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules) and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

Mr. Sha Min, the chairman of the Board and an executive Director of the Company, is interested in 60.40% equity interest in Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司), which in turn owns 49% of equity interest in Sample Group, a controlling shareholder of the Company. Therefore, Mr. Sha is considered to have a material interest in the above-mentioned transactions.

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

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 2023 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 22.47% (2022: 36.99%) of the total sales for the year and sales to the largest customer included therein amounted to 6.03% (2022: 9.52%). 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 16.14% (2022: 18.87%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 5.76% (2022: 5.15%). 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 paid individuals of the Group are set out in Note XII(V)3 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 216 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(XXXI) to the financial statements. As at 31 December 2023, 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 pages 73 to 76 in the consolidated statement of changes in owners' equity.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Group's reserves available for distribution amounted to RMB539,748,081.60 (2022: RMB536,999,877.42).

INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the PRC. A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of annual final dividend to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of annual final dividend to natural persons whose names are registered on the H shares register of members of the Company. For the year ended 31 December 2023, 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 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

EQUITY-LINKED AGREEMENTS

As at 31 December 2023, 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 Review Period and has provided advice and comments thereon.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors and supervisors for the year ended 31 December 2023 are set out below:

- 1) On 3 March 2023, Mr. Zhang Junmin resigned as an executive director of the Company in order to devote more time to focus on the operation and management of Jiangsu Intellitrans Company Limited.* (江蘇智運科技發展有限公司) ("Jiangsu Intellitrans"), a wholly-owned subsidiary of the Company.
- 2) On 3 March 2023, Mr. Ma Fengkui resigned as the chief executive officer of the Company and Mr. Sha Min was appointed as the chief executive officer of the Company.
- 3) On 17 April 2023, Mr. Liu Min was appointed as an executive director of the Company and Ms. Cai Lijuan was appointed as a non-executive director of the Company.
- 4) On 18 May 2023, Mr. Liu Min was appointed as the executive director of Nanjing Dingshang Fanxing Technology Co., Ltd., * (南京頂尚繁星科技有限公司), a wholly-owned subsidiary of the Company.
- 5) On 14 June 2023, Mr. Qiu Xiangyang ceased to act as the vice president of Nanjing Entrepreneur Association due to session changed.
- 6) On 26 June 2023, Mr. Niu Zhongjie was appointed as an independent non-executive director of New Media Lab Limited (Stock code: HK1284).
- 7) On 5 September 2023, Mr. Niu Zhongjie was appointed as an independent non-executive director of Starlight Culture Entertainment Group Limited (Stock code: HK1159).
- 8) On 10 October 2023, Mr. Liu Min was appointed as the executive director of Nanjing Sample Zhihui Technology Development Co., Ltd. * (南京三寶智匯科技發展有限公司), a wholly-owned subsidiary of the Company.

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 2023.

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.

CONTINUING CONNECTED TRANSACTIONS

On 30 December 2021, the Company (as the lessor) and Sample Group (as the lessee) had renewed the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules) and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company. The annual caps for the rent to be paid to the Company by Sample Group and its associates for each of the three years from 2022 to 2024 is RMB8,000,000.00. Details have been disclosed in the announcement dated 30 December 2021. The rental amount incurred between the Company and Sample Group and its associates for the year ended 31 December 2023 was RMB4,815,957.80.

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

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

Report of the Directors

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note XII 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 “Continuing Connected Transactions” in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules as its own code of corporate governance. Except with the deviation of code provision C.2.1 of the CG Code that requires the roles of chairman and the chief executive officer shall not be performed by the same individual, the Company confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Listing Rules, the Company published its 2023 Environmental, Social and Governance Report (“ESG Report”) which is in compliance with the provisions set out in the ESG Reporting Guide in Appendix C2 to the Listing Rules. The ESG Report has been uploaded to the website of the Company (www.samples.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) together with this annual report.

AUDITORS

In consideration of the development needs of the Company, the termination of appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company and the appointment of BDO China Shu Lun Pan Certified Public Accounts LLP (“BDO China”) as the auditor of the Company 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 2023 has been audited by BDO China. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO China 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
25 April 2024

CORPORATE GOVERNANCE CODE

The Group attaches great importance to corporate governance, and the Board believes that good corporate governance practices can strengthen accountability and increase transparency to protect shareholders' interests. The Company has adopted the corporate governance code (the "CG Code") contained in Appendix C1 of the Listing Rules and has adopted internal governance measures which is no less than exacting than the standard stipulated by the CG Code, and holds meetings from time to time for detailed discussions to evaluate the effectiveness and compliance of internal governance measures.

Except for the deviation of code provision C.2.1 of the CG Code that requires the roles of chairman and the chief executive officer shall not be performed by the same individual, during the Review Period, the Group has been complying with all the code provisions contained in the CG Code, and will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

CORPORATE GOVERNANCE STRUCTURE

The Group has established a comprehensive corporate governance structure in accordance with the Listing Rules. The Company clearly divides the responsibilities of the shareholders' general meeting, the Board, the supervisory committee, and the senior management. The shareholders' general meeting is the highest authority of the Company. The Board is responsible to the shareholders, and the composition of the Board and the special committees under the Board all comply with the Listing Rules. The special committees operate under the leadership of the Board and provide opinions on the decisions of the Board. The supervisory committee oversees the robust and good operation of the Company, and the performance of duties by the Board and senior management. Under the leadership of the Board, the senior management is responsible for implementing the resolutions of the Board and the management of the Company's daily business and administration, and regularly reports to the Board and the supervisory committee.

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall leadership of the Group, overseeing the Company's strategic decisions and monitoring the business and performance. They are responsible for managing all important matters, including formulation and approval of all policies, overall strategies, internal controls, risk management, and monitoring the performance of senior management. The Board has granted the power and responsibility of daily management and operation to the Company's senior management, and the Directors regularly review these arrangements.

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; (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

BOARD OF DIRECTORS

During the Review Period, the members of the Board of the Company were as follows:

Executive Directors

Mr. Sha Min (*Chairman & Chief Executive Officer*)

Mr. Ma Fengkui

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

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

Non-executive Director

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

Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie

The number and composition of the Board of the Company comply with the requirements of relevant laws, regulations, and the Company's articles of association. The detailed biographical information of all Directors is included in the 'Biographical Details of Directors, Supervisors and Senior Management' section on pages 15 to 19 of this annual report. There are no non-working relationships between the Directors, including any financial, business, family, or other important/relevant relationships.

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

During the Review Period, the Company has arranged appropriate liability insurance for Directors, supervisors, and senior management, and will review the coverage of the insurance every year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2023.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play an important role within the Board and use their independent and objective judgment to provide constructive opinions to the Board. The Board of the Company complies with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (at least one of whom should possess appropriate professional qualifications or accounting or related financial management expertise), among which Mr. Niu Zhongjie, an independent non-executive Director, has financial management experience.

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.

DIVERSITY POLICY

The Company recognizes the benefits of having a diverse Board and believes that board diversity is essential for the sustainable and balanced development of the Company. The Board is responsible for regularly reviewing the structure, number, composition and diversification of the Board, and making any proposed changes to the Directors in line with the Company's corporate strategies. When recommending suitable candidates to the Board, the nomination committee will comprehensively consider the merits of the candidates and composition in terms of diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, and time required to be devoted for being a director etc., and monitor the implementation of relevant policies.

During the Review Period, the Company has reviewed its board diversity policy. In accordance with the CG Code, the Company has appointed a female Director, Ms. Cai Lijuan, on 17 April 2023. Following the appointment of Ms. Cai, the Company's Board has six male directors and one female director.

The Group has also integrated diversity principles into the entire employee recruitment process to eliminate bias and maintain equal opportunities. During the Review Period, details of the Group's employee gender ratio, education level and other information are included in the Company's 2023 Environmental, Social and Governance Report.

Corporate Governance Report

CONTINUING TRAINING FOR DIRECTORS

According to provision C.1.4 of the CG Code, all directors should participate in continuous professional development programs to develop and update their knowledge and skills to ensure that their contributions to the Board with comprehensive information and be relevant to the needs.

During the Review Period, the Company has provided a total of two internal trainings and professional development course for Directors, which mainly cover updated listing rules, environmental, social and governance requirements, and other relevant applicable regulatory requirements. Some of independent non-executive Directors also actively participated in relevant trainings arranged by other organizers. In addition, the Company circulated and provided updated information on regulatory requirements and reading materials related to the economy, industry, market, etc. to Directors from time to time. All Directors have participated in appropriate continuing professional development and have provided the Company with a record of their participation in training in 2023 as follows:

Name of Directors	Reading regulatory updates and consultation reports or newspapers, journals and updates relating to industry and market information	Attending in-house training programmes
Executive Directors		
Mr. Sha Min	√	√
Mr. Ma Fengkui	√	√
Mr. Zhang Junmin (<i>Resigned on 3 March 2023</i>)	√	√
Mr. Liu Min (<i>Appointed on 17 April 2023</i>)	√	√
Non-executive Director		
Ms. Cai Lijuan (<i>Appointed on 17 April 2023</i>)	√	√
Independent Non-executive Directors		
Mr. Hu Hanhui	√	√
Mr. Gao Lihui	√	√
Mr. Niu Zhongjie	√	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the CG Code, the roles of chairman and chief executive officer are required to be separated.

Mr. Sha Min and Mr. Ma Fengkui served as the Chairman and chief executive officer of the Company respectively during the period from 1 January 2023 to 2 March 2023. However, following the resignation of Mr. Ma Fengkui as the chief executive officer of the Company on 3 March 2023, Mr. Sha Min has served as the Chairman and chief executive officer of the Company, which constitutes a deviation from C.2.1 of the CG Code provision. The Board believes that Mr. Sha, as the Chairman of the Company, has been leading the Board to ensure that the Board cooperates and operates in accordance with the principle of the best interests of the Company. At the same time, Mr. Sha is familiar with the Company's business operations and possesses excellent knowledge and experience in the Company's business, which is conducive to improving the efficiency of the Company's overall strategic planning. In addition, the remaining two executive directors have also been appointed as vice president of the Company to assist Mr. Sha Min in overseeing the business operation and management. Therefore, the Directors believe that the layout of this management structure will be more beneficial to the future development of the Company and can improve the Company's operating conditions. Under the supervision of the Board (currently composed of three executive Directors, one non-executive Director and three independent non-executive Directors), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS

Directors are selected and nominated by the Board based on the recommendation by nomination committee of the Company and elected by ordinary resolution of the Shareholders' general meeting. 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.

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

The nomination committee of the Company searches for the director candidates, compiles written reports for nomination, convenes the meeting of the nomination committee and conducts examination of the qualification of the initial candidates and makes recommendations to the Board regarding candidates for filling in vacancies on the Board. The basis for the Board's review of the qualifications of director candidate is: 1) the skills, knowledge and experience required to perform the duties of a director; 2) compliance with the qualifications for directors and independent non-executive directors stipulated in the Articles of Association, the Company Law and the Listing Rules; 3) consider the Company's diversity policies and regulations. Newly appointed board members will be provided by the Company with information on regulatory rules and the Company's internal rules as well as relevant information on the background and business of the Company as introduced by the management.

Corporate Governance Report

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

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. During the Review Period, the Board conscientiously implemented the resolutions of the shareholders' general meeting and the matters authorized by the shareholders' general meeting, and did not violate any national laws, regulations and the Company's articles of association or damage the interests of the Company.

During the Review Period, the Company held one extraordinary general meeting and one annual general meeting and class meeting of shareholders. The extraordinary general meeting of shareholders reviewed and approved the proposal for election of directors for filling in vacancy. The annual general meeting of shareholders reviewed and approved the 2022 work reports of the Board and the supervisory committee, the re-appointment of the auditor, the audited consolidated financial statements, and proposed amendments to the Company's articles of association.

BOARD MEETING

The Group strictly convened the board meeting in accordance with the provisions and requirements of the articles of association and the rules of the Board proceedings of the Company. During the Review Period, the Board of the Company held five meetings, of which two regular meetings approved the audited consolidated results of the Group for the year ended 31 December 2022 and the unaudited consolidated results of the Group for the six months ended 30 June 2023 and three extraordinary meetings have resolved on specific matters.

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.

The Attendance of the Board Meetings and Shareholders' General Meetings

The Board has convened five plenary Board meetings and two shareholders' general meetings for the year ended 31 December 2023. The attendance of the Directors at the meetings was as follows:

Name of Directors	Board meeting	General meeting
Executive Directors		
Mr. Sha Min (<i>Chairman & Chief Executive Officer</i>)	5/5	2/2
Mr. Ma Fengkui (<i>Vice President</i>)	5/5	2/2
Mr. Zhang Junmin (<i>Resigned on 3 March 2023</i>)	0/0	0/0
Mr. Liu Min (<i>Vice President</i>) (<i>Appointed on 17 April 2023</i>)	3/3	1/1

Corporate Governance Report

Name of Directors	Board meeting	General meeting
Non-executive Director		
Ms. Cai Lijuan (<i>Appointed on 17 April 2023</i>)	3/3	1/1
Independent Non-executive Directors		
Mr. Hu Hanhui	5/5	2/2
Mr. Gao Lihui	5/5	2/2
Mr. Niu Zhongjie	5/5	2/2

Apart from the above regular board meetings held during the year, the Board 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.

BOARD COMMITTEES

The Board of the Group is supported by four major committees, namely the remuneration committee, the nomination committee, the audit committee and the strategic committee (collectively, the “Board Committees”). The terms of reference of each committee, including the structure, responsibilities and membership of the committee, will be reviewed and revised from time to time (as necessary). The Board has delegated the responsibilities set out in the respective terms of reference to these Board committees in order to maximize the effectiveness of the Board and encourage the active participation and contribution of the Directors.

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

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. During the Review Period, two meetings were held by the remuneration committee to provide recommendation for the remuneration of the newly appointed directors and review the remuneration proposals for the Board, supervisors and senior management with reference to market conditions, positions and responsibilities.

Corporate Governance Report

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

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

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

NOMINATION COMMITTEE

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

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

The nomination committee currently consists of two independent non-executive Directors, namely Mr. Hu Hanhui (chairman of nomination committee), Mr. Niu Zhongjie and one executive Director, namely Mr. Liu Min who was appointed on 17 April 2023 to fill the vacancy arising from the resignation of Mr. Zhang Junmin on 3 March 2023. During the Review Period, the nomination committee held two meetings, at which it provided recommendations on the selection of nominated Directors and reviewed the rationality and compliance of the appointment procedures of Directors and the composition of the Board.

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

	Number of attendance
Mr. Hu Hanhui	2/2
Mr. Niu Zhongjie	2/2
Mr. Zhang Junmin (<i>Resigned on 3 March 2023</i>)	0/0
Mr. Liu Min (<i>Appointed on 17 April 2023</i>)	0/0

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 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, risk management 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 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. During the Review Period, the audit committee held two meetings, at which it reviewed the Group's audited consolidated results for the year ended 31 December 2022 and the unaudited consolidated results of the Group for the six months ended 30 June 2023. It also reviewed and confirmed the accounting principles and practices adopted by the Group, and discussed the reviewed the internal control, risk management and financial reporting matters.

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

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

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 primary duties of the strategic committee are to research 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.

Corporate Governance Report

The strategic committee currently consists of three executive Directors, namely Mr. Sha Min (the chairman of the strategic committee), Mr. Ma Fengkui and Mr. Liu Min who was appointed on 17 April 2023 to fill the vacancy arising from the resignation of Mr. Zhang Junmin on 3 March 2023. During the Review Period, the strategic committee held a meeting at which it reviewed a report on the Group's overall strategic development goals for 2023.

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

	Number of attendance
Mr. Sha Min	1/1
Mr. Ma Fengkui	1/1
Mr. Zhang Junmin (<i>Resigned on 3 March 2023</i>)	0/0
Mr. Liu Min (<i>Appointed on 17 April 2023</i>)	0/0

INTERNAL CONTROL AND RISK MANAGEMENT

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 Board is responsible for assessing and determining the nature and extent of the risks they are willing to take in achieving the Group's strategic goals and ensures that the Group has a responsibility to maintain a sound and effective risk management and internal control system and review its effectiveness. The Board supervises 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, operational monitoring, compliance monitoring and risk management monitoring, to protect the interests of shareholders.

The Board conducts risk assessments based on a variety of factors and conducts ongoing assessments to ensure that the Group's control status and risk management are effective. The Board believes that the Company's risk management and internal control systems are sufficient and effective to continuously maintain and improve the Company's internal control activities, and to ensure that the Company meets internal business needs and requirements and adapts to changes in the external environment in terms of finance, operations, compliance, and risk prevention and control as well as in line with corporate governance requirements.

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;
- 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);

Corporate Governance Report

- 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;
- 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).

During the Review Period, the Board conducted a review of the risk management and internal control systems of the Company and its subsidiaries, organized the study of Guozifa Reform Regulations [2023] No. 65 (國資發改革規[2023]65號文); guided the subsidiaries to establish and improve the corporate governance structure. Strengthening the party's leadership in governance and improving the construction of the Board, optimizing the corporate governance system, revising and improving the management of decision-making system of "Three Major and One Large (三重一大) which refers to major decisions, major personnel appointments and removals, major project arrangement and large-amount funding operations. During the Review Period, the Group had no major control errors that resulted in unforeseen consequences or emergencies, and no events were discovered that had a significant impact on the Company's financials.

However, due to some necessary information requested by the Auditor could not be provided in time for the audit, the Company was unable to publish an announcement in relation to the Company's annual results for the year ended 31 December 2023 ("2023 Annual Results") within three months after the end of the financial year of the Company (the "Incident") which constituted a non-compliance with Rule 13.49(1) of the Listing Rules. After the close co-ordination and joint efforts with the auditor, the 2023 Annual Results was published on 25 April 2024.

The Company recognizes the importance for the compliance of the Listing Rules and has strived to prevent the re-occurrence of the such non-compliance. The audit committee, the Board and the management have reviewed the cause of such non-compliance and discussed the measures shall be taken to improve the internal processes and systems.

Corporate Governance Report

The audit committee of the Company has conducted a review on the matter and discussed with the management to formulate improvement and preventive measures to avoid re-occurrence of the Incident. The management reported to the audit Committee, with an aim to enhancing the execution and accountability of the personnel in their daily operations and duties to better facilitating the publication of financial results of the Company, the following steps has been carried out:

- 1) The Company has organized trainings for staff of finance department, securities department, asset management center and internal audit to further study the internal control system covering the financial reporting mechanism and requirements, the investment management and monitoring system, the internal audit procedures etc. so as to enhancing their awareness and execution ability of the internal control systems on these aspects.
- 2) The Company has organized a meeting with finance department and internal audit to re-define material matters that need to be attended to strengthen the management and monitoring of these aspects in the financial reporting process. The material matters covering the significant investment, the accounts receivables, connected transactions, notifiable transactions, cashflow etc. Regular reporting on these material matters will be prepared and submitted to the chief financial officer for management and monitoring purpose.
- 3) The Company has also formulated a policy to handle the publication of the Company's interim and annual results which stipulates the timing requirement and procedures for completion of the results announcement and/or financial reports. Through these procedures which will safeguard the results announcement and/or financial reports to be published in compliance with the requirements of the Listing Rules.

Furthermore, the management reported to the audit committee, in order to further strengthening the Company's ability and the level of management and control of the operating and financial activities, the following steps will be taken subsequently:-

- 1) The management will organize a full review (the "Review") on the internal control system and risk management system with an aim to assist the Company to fully comply with the Listing Rules and other regulatory requirements as well as enhancing the overall management and control ability. A report for review of the internal control system and risk management system will subsequently be provided to the Audit Committee for review and comments.
- 2) The Company will enhance the training for staff on the internal control system and risk management system after the completion of the Review so as to helping the staff in compliance with the requirements and procedures relating to newly enhanced internal control system and risk management system.
- 3) The Company will refine its internal audit system, in particular, to enhance the pre-search for potential audit issues and resolve the issues systematically.
- 4) The Company will enhance the communications with the Auditor on the audit progress, such as identifying and monitoring the significant audit matters for the audit at the advance stage and keeping ongoing communications on overall audit planning and progress. Therefore, the Company can pay more attention and take advance steps to follow up and resolve the audit matters to avoid causing the delay in results publication.

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 auditor is set out in the independent auditor's report on pages 50 to 55 of this annual report.

INSIDE INFORMATION

The Group has put in place internal procedures for the handling of inside information in accordance with the Listing Rules as follows:

- 1) The Group stipulates that the heads of departments, persons-in-charge of subsidiaries and persons designated for handling such information are responsible for monitoring business developments and events of the Group for inside information to ensure that any potential inside information is promptly identified.
- 2) Any potential inside information identified is promptly reported to the chief executive officer of the Company who will assess, following the consultation with the company secretary and/or external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.
- 3) Records of any meeting and discussion regarding the evaluation of whether the information constitutes inside information will be maintained.
- 4) Relevant officers and employees are reminded of the need to comply with the confidentiality requirements before inside information is published in accordance with the relevant rules and regulations.
- 5) Non-disclosure agreements will be entered with the counter-party before the Group enters into significant negotiations or transactions.
- 6) If certain information is determined to be inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Corporate Governance Report

ANTI-CORRUPTION WHISTLEBLOWING POLICY

The Group resolutely fights corruption and promotes integrity and adheres to the zero-tolerance principle. Establish a whistleblowing policy to providing reporting channels will encourage all employees, on confidential basis, to report to the management for any inappropriate behavior related to Group. The Group will keep all information received confidential and protect the identity and rights of the whistleblower. During the Review Period, the specific implementation details of the Group's anti-corruption whistleblowing policy are set out in the Company's 2023 Environmental, Social and Governance Report.

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2023 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 2023 are set out below:

	2023 RMB'000	2022 RMB'000
Services rendered		
Audit services	1,000	1,000
Non-audit services	—	—
	1,000	1,000

COMPANY SECRETARY

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

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.

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 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
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) and the Company (www.samples.com.cn) immediately after the relevant general meetings.

Corporate Governance Report

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENT

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

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2023 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
25 April 2024

To the shareholders of Nanjing Sample Technology Company Limited:

I. OPINION

We have audited the accompanying financial statements of Nanjing Sample Technology Company Limited (the "Sample Technology"), which comprise the consolidated and company's balance sheets as at 31 December 2023, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2023 and the consolidated and company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 Sample Technology in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those 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.

We identified the following key audit matters in our audit process:

Key audit matters	How these matters were addressed in the audit
(I) Recognition of system integration income	
<p>Please refer to the accounting policy as stated in note (XXII) of “III. Significant accounting policies and accounting estimates” and note (XXXVI) of “V. Notes to the main items in consolidated financial statements” under the notes to the consolidated financial statements.</p>	<p>Our procedures in relation to recognition of income from system integration operations mainly included:</p>
<p>Sample Technology achieved operating income of RMB493,541,069.55 in 2023 financial year, of which system integration income was RMB394,450,069.68.</p>	<p>(1) testing and evaluating the effectiveness of the key internal controls in place on budget preparation and income recognition of the system integration projects;</p>
<p>The system integration business of Sample Technology mainly fulfills the performance obligations within a certain period of time. The income is recognized during the contract period based on the performance progress, which is determined by input method. Management makes a reasonable estimate of the estimated total contract income and estimated total contract cost based on the contract budget of the system integration project to determine the progress of contract performance, and evaluates and revises the contract on an ongoing basis during the execution of the contract. The relevant contract budget involves the management’s use of significant accounting estimations and judgements. We identified the income recognition from system integration operations as a key audit matter due to the above reason.</p>	<p>(2) checking on a sample basis, whether the expected total contract income and total contract costs are consistent with the project contract and cost budget that they base on, so as to appraise whether the estimates and its basis made by the management are reasonable and justified;</p>
	<p>(3) checking contract performance costs incurred during the year by tracing the support documentation on a sample basis;</p>
	<p>(4) selecting engineering projects in the system integration contract ledger on a sample basis and recalculating their performance progress to verify their accuracy;</p>
	<p>(5) making on-site selection of samples of system integration projects and discussed with site project managers the extent to which the work was completed, obtained a bill of quantities confirmed by the project owner, the supervisor and the Company and executing further inspection procedures by comparing with the performance progress in record.</p>

Key audit matters

How these matters were addressed in the audit

(II) Expected credit losses of account receivables and contract assets

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

As at the end of 2023, the carrying value of accounts receivable of Sample Technology was RMB547,862,462.66, the bad debt provision was RMB291,155,736.71; the carrying value of contract assets was RMB558,324,531.12, and the impairment provision was RMB49,171,568.43.

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

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

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

IV. OTHER INFORMATION

Management of Sample Technology (the "Management") is responsible for the other information. The other information comprises all of the information included in the 2023 annual report of Sample Technology, other than 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines 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, Management is responsible for assessing Sample Technology's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate Sample Technology or to cease operations, or has no realistic alternative but to do so.

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

VI. 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 CSAs 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 CSAs, we exercise professional judgment and maintain professional skepticism 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 not for the purpose of expressing an opinion on the effectiveness of Sample Technology's internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- (4) conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sample Technology's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our 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 Sample Technology to cease to continue as a going concern.
- (5) evaluate the overall presentation (including the disclosures), structure and contents 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 regarding the financial information of the entities or business activities within Sample Technology to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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

Certified Public Accountant of China: Ge Qin
(Project partner)

Certified Public Accountant of China: Zhou JinFu

Shanghai, China

25 April 2024

Consolidated Balance Sheet

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

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

Consolidated Balance Sheet

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	Closing balance	Closing balance at preceding year
Non-current assets:			
Loans and advances granted			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(XI)	10,121,697.55	10,132,457.00
Other equity instruments investment	(XII)	47,702,656.62	502,211,599.45
Other non-current financial assets	(XIII)	110,105,741.25	160,405,352.56
Investment property	(XIV)	432,018,591.53	236,803,100.00
Fixed assets	(XV)	50,520,450.88	152,999,306.59
Construction in progress	(XVI)		172,212.40
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	(XVII)	4,519,828.31	10,395,621.02
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	(XVIII)	78,636,072.28	71,504,724.83
Other non-current assets			
Total non-current assets		733,625,038.42	1,144,624,373.85
TOTAL ASSETS		2,874,452,654.75	2,998,295,004.70

Consolidated Balance Sheet

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note V	Closing balance	Closing balance at preceding year
Current liabilities:			
Short-term borrowings	(XX)	601,489,799.67	729,107,789.86
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	(XXI)	100,000.00	
Accounts payable	(XXII)	400,356,578.17	420,268,845.60
Advances from customers			
Contract liabilities	(XXIII)	43,275,025.51	55,344,250.54
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Securities trading of agency			
Securities underwriting			
Employees benefits payable	(XXIV)	14,528,169.74	15,845,751.94
Taxes payable	(XXV)	4,121,296.98	4,175,039.57
Other payables	(XXVI)	52,968,356.17	88,604,051.24
Fee and commission payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within 1 year	(XXVII)	6,000,000.00	6,000,000.00
Other current liabilities	(XXVIII)	3,588,963.78	8,679,446.46
Total current liabilities		<u>1,126,428,190.02</u>	<u>1,328,025,175.21</u>
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings	(XXIX)	78,250,000.00	88,032,451.78
Bonds payables			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employees benefits payable			
Estimated liabilities			
Deferred income	(XXX)	126,451.87	6,935,213.17
Deferred income tax liabilities	(XVIII)	36,482,759.62	16,709,856.83
Other non-current liabilities			
Total non-current liabilities		<u>114,859,211.49</u>	<u>111,677,521.78</u>
Total liabilities		<u>1,241,287,401.51</u>	<u>1,439,702,696.99</u>

Consolidated Balance Sheet

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note V	Closing balance	Closing balance at preceding year
Owners' equity:			
Share capital	(XXXI)	792,058,500.00	792,058,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	(XXXII)	80,999,419.73	80,999,419.73
Less: treasury stocks			
Other comprehensive income	(XXXIII)	103,396,141.60	34,759,511.88
Special reserves			
Surplus reserves	(XXXIV)	108,136,584.74	104,128,024.15
General risk provision			
Undistributed profits	(XXXV)	539,748,081.60	536,999,877.42
		<hr/>	<hr/>
Total owners' equity attributable to the parent company		1,624,338,727.67	1,548,945,333.18
Minority interest		8,826,525.57	9,646,974.53
		<hr/>	<hr/>
Total owners' equity		1,633,165,253.24	1,558,592,307.71
		<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY		2,874,452,654.75	2,998,295,004.70
		<hr/> <hr/>	<hr/> <hr/>

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

Page 56 to page 215 of the financial statements were signed by the following person in charge:

Sha Min
Chairman

Ma Fengkui
Director

Sha Min
Legal representative

Xu Yonghui
*Person in charge of
accounting function*

Xu Yonghui
Head of accounting department

Balance Sheet of the Parent Company

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note XVI	Closing balance	Closing balance at preceding year
Current assets:			
Cash at bank and on hand		148,404,349.30	14,645,366.53
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable		8,125,306.31	5,042,929.82
Accounts receivable	(I)	108,315,941.02	96,951,392.31
Receivable financing			1,505,158.27
Prepayments		859,557.98	4,687,437.17
Other receivables	(II)	987,617,061.42	416,900,306.95
Inventories		2,236,596.06	2,880,672.29
Contract assets		134,358,535.21	116,768,047.96
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		122,021.78	89,714.10
Total current assets		<u>1,390,039,369.08</u>	<u>659,471,025.40</u>
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(III)	493,201,159.62	498,666,140.59
Other equity instruments investment		47,702,656.62	502,211,599.45
Other non-current financial assets		94,230,256.89	144,424,151.22
Investment property		432,018,591.53	236,803,100.00
Fixed assets		32,209,159.41	97,132,721.99
Construction in progress			172,212.40
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		6,127,474.07	11,762,853.34
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		37,606,262.86	39,994,330.29
Other non-current assets			
Total non-current assets		<u>1,143,095,561.00</u>	<u>1,531,167,109.28</u>
TOTAL ASSETS		<u>2,533,134,930.08</u>	<u>2,190,638,134.68</u>

Balance Sheet of the Parent Company

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XVI	Closing balance	Closing balance at preceding year
Current liabilities:			
Short-term borrowings		332,171,202.05	367,244,989.18
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		107,492,473.34	96,167,147.14
Advances from customers			
Contract liabilities		26,431,697.43	16,295,101.98
Employees benefits payable		9,738,601.54	8,220,306.52
Taxes payable		2,378,808.83	2,420,251.70
Other payables		814,025,377.13	576,523,954.30
Held-for-sale liabilities			
Non-current liabilities due within one year		6,000,000.00	6,000,000.00
Other current liabilities		2,909,117.22	6,671,753.70
		<hr/>	<hr/>
Total current liabilities		1,301,147,277.54	1,079,543,504.52
		<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities:			
Long-term borrowings		78,250,000.00	84,250,000.00
Bonds payables			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employees benefits payable			
Estimated liabilities			
Deferred income			6,202,575.22
Deferred income tax liabilities		36,395,999.26	16,604,257.48
Other non-current liabilities			
		<hr/>	<hr/>
Total non-current liabilities		114,645,999.26	107,056,832.70
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities		1,415,793,276.80	1,186,600,337.22
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheet of the Parent Company

31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XVI	Closing balance	Closing balance at preceding year
Owners' equity:			
Share capital		792,058,500.00	792,058,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		100,649,699.68	100,649,699.68
Less: treasury stocks			
Other comprehensive income		108,732,816.34	40,276,366.46
Special reserves			
Surplus reserves		108,136,584.74	104,128,024.15
Undistributed profits		7,764,052.52	-33,074,792.83
		<hr/>	<hr/>
Total owners' equity		1,117,341,653.28	1,004,037,797.46
		<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY		2,533,134,930.08	2,190,638,134.68
		<hr/> <hr/>	<hr/> <hr/>

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

Consolidated Income Statement

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
I Total operating income		493,541,069.55	512,665,194.01
Including: Operating income	(XXXVI)	493,541,069.55	512,665,194.01
Interest income			
Premiums earned			
Fee and commission income			
II Total operating cost		541,339,292.14	638,933,934.01
Including: Operating costs	(XXXVI)	406,102,733.27	483,429,208.33
Interest expenses			
Fee and commission expenses			
Refunded premiums			
Net expenses of claim settlement			
Net provisions for insurance contract			
Insurance policy dividend payment			
Reinsurance expenses			
Tax and surcharges	(XXXVII)	4,421,795.59	4,771,144.79
Selling expenses	(XXXVIII)	37,769,640.78	44,130,186.93
Administrative expenses	(XXXIX)	37,130,078.64	46,632,855.46
Research and development expenses	(XL)	23,171,313.59	23,139,593.40
Financial expenses	(XLI)	32,743,730.27	36,830,945.10
Including: Interest expenses		34,053,010.53	42,758,466.41
Interest income		1,249,797.61	5,672,499.57
Add: Other income	(XLII)	8,962,808.58	12,050,298.38
Investment income (losses are represented by "-")	(XLIII)	-15,295,752.78	-1,194,716.82
Including: Investment income of associates and joint ventures		-10,759.45	17,666.00
Gain arising from derecognition of financial assets measured at amortised cost			
Exchange gain (losses are represented by "-")			
Income on hedging the net exposure (losses are represented by "-")			
Gain from changes in fair value (losses are represented by "-")	(XLIV)	51,302,228.34	1,608,967.14
Credit impairment loss (losses are represented by "-")	(XLV)	17,032,018.02	-199,369,835.55
Asset impairment loss (losses are represented by "-")	(XLVI)	-4,836,821.22	5,495,847.96
Gain from disposal of assets (losses are represented by "-")	(XLVII)		-67,124.70

Consolidated Income Statement

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
III Operating profit (losses are represented by "-")		9,366,258.35	-307,745,303.59
Add: Non-operating income	(XLVIII)	1,398,551.19	3,375,741.13
Less: Non-operating expenses	(XLIX)	9,023,995.14	628,961.93
IV Total profit (total losses are represented by "-")		1,740,814.40	-304,998,524.39
Less: Income tax expense	(L)	18,211.34	-4,136,298.22
V Net profit (net losses are represented by "-")		1,722,603.06	-300,862,226.17
(I) Classified by business continuity			
1. Net profit from continuing operations (net losses are represented by "-")		1,722,603.06	-300,862,226.17
2. Net profit from discontinued operations (net losses are represented by "-")			
(II) Classified by the attribution of the ownership			
1. Net Profit attributable to the shareholders of the parent company (net losses are represented by "-")		1,994,964.77	-273,526,467.22
2. Profit or loss attributable to minority shareholders (net losses are represented by "-")		-272,361.71	-27,335,758.95
VI Net other comprehensive income after tax		73,398,429.72	7,385,247.62
Net other comprehensive income after tax attributable to owners of the parent company		73,398,429.72	7,385,247.62
(I) Other comprehensive income which cannot be reclassified subsequently to profit and loss		929,198.59	4,199,602.89
1. Changes as a result of re-measurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit and loss under equity method			
3. Changes in fair value of other equity instruments investment		929,198.59	4,199,602.89
4. Changes in fair value of the enterprise's own credit risk			

Consolidated Income Statement

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

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

Income Statement of the Parent Company

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XVI	Current period	Previous period
I. Operating income	(IV)	231,336,414.34	189,994,166.10
Less: Operating cost	(IV)	154,816,139.36	136,749,626.00
Taxes and surcharges		3,825,168.06	3,896,615.49
Selling and distribution expenses		22,412,914.93	21,220,027.16
Administrative expenses		23,178,121.73	31,664,427.70
Research & development expenses		12,163,303.91	10,284,515.62
Financial expenses		18,942,129.21	21,941,338.03
Including: Interest expenses		18,950,762.23	21,418,713.90
Interest income		102,929.94	55,021.75
Add: Other income		7,754,160.95	11,202,870.53
Investment income			
(losses are represented by “-”)	(V)	-20,944,516.14	-22,009,271.17
Including: Investment income from			
associates and joint ventures		-5,464,980.97	-21,139,538.41
Gain on derecognition of financial			
assets measured at amortized			
cost			
Income on hedging the net exposure (losses are			
represented by “-”)			
Gain on fair value change			
(losses are represented by “-”)		51,407,945.32	351,447.00
Credit impairment losses			
(losses are represented by “-”)		19,253,326.78	-88,723,752.40
Asset impairment losses			
(losses are represented by “-”)		-3,332,877.22	-2,622,173.57
Gain from disposal of assets			
(losses are represented by “-”)			218.72
II. Operating profit (losses are represented		50,136,676.83	-137,563,044.79
by “-”)			
Add: Non-operating income		48,188.34	3,375,741.13
Less: Non-operating expenses			288,408.54
III. Total profit (losses are represented by “-”)		50,184,865.17	-134,475,712.20
Less: Income tax expenses		10,099,259.23	-7,384,702.16
IV. Net profit (losses are represented by “-”)		40,085,605.94	-127,091,010.04
(I) Net profit from the continuing operations			
(losses are represented by “-”)		40,085,605.94	-127,091,010.04
(II) Net profit from the discontinued operations			
(losses are represented by “-”)			

Income Statement of the Parent Company

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XVI	Current period	Previous period
V. Net other comprehensive income, net of tax		73,218,249.88	4,199,602.89
(I) Other comprehensive income that will not be reclassified to profit or loss		929,198.59	4,199,602.89
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		929,198.59	4,199,602.89
4. Changes in fair value of the company's own credit risk			
(II) Other comprehensive income that will be reclassified to profit and loss		72,289,051.29	
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. Cash flow hedging reserve			
6. Translation difference of financial statements in foreign currencies			
7. Others		72,289,051.29	
VI. Total comprehensive income		113,303,855.82	-122,891,407.15

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

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		655,891,413.30	661,028,199.42
Net increase in deposits from customers and deposits from other banks			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums of original insurance contract			
Net cash received from 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		1,892,839.01	4,149,791.68
Other cash receipts relating to operating activities	(LIII)	658,721,988.81	1,083,267,010.87
Sub-total of cash inflows from operating activities		1,316,506,241.12	1,748,445,001.97
Cash paid for goods and services		465,841,123.03	520,506,748.04
Net increase in loans and advances to customers			
Net increase in deposits in the central bank and interbank deposits			
Cash paid for claim 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		49,915,616.81	59,421,158.11
Payments of tax charges		15,985,310.01	23,455,973.70
Other cash payments relating to operating activities	(LIII)	603,607,589.61	1,010,425,326.53
Sub-total of cash outflows from operating activities		1,135,349,639.46	1,613,809,206.38
Net cash flows from operating activities		181,156,601.66	134,635,795.59

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
II. Cash flows from investing activities			
Cash received from disposal of investments		26,029,000.00	109,421,746.44
Cash received from returns on investments			675,165.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		687.95	14,843.59
Net cash received from disposal of subsidiaries and other operating entities			108,104.01
Other cash receipts relating to investing activities	(LIII)		39,077,407.21
Sub-total of cash inflows from investing activities		26,029,687.95	149,297,266.96
Cash paid to acquire fixed assets, intangible assets and other long-term assets		3,305,633.67	299,745.23
Cash paid for investments			141,330,759.84
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other operating entities			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		3,305,633.67	141,630,505.07
Net cash flows from investing activities		22,724,054.28	7,666,761.89

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	Current period	Previous period
III. Cash flows from financing activities			
Cash receipts from receiving investments			
Including: Cash received by subsidiaries from receiving investments made by non-controlling interest			
Cash received from borrowings obtained		656,720,000.00	920,360,000.00
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		656,720,000.00	920,360,000.00
Cash repayments of borrowings		793,940,594.93	1,056,189,405.07
Cash paid for dividends, profit distribution or interest expenses		34,232,857.57	57,406,152.89
Including: Dividends and profits paid by subsidiaries to non-controlling interests			
Other cash payments relating to financing activities	(LIII)	353,545.41	
Sub-total of cash outflows from financing activities		828,526,997.91	1,113,595,557.96
Net cash flows from financing activities		-171,806,997.91	-193,235,557.96
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-307.49	-28,869.01
V. Net increase in cash and cash equivalents		32,073,350.54	-50,961,869.49
Add: Cash and cash equivalents at beginning of period		308,915,828.1	359,877,697.64
VI. Cash and cash equivalent at end of period		340,989,178.69	308,915,828.15

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

Cash Flow Statement of the Parent Company

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	Current period	Previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		226,752,582.82	219,174,704.64
Refund of taxes and surcharges		1,411,863.80	3,922,082.26
Other cash receipts relating to operating activities		609,423,681.64	917,752,258.13
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		837,588,128.26	1,140,849,045.03
		<hr/>	<hr/>
Cash paid for goods and services		155,710,355.30	120,302,331.62
Cash paid to and on behalf of employees		25,584,532.33	26,716,545.76
Payments of taxes and surcharges		11,467,505.71	12,439,057.55
Other cash payments relating to operating activities		478,419,616.84	932,643,152.73
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		671,182,010.18	1,092,101,087.66
		<hr/>	<hr/>
Net cash flows from operating activities		166,406,118.08	48,747,957.37
		<hr/>	<hr/>
II. Cash flows from investing activities			
Cash received from disposal of investments		26,029,000.00	109,529,850.45
Cash received from returns on investments			675,165.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		487.18	14,843.59
Net cash received from disposal of subsidiaries and other operating entities			
Other cash receipts relating to investing activities			39,077,407.21
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		26,029,487.18	149,297,266.96
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		32,562.82	233,934.95
Cash paid for investments			141,330,759.84
Net cash paid to acquire subsidiaries and other operating entities			
Other cash payments relating to investing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		32,562.82	141,564,694.79
		<hr/>	<hr/>
Net cash flows from investing activities		25,996,924.36	7,732,572.17
		<hr/>	<hr/>

Cash Flow Statement of the Parent Company

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	Current period	Previous period
III. Cash flows from financing activities			
Cash receipts from receiving investments			
Cash received from borrowings obtained		381,770,000.00	366,770,000.00
Other cash receipts relating to financing activities			
		<hr/>	<hr/>
Sub-total of cash inflows from financing activities		381,770,000.00	366,770,000.00
		<hr/>	<hr/>
Cash repayments of borrowings		422,770,000.00	442,770,000.00
Cash paid for dividends, profit distribution or interest expenses		19,024,549.36	36,031,044.02
Other cash payments relating to financing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		441,794,549.36	478,801,044.02
		<hr/>	<hr/>
Net cash flows from financing activities		-60,024,549.36	-112,031,044.02
		<hr/>	<hr/>
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-307.49	164.85
		<hr/>	<hr/>
V. Net increase in cash and cash equivalents		132,378,185.59	-55,550,349.63
Add: Cash and cash equivalents at beginning of period		12,769,789.60	68,320,139.23
		<hr/>	<hr/>
VI. Cash and cash equivalent at end of period		145,147,975.19	12,769,789.60
		<hr/>	<hr/>

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

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2023
(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	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal	Minority interest	Total owners' equity
I. Closing balance of prior year	792,058,500.00				80,899,419.73		34,759,511.88		104,128,024.15		538,999,877.42	1,548,945,333.18	9,646,974.63	1,558,592,307.71
Add: Change of accounting policy														
Correction of accounting errors for prior period														
Business combination under common control														
Others														
II. Opening balance of current year	792,058,500.00				80,899,419.73		34,759,511.88		104,128,024.15		538,999,877.42	1,548,945,333.18	9,646,974.63	1,558,592,307.71
III. Changes during the period (Decreases are represented by "-")														
(I) Total comprehensive income							68,638,628.72		4,008,560.59	2,748,204.18	2,748,204.18	75,393,394.49	-820,448.96	74,572,946.53
(II) Owners' contribution and capital reduction							73,398,428.72			1,984,984.77	1,984,984.77	75,383,394.49	-272,361.71	75,121,032.78
1. Ordinary shares contribution by owners														
2. Capital invested by other equity instrument holders														
3. Share payment included in the owner's equity														
4. Others														
(III) Profit appropriation														
1. Appropriation to surplus reserves									4,008,560.59	-4,008,560.59			-548,087.25	-548,087.25
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
									4,008,560.59	-4,008,560.59				
									4,008,560.59	-4,008,560.59				

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current 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		Undistributed profits	Subtotal	Minority interest	
(IV) Internal transfer of owners' equity															
1. Capitalization of capital reserves (or share capital)											4,761,800.00				
2. Capitalization of surplus reserves (or 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. Others															
(V) Special reserve															
1. Appropriation in the current period															
2. Utilized in the current period															
(VI) Others															
IV. Closing balance of current period	792,068,500.00				80,999,419.73		103,396,141.60		108,136,594.74		539,746,061.60	1,624,339,727.67	8,826,525.57	1,633,165,253.24	

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

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period													
	Equity attributable to the owners of parent company													
	Share capital	Preference shares	Perpetual bonds	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal	Minority interest	Total owners' equity
I. Closing balance of prior year	792,058,500.00				103,289,821.12		25,457,396.42		104,126,024.15		812,449,980.76	1,837,867,722.45	40,095,532.09	1,877,459,254.54
Add: Change of accounting policy														
Correction of accounting errors for prior period														
Business combination under common control														
Others														
II. Opening balance of current year	792,058,500.00				103,289,821.12		25,457,396.42		104,126,024.15		812,449,980.76	1,837,867,722.45	40,095,532.09	1,877,459,254.54
III. Changes during the period (Decreases are represented by "-")														
(i) Total comprehensive income					-22,270,401.39		9,302,115.46				-275,450,103.34	-288,418,389.27	-30,446,557.56	-316,866,946.83
(ii) Owners' contribution and capital reduction							7,885,247.62				-273,328,467.22	-286,141,219.60	-27,335,788.95	-283,476,978.55
1. Ordinary shares contribution by owners														
2. Capital invested by other equity instrument holders														
3. Share payment included in the owner's equity														
4. Others														
(iii) Profit appropriation					-22,270,401.39							-22,270,401.39	-3,112,798.61	-25,383,200.00
1. Appropriation to surplus reserves														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														

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

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance of prior year	792,088,500.00				100,649,699.68		40,276,396.46		104,128,024.15	-33,074,792.83	1,004,037,797.46
Add: Change of accounting policy											
Correction of accounting errors for prior period											
Others											
II. Opening balance of current year	792,088,500.00				100,649,699.68		40,276,396.46		104,128,024.15	-33,074,792.83	1,004,037,797.46
III. Changes during the period (Decreases are represented by "-")											
(I) Total comprehensive income							68,456,449.88		4,008,560.59	40,838,845.35	113,303,855.82
(II) Owners' contribution and capital reduction							73,218,249.88			40,085,605.94	113,303,855.82
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Others											
(III) Profit appropriation									4,008,560.59	-4,008,560.59	
1. Appropriation to surplus reserves									4,008,560.59	-4,008,560.59	
2. Distribution to owners (shareholders)									4,008,560.59	-4,008,560.59	
3. Others											

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

For the year ended 31 December 2023

(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. Capitalization of capital reserves (or share capital)											4,761,800.00	
2. Capitalization of surplus reserves (or 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. Others												
(V) Special reserve												
1. Appropriation in the current period												
2. Utilized in the current period												
(VI) Others												
IV. Closing balance of current period	792,058,500.00				100,649,699.68			108,732,816.34	108,136,584.74		7,764,052.52	1,117,341,653.28

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 2023
(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
I. Closing balance of prior year	792,088,600.00				100,649,699.68		34,159,895.73		104,128,024.15	95,939,853.33	1,126,935,972.89
Add: Change of accounting policy											
Correction of accounting errors for prior period											
Others											
II. Opening balance of current year	792,088,600.00				100,649,699.68		34,159,895.73		104,128,024.15	95,939,853.33	1,126,935,972.89
III. Changes during the period (Decreases are represented by "-")											
(I) Total comprehensive income							6,116,470.73			-129,014,646.16	-122,898,175.43
(II) Owners' contribution and capital reduction							4,199,602.89			-127,091,010.04	-122,891,407.15
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Others											
(III) Profit appropriation											
1. Appropriation to surplus reserves											
2. Distribution to owners (shareholders)											
3. Others											

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

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
(IV) Internal transfer of owners' equity											
1. Capitalization of capital reserves (or share capital)											
2. Capitalization of surplus reserves (or share capital)											
3. Surplus reserves make up for losses											
4. Changes of defined benefits plan transferring to retained earnings											
5. Other comprehensive income transferring to retained earnings							1,916,867.84				
6. Others											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	792,088,600.00				100,649,699.68		40,276,396.46		104,128,024.15	-33,074,792.83	1,004,037,797.46

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC INFORMATION 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 2023, the Company had issued an aggregate of 792,058,500 shares, with a registered capital of RMB792,058,500. The address of the registered office of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City. The address of the headquarters of the Company: No. 10 Maqun Avenue, Qixia District, Nanjing City.

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

The Company is engaged in the information technology application (IT application) service industry. The primary business activity actually engaged in is to provide system integration services for customers.

These financial statements were approved by the Board of the Company on 25 April 2024.

Notes to the Financial Statements

For the year ended 31 December 2023
(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 Business Enterprises – Basic Standards and specific accounting standards, the application guidelines for the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant requirements (the “Accounting Standards for Business Enterprises”) published by the Ministry of Finance. Besides, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going concern

These financial statements were prepared on a 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. (X) Financial instruments”, “(XI) Inventories”, “(XV) Fixed assets”, “(XVII) Intangible assets” and “XXII” Income”.

(I) Statement of compliance with Accounting Standards for Business Enterprises

These financial statements have been prepared in conformity with the Accounting Standards for Business Enterprises published by the Ministry of Finance; truly and completely reflect the consolidated and parent company’s financial position as at 31 December 2023 and the consolidated and parent company’s operating results and cash flow for 2023.

(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 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(IV) Reporting currency

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

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

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

The fee which incurred directly for business combination shall be recognized 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 business combination shall be recognized as the initial recognition amount of equity securities or debt securities.

(VI) Judgment criteria for control and preparation methods of consolidated financial statements

1. Scope of consolidation

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Judgment criteria for control and preparation methods of consolidated financial statements *(Continued)*

2. Consolidation procedures

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

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where the balance of share of current losses by 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 balance shall offset against the minority shareholders' equity.

(1) Addition of subsidiary or business

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

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Judgment criteria for control and preparation methods of consolidated financial statements *(Continued)*

2. Consolidation procedures *(Continued)*

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

During the reporting period, 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 income of the current period. Other comprehensive income that can be reclassified into current profit and loss 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 income of the current period to which the date of purchase belongs.

(2) Disposal of subsidiary

① General treatment

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Judgment criteria for control and preparation methods of consolidated financial statements *(Continued)*

2. Consolidation procedures *(Continued)*

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

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Judgment criteria for control and preparation methods of consolidated financial statements *(Continued)*

2. Consolidation procedures *(Continued)*

(3) Acquisition of minority interest of subsidiary

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

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

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

(VII) Classification of joint arrangements and accounting treatment for joint operations

Joint arrangements can be classified into joint operations and joint ventures.

Joint operations represent the joint arrangement that a party to a joint arrangement has rights to the assets, and obligations for the liabilities, relating to such arrangement.

The Company recognizes the following items in relation to its share of benefits in joint operations:

- (1) the assets held solely by the Company and those jointly held on a pro-rate basis;
- (2) the liabilities assumed solely by the Company and those held jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Company;
- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

The Company's investment in joint ventures are accounted for using equity method, please refer to note "III. (XIII) Long-term Equity Investments".

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(VIII) 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 refer to investments held by the company that are short-term, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

(IX) Foreign currency transactions and translation of foreign currency financial statements

1. Foreign currency transactions

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

Foreign currency monetary items at the balance sheet date shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange difference are recognized in profit or loss for the current period, except for exchange differences arising from special borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalization, which should be capitalised as cost of the borrowings.

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. Income 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 of the year of disposal.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Financial instruments

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

1. Classification of financial instrument

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

The Company shall classify financial assets, that meeting the following conditions and not designated to be measured at fair value through profit or loss, 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 payments of principal solely and interest on the principal amount outstanding.

The Company shall classify financial assets, that meeting the following conditions and not designated to be measured at fair value through profit or loss, 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 payments of principal solely and interest on the principal amount outstanding.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Financial instruments *(Continued)*

1. Classification of financial instrument *(Continued)*

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Financial instruments *(Continued)*

2. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

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

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

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

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

Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other debt 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.

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

(X) Financial instruments *(Continued)*

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

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

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

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

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

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

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, bills 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.

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

(X) Financial instruments *(Continued)*

3. Derecognition of financial assets and recognition basis and measurement method for transfer of financial assets

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

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

If the Company revises or renegotiates the contract with the counterparty and the modification constitutes substantial modification, the original financial liability is derecognized and the new financial liability is recognized in accordance with the revised terms.

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 financial asset.

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

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

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

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

(X) Financial instruments *(Continued)*

3. Derecognition of financial assets and recognition basis and measurement method for transfer of financial assets *(Continued)*

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

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

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

4. Derecognition of financial liabilities

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

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

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

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

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

(X) Financial instruments *(Continued)*

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

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

6. Test and accounting methods for impairment of financial instruments

The Company performs impairment accounting on the basis of the expected credit losses for financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

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.

For accounts receivable and contract assets formed by the transactions regulated in the “Accounting Standards for Business Enterprises No. 14 – Revenue” whether contain significant financing components or otherwise, the Company always measures the loss provision at the amount equal to the lifetime expected credit loss.

For lease receivables formed by the transactions regulated in the “Accounting Standards for Business Enterprises No. 21 – Lease”, the Company chooses to always measure the loss provisions at the amount equal to the lifetime expected credit loss.

For other financial instruments, the Company assesses at each balance sheet date the changes in the credit risk of the relevant financial instrument since initial recognition.

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.

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

(X) Financial instruments *(Continued)*

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

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 the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the amount of 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 the next 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. For financial assets (debt instruments) measured at fair value through other comprehensive income, the loss provision is recognized in other comprehensive income, and the impairment losses or gains shall be included in current profit or loss, without reducing the book value of the financial asset as stated in the balance sheet.

If there is objective evidence that a certain receivable has been credit impaired, the Company shall make impairment provisions for the receivable on an individual basis.

Notes to the Financial Statements

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments (Continued)

6. Test and accounting methods for impairment of financial instruments (Continued)

Except for the above-mentioned receivables for which bad debt provisions are made on individual basis, the Company divides the remaining financial instruments into several portfolios based on credit risk characteristics, and determines expected credit losses on the basis of the portfolios. The Company's portfolio categories and determination basis of expected credit losses for bills receivable, accounts receivable, receivable financing, other receivables, contract assets, etc. are as follows:

Items	Portfolio category	Basis for determination
Bills receivable	Bank acceptance bills (non-AAA listed commercial bank)	The drawer credit rating is limited, certain risk of credit loss may be existed
	Commercial acceptance bills	The drawer signed the bill based on commercial credit, certain risk of credit loss is existed
Accounts receivable financing	Bank acceptance bills (AAA listed commercial bank)	The drawer has a relative high credit rating with no historical default of bills, extremely low credit loss risk, strong ability to perform its contractual cash flow obligations within a short period of time
Accounts receivable, contract assets	Aging portfolio	Similar credit risk characteristics, the aging of accounts is calculated from the date of entry into the accounts
	Portfolio of related party within the scope of consolidation	Customer type
	Portfolio of related party outside the scope of consolidation	Customer type
Other receivables	Low risk portfolio	There is objective evidence that there is no expected credit loss
	Aging portfolio	Similar credit risk characteristics, the aging of accounts is calculated from the date of entry into the accounts
	Low risk portfolio	Very low historical credit loss risk
	Portfolio of related party within the scope of consolidation	Customer type
Other receivables	Portfolio of related party outside the scope of consolidation	Customer type

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

(XI) Inventories

1. Classification and costs of inventories

The Company's inventories are commodity stocks.

Inventories are initially measured at cost, which includes procurement 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. Inventory system

The Company adopts a perpetual inventory system.

4. Recognition criteria and provision methods for the provision for value decline 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 for value decline 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.

During the normal course of production and operation, the net realizable value of the relevant commodity stocks shall be determined by their estimated selling prices less related selling costs and taxes. 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.

Notes to the Financial Statements

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

(XI) Inventories *(Continued)*

4. Recognition criteria and provision methods for the provision for value decline of inventories *(Continued)*

The Company makes provision for decline in value of inventories based on portfolio basis. The portfolio categories and determination basis as well as the basis for determination of the net realizable value of different types of inventories are as follows:

Type of inventory portfolio	Determination basis of the portfolio	Determination basis of the net realizable value
Portfolio of inventory age	Similar credit risk characteristics	Estimated selling prices deducted the estimated costs to be incurred upon completion, estimated selling expenses and related taxes

After the provision for value decline 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 for value decline of inventories made, and such written-back amounts would be charged to the current profit or loss.

(XII) Contract assets

1. Recognition method and standard of contract assets

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

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

For the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to Note "III. (X) 6. Test and accounting methods for Impairment of financial instruments.

Notes to the Financial Statements

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

(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.

2. Determination of initial investment cost

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

For the long-term equity investments in subsidiaries formed by the business combination under common control, the share of book value of its owners' equity of the merged party 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 common control as a result of additional investment and other reasons, the difference between initial investment cost of long-term equity investment recognized 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 not under common control, the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

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For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

2. Determination of initial investment cost *(Continued)*

- (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.

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 joint venture are accounted for under equity method. Where the initial investment cost of a long-term equity investment is higher than the share of the fair value of the investee's identifiable net assets at the time of investment, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the the share of the fair value of the investee's identifiable net assets at the time of investment, the difference shall be charged to profit or loss for the current period, and shall adjust 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.

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

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

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

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

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

The unrealised profit or loss resulting from transactions between the Company and its associates or joint ventures shall be eliminated according to the proportion attributable to the company, based on which investment income shall be recognized. However, businesses formed by assets invested or sold are excluded. Any unrealised losses resulting from internal transactions with the investee, which are attributable to impairment of assets, shall be fully recognized.

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

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For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

(3) Disposal of long-term equity investments

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

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

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.

(XIV) Investment property

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

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

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

The basis of subsequent measurement of investment property 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.

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

(XIV) Investment property *(Continued)*

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

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

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 investment property shall be derecognized. The proceeds from disposal of investment property sold, transferred, scrapped or destroyed shall be included in the profit or loss in the current period after deducting its carrying amount and relevant taxes and fees.

(XV) Fixed assets

1. Recognition and initial measurement of fixed assets

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

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

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

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

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

(XV) Fixed assets *(Continued)*

2. Methods for depreciation

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

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

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

3. Disposal of fixed assets

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

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

(XVI) Construction 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 converted to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month after conversion. The criteria and timing for conversion of the Company's construction in progress to fixed assets are as follows:

Type	Criteria and timing for conversion to fixed assets
Electronic equipment	When the installation and commissioning are completed and the predetermined usable state is reached

(XVII) 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.

- (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 enterprise; if the term in which economic benefits are brought to the enterprise 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.

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

(XVII) Intangible assets *(Continued)*

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

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

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

4. Scope of the expenditure for research and development

The Company's R&D expenditures are expenditures directly related to the Company's R&D activities, including salary of R&D personnel, direct investment costs, depreciation expenses and long-term deferred expenses, design expenses, amortization expenses of intangible assets, entrusted external research and development expenses, other expenses, etc. The salary of R&D personnel are included in R&D expenditures based on project working hours.

5. Specific criteria in dividing the research stage and development stage

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

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

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

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

(XVII) Intangible assets *(Continued)*

6. Specific criteria of capitalization for expenditures during development stage

Expenditures incurred in the research stage are recognized in profit or loss for the period. Expenditures incurred in the development stage are recognized 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 stage and development stage, all of which should be included in the current profit or loss.

(XVIII) Impairment of long-term assets

Long-term assets, such as long-term equity investment, fixed assets, construction in progress, intangible assets with definite useful lives, 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 recognized 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 recognized on individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of an assets portfolio to which the asset belongs to be determined. An assets portfolio 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.

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

(XVIII) Impairment of long-term assets *(Continued)*

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

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

(XIX) 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.

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

(XX) Employee benefits

1. Accounting treatment methods of short-term compensation

In the accounting period in which employees provide service for the Company, short-term compensation 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 welfare expenses are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary welfare 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 recognized as liabilities, and the liabilities would be charged into current profit and loss or costs of assets.

(2) Defined benefit plans

The Company attributes the welfare obligations arising from the defined benefit plan to the period in which employees provide services based on the formula determined by the projected cumulative unit credit method and charged into current profit and loss or costs of assets.

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

Notes to the Financial Statements

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XX) Employee benefits *(Continued)*

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

(2) Defined benefit plans *(Continued)*

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.

The service cost incurred by defined benefit plan and the net interest of the net liabilities and net assets of the defined benefit plan would be charged into the current profit and loss or relevant costs of assets. The changes generated from the re-measurement of the net liabilities or net assets of the defined benefit plan would be included in the other comprehensive income and are not reversed to profit or loss in 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 plan 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 plan as at the balance sheet date.

3. Accounting treatment methods of termination benefits

When the Company provides employees with termination benefits, the staff compensation 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 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXI) Estimated liabilities

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

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

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

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

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

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

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

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.

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

(XXII) Income

1. Accounting policies used in income recognition and measurement

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

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

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

- The customer obtains and consumes the economic benefits brought by the performance 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.

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

(XXII) Income *(Continued)*

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

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

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

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

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

(XXII) Income *(Continued)*

2. Specific methods for income recognition

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

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

(2) Sales income of commodities

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

(3) Income of labor services

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

① Technology development income mainly belongs to the performance obligations performed at a certain point in time. After the technology development project is completed and the customer acceptance certificate (including but not limited to the final acceptance report, completion certificate or delivery certificate) is confirmed, the realization of the income is recognized.

② Maintenance service income mainly belongs to the performance obligations performed in a certain period of time. During the service period stipulated in the contract, the realization of the income is confirmed by averaging the total income agreed in the contract during the service period.

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

(XXIII) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

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

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

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

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

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

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

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

Notes to the Financial Statements

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

(XXIV) Government subsidies

1. Classification

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

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

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

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

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

2. Timing for recognition

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

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

(XXIV) Government subsidies *(Continued)*

3. Accounting treatment

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

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

(XXV) Deferred income tax assets and deferred income tax liabilities

Income tax comprises current and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss for the period except to the extent that they relate to a business combination or items recognized 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.

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

(XXV) Deferred income tax assets and deferred income tax liabilities *(Continued)*

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

- the initial recognition of the goodwill;
- The transaction or matter that is not a business combination, does not affect accounting profits and taxable income (or deductible losses) when it occurs, and the assets and liabilities initially recognized does not result in equal amounts of taxable temporary differences and deductible temporary differences.

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

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

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

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

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

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

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

(XXVI) Lease

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

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

1. The Company as lessee

Short-term lease and low-value asset lease

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

2. The Company as lessor

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

Accounting treatments for operating lease

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

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

(XXVII) Determination method and selection basis of materiality standards

The Company determines the importance items of financial statement based on the principle of whether it affects the economic decisions of users of financial statements, and considers both nature and amount. The importance of the nature of financial statement items is based on factors that have a greater impact on financial status and operating results, such as whether they are daily operating activities, whether they cause changes in profits and losses, whether they affect regulatory indicators, etc.

Items	Materiality standards
Material accounts receivable/other receivables with provision for bad debts on individual basis	RMB5 million
Material bills receivable/accounts receivable/receivable financing/interest receivable/dividend receivable/other receivables/debt investment due within one year/other debt investment due within one year/debt investment/other debt investments/Write-off, recovery or reversal of long-term receivables	RMB5 million
Material construction in progress	RMB5 million
Material other payables aged over 1 year or overdue	RMB5 million
Cash received in connection with material investing activities	The cash flow of a single investment activity exceeds 1% of the latest audited total assets
Cash payments related to material investing activities	The cash flow of a single investment activity exceeds 1% of the cash flow from investment activities of the latest audited total assets
Material non-wholly-owned subsidiary	Net assets of non-wholly-owned subsidiary/total assets exceed the latest audited net assets of the group attributable to the parent company/5% of total assets of non-wholly-owned subsidiary
Material joint ventures or associates	The balance of long-term equity investment is RMB20 million.
Material commitments/contingent events/material post-balance sheet events	RMB10 million

Notes to the Financial Statements

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

(XXVIII) Major accounting judgments and estimates

1. Critical judgments in applying the accounting policies

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

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

- (2) Classification of financial assets

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

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

Notes to the Financial Statements

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

(XXVIII) Major accounting judgments and estimates *(Continued)*

2. Critical accounting estimates and key assumptions

(1) Impairment of financial instruments and contract assets

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

(2) Deferred income tax

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

(3) System integration and service contracts

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

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

(XXVIII) Major accounting judgments and estimates *(Continued)*

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

(3) System integration and service contracts *(Continued)*

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

(4) Estimate of fair value of investment property

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

(5) Useful lives of fixed assets and intangible assets

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

Notes to the Financial Statements

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

(XXVIII) Major accounting judgments and estimates *(Continued)*

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

(6) Estimate of net realisable value of inventories

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

(XXIX) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

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

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

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

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

(XXIX) Changes in significant accounting policies and accounting estimates *(Continued)*

1. Changes in significant accounting policies *(Continued)*

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

The implementation of this provision did not have a significant impact on the financial condition and operating results of the Company.

2. Change in Significant Accounting Estimates

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

IV. TAXATION

(I) Main types of taxes and corresponding rates

Tax type	Basis of taxation	Tax rate (%)
Value-added tax (“VAT”)	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	5 (Note 1), 6, 9, 13
City maintenance and construction tax	Based on value-added tax actually paid	7
Enterprise income tax	Based on taxable profits	15, 16.50, 25

Notes to the Financial Statements

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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
Sample Technology (H.K.) Co., Limited	16.50 (Note 2)
Federal International Enterprise Limited	16.50 (Note 2)
Other subsidiaries	25

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

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

(II) Preferential tax

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

2. Enterprise income tax

Approved by Jiangsu Department of Science and Technology, Jiangsu Department of Finance and Jiangsu Provincial Taxation Bureau of State Administration of Taxation, the Company passed the re-evaluation of its High-New Technology Enterprise status on 2 December 2023. It holds a Certification of High-New Technology Enterprise (code: GR202332010529) with a valid period of 3 years. The Company enjoys a preferential 15% of High-New Technology Enterprise income tax rate under key support of the state for the year 2023-2025.

Notes to the Financial Statements

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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash at bank and on hand

Items	Closing balance	Closing balance at preceding year
Cash on hand		58.33
Digital currency	3,860,182.33	
Bank deposits	349,322,990.42	470,600,791.54
Other monetary fund	13,919,069.80	2,276,506.34
Deposits with finance companies		
Total	367,102,242.55	472,877,356.21
Including: Total amount of funds abroad	231,648.22	553,218.20
Funds deposited abroad with restrictions for remitting to China		

Of which, details of monetary funds, which were limited to use due to mortgage or being frozen, were as follow:

Items	Closing balance	Closing balance at preceding year
Deposits for loan and bank acceptance bills	50,000.00	150,000,000.00
Deposits of guarantee letter	13,869,069.80	2,276,506.34
Bid deposit	1,958,369.60	643,115.42
Project escrow account		1,855,426.91
Litigation frozen funds	10,235,624.46	9,186,479.39
Total	26,113,063.86	163,961,528.06

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 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Bills receivable

1. Classification of bills receivable

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	1,963,860.74	2,786,200.00
Commercial acceptance bills	6,850,000.00	2,712,147.50
Sub-total	8,813,860.74	5,498,347.50
Less: Provision for bad debt	352,554.43	219,933.90
Total	8,461,306.31	5,278,413.60

2. Bills receivable shown by classification of bad debt provisions

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Bad debt provision		Book value	Carrying balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision of bad debt on individual basis										
Provision for bad debt on credit risk characteristics portfolio	8,813,860.74	100.00	352,554.43	4.00	8,461,306.31	5,498,347.50	100.00	219,933.90	4.00	5,278,413.60
Including:										
Bank acceptance bills	1,963,860.74	22.28	78,554.43	4.00	1,885,306.31	2,786,200.00	50.67	111,448.00	4.00	2,674,752.00
Commercial acceptance bills	6,850,000.00	77.72	274,000.00	4.00	6,576,000.00	2,712,147.50	49.33	108,485.90	4.00	2,603,661.60
Total	8,813,860.74	100.00	352,554.43		8,461,306.31	5,498,347.50	100.00	219,933.90		5,278,413.60

Notes to the Financial Statements

For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Bills receivable (Continued)

3. Provision, reversal or recovery of bad debt in the current period

Classifications	Opening balance	Provision	Changes in the current period		Other movements	Closing balance
			Recovered or reversed	Written off		
Bills receivable subjected to provision for expected credit losses on portfolio basis	219,933.90	132,620.53				352,554.43
Including: Bank acceptance bills	111,448.00	-32,893.57				78,554.43
Commercial acceptance bills	108,485.90	165,514.10				274,000.00
Total	<u>219,933.90</u>	<u>132,620.53</u>				<u>352,554.43</u>

4. As at 31 December 2023, the Company had no bills receivable that had been pledged, discounted to banks but were not yet due at the balance sheet date, or converted to accounts receivable due to non-performance of the drawer, and all of the above bills receivable were due within one year.
5. As at 31 December 2023, the Company had endorsed and transferred bills receivable of RMB1,700,000.00 which were not yet due at the balance sheet date.

(III) Accounts receivable

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

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	140,875,242.40	167,921,165.70
1 to 2 years	79,294,379.45	44,181,366.60
2 to 3 years	31,490,369.70	33,938,309.12
Over 3 years	296,202,471.11	309,665,296.60
Sub-total	547,862,462.66	555,706,138.02
Less: Bad debt provision	291,155,736.71	314,825,572.33
Total	<u>256,706,725.95</u>	<u>240,880,565.69</u>

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

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

(III) Accounts receivable (Continued)

2. Accounts receivable disclosed based on classification of bad debt provision method

Classifications	Closing balance					Closing balance at preceding year					
	Carrying balance		Bad debt provision			Carrying balance		Bad debt provision			
	Proportion		Amount	Provision proportion		Proportion		Amount	Provision proportion		Book value
	Amount	(%)		Amount	(%)	Amount	(%)		Amount	(%)	
Provision of bad debt on individual basis	92,236,299.69	16.84	92,236,299.69	100.00		92,396,947.97	16.63	92,396,947.97	100.00		
Provision for bad debts on credit risk characteristics portfolio	455,626,162.97	83.16	198,919,437.02	43.66	256,706,725.95	463,309,190.05	83.37	222,428,624.36	48.01	240,880,565.69	
Including:											
Aging portfolio	383,168,519.12	69.93	197,660,376.59	51.59	185,508,142.53	440,237,206.80	79.22	221,275,025.19	50.26	218,962,181.61	
Portfolio of related party outside the scope of consolidation	25,181,208.59	4.60	1,259,060.43	5.00	23,922,148.16	23,071,983.25	4.15	1,153,599.17	5.00	21,918,384.08	
Low risk portfolio	47,276,435.26	8.63			47,276,435.26						
Total	547,862,462.66	100.00	291,155,736.71		256,706,725.95	555,706,138.02	100.00	314,825,572.33		240,880,565.69	

Significant accounts receivable with bad debt provision on individual basis:

Name	Closing balance				Closing balance at preceding year	
	Carrying balance	Bad debt provision	Provision proportion (%)	Provision basis	Carrying balance	Bad debt provision
Unit I	36,693,454.80	36,693,454.80	100.00	Expected unrecoverable	36,693,454.80	36,693,454.80
Unit II	26,547,617.80	26,547,617.80	100.00	Expected unrecoverable	26,547,617.80	26,547,617.80
Unit III	21,795,227.09	21,795,227.09	100.00	Expected unrecoverable	21,955,875.37	21,955,875.37
Unit IV	7,200,000.00	7,200,000.00	100.00	Expected unrecoverable	7,200,000.00	7,200,000.00
Total	92,236,299.69	92,236,299.69			92,396,947.97	92,396,947.97

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

(III) Accounts receivable (Continued)

2. Accounts receivable disclosed based on classification of bad debt provision method (Continued)

Provision for bad debts on credit risk characteristics portfolio:

1) Aging portfolio

Name	Closing balance		Provision proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year (1 year inclusive)	112,322,713.35	4,492,911.80	4.00
1 to 2 years	63,164,978.48	5,053,198.28	8.00
2 to 3 years	27,952,229.68	8,385,668.90	30.00
Over 3 years	179,728,597.61	179,728,597.61	100.00
Total	<u>383,168,519.12</u>	<u>197,660,376.59</u>	

2) Portfolio of related party outside the scope of consolidation

Item	Closing balance		Provision proportion (%)
	Carrying balance	Bad debt provision	
Portfolio of related party outside the scope of consolidation	<u>25,181,208.59</u>	<u>1,259,060.43</u>	5.00

3) Low risk portfolio

Item	Closing balance		Provision proportion (%)
	Carrying balance	Bad debt provision	
Low risk portfolio	<u>47,276,435.26</u>		

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

(III) Accounts receivable (Continued)

3. Provision, reversal or recovery of bad debt provision in the current period

Classifications	Closing balance at preceding year	Provision	Changes in the current period			Closing balance
			Recovered or reversed	Charged off or written off	Other movements	
Provision for bad debt on individual basis	92,396,947.97	-160,648.28				92,236,299.69
Provision for bad debt on credit risk characteristics portfolio	222,428,624.36	-23,509,187.34				198,919,437.02
Including :						
Aging portfolio	221,275,025.19	-23,614,648.60				197,660,376.59
Portfolio of related party outside scope of consolidation	1,153,599.17	105,461.26				1,259,060.43
Total	<u>314,825,572.33</u>	<u>-23,669,835.62</u>				<u>291,155,736.71</u>

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

(IV) Receivables financing

1. Classification of receivables financing

Items	Closing balance	Closing balance at preceding year
Bills receivable		1,505,158.27
Accounts receivable		
Total		1,505,158.27

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

Item	Closing balance at preceding year	Addition in the current period	Derecognized in the current period	Other movements	Closing balance	Accumulated loss provision recognized in other comprehensive income
Bills receivable-bank acceptance bills	1,505,158.27	9,175,255.91	10,680,414.18			

3. Receivable financing endorsed or discounted by the Company at the end of the period and not matured on the balance sheet date

Item	Closing balance of amount derecognized	Closing balance of amount not derecognized
Bank acceptance bills	2,700,000.00	

4. Provision for impairment of receivables financing

As at 31 December 2023, the bank acceptance bills held by the Company were commercial banks with higher credit rating and there was no significant credit risk.

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

(V) Prepayments

Aging	Closing balance		Closing balance at preceding year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (1 year inclusive)	2,831,561.88	12.14	68,076,010.04	74.69
1 to 2 years	9,319,578.23	39.97	18,206,956.23	19.98
2 to 3 years	6,894,054.22	29.57	3,103,276.83	3.40
Over 3 years	4,271,876.05	18.32	1,761,080.31	1.93
Total	23,317,070.38	100.00	91,147,323.41	100.00

(VI) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		
Other receivables	862,555,910.98	366,840,678.68
Total	862,555,910.98	366,840,678.68

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

(VI) Other receivables (Continued)

Other receivables

(1) Disclosure based on aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	866,843,573.16	458,958,406.30
1 to 2 years	59,084,274.08	23,224,105.92
2 to 3 years	21,985,855.34	36,790,927.49
Over 3 years	48,027,515.04	19,993,752.45
Sub-total	995,941,217.62	538,967,192.16
Less: Bad debt provision	133,385,306.64	172,126,513.48
Total	862,555,910.98	366,840,678.68

(2) Disclosure based on classification of bad debt provision method

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Bad debt provision			Carrying balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Provision of bad debt on individual basis	71,795,127.81	7.21	71,795,127.81	100.00		114,185,407.57	21.19	114,185,407.57	100.00	
Provision for bad debt on credit risk characteristics portfolio	924,146,089.81	92.79	61,590,178.83	6.66	862,555,910.98	424,781,784.59	78.81	57,941,105.91	13.64	366,840,678.68
Including: Aging portfolio	468,179,817.10	47.01	61,575,299.70	13.15	406,604,517.40	424,318,717.20	78.72	57,917,952.54	13.65	366,400,764.66
Portfolio of related party outside scope of consolidation	297,582.50	0.03	14,879.13	5.00	282,703.37	463,067.39	0.09	23,153.37	5.00	439,914.02
Low risk portfolio	455,668,690.21	45.75			455,668,690.21					
Total	995,941,217.62	100.00	133,385,306.64		862,555,910.98	538,967,192.16	100	172,126,513.48		366,840,678.68

Notes to the Financial Statements

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(3) Particulars of provision for bad debt

	Stage I	Stage II	Stage III	
	Expected credit loss in the future	Expected credit loss for the entire lifetime (no credit impairment occurred)	Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Bad debt provision	12 months			
Closing balance at preceding year	57,941,105.91		114,185,407.57	172,126,513.48
Opening balance at current period				
– transferred to stage II				
– transferred to stage III				
– reversed to stage II				
– reversed to stage I				
Provision in the current period	3,649,327.98		2,855,869.09	6,505,197.07
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period			45,246,148.85	45,246,148.85
Other movements	255.06			255.06
Closing balance	61,590,178.83		71,795,127.81	133,385,306.64

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(3) Particulars of provision for bad debt (Continued)

Movements in the carrying amounts of other receivables were 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
Closing balance at preceding year	424,781,784.59		114,185,407.57	538,967,192.16
Opening balance of the current period				
– transferred to stage II				
– transferred to stage III				
– reversed to stage II				
– reversed to stage I				
Addition in the current period	499,369,406.43		2,855,869.09	502,225,275.52
Derecognized in the current period			45,246,148.85	45,246,148.85
Other movements	5,101.21			5,101.21
Closing balance	<u>924,146,089.81</u>	<u></u>	<u>71,795,127.81</u>	<u>995,941,217.62</u>

(4) Provision, reversal or recovery of bad debt provision in the current period

Classifications	Closing balance at preceding year	Provision	Changes in the current period			Closing balance
			Recovered or reversed	Charged off or written off	Other movements	
Provision of bad debt on individual basis	114,185,407.57	2,855,869.09		45,246,148.85		71,795,127.81
Provision of bad debt on credit risk characteristics portfolio	57,941,105.91	3,649,327.98			255.06	61,590,178.83
Including: Aging portfolio	57,917,952.54	3,657,602.22			255.06	61,575,299.70
Related party outside scope of consolidation	23,153.37	-8,274.24				14,879.13
Total	<u>172,126,513.48</u>	<u>6,505,197.07</u>	<u></u>	<u>45,246,148.85</u>	<u>255.06</u>	<u>133,385,306.64</u>

Notes to the Financial Statements

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(5) Classification by nature

Nature	Closing book balance	Closing book balance at preceding year
Deposit and retention monies	26,042,247.94	37,235,668.77
Petty cash	515,421.54	1,398,013.69
Current accounts	433,859,720.48	452,466,138.82
Equity transfer receivables (Note)	512,690,813.50	24,028,194.50
Others	833,014.16	1,839,176.38
Withholding monies	22,000,000.00	22,000,000.00
Total	995,941,217.62	538,967,192.16

Note: The closing balance of equity transfer receivables of RMB513 million is mainly related to the fund investment receivable of RMB450 million yuan from Jiangsu Jianan Investment Development Co., Ltd. * (江蘇迦南投資發展有限公司) (hereinafter referred to as Jianan Investment). In October 2017, the Company invested RMB450 million yuan to acquire the "Jianan Xuyi Equity Fund No. 1", a closed-end contractual private investment fund, issued by Jianan Investment. The fund specifically invested in the equity of Xuyi County Sizhou Port Co., Ltd. (盱眙縣泗州港務有限公司) (Hereinafter referred to as Sizhou Port Company) which is a project company for investment in the Xuyi Port Industrial Park PPP project.

In November 2023, the term of the above-mentioned fund ended. In December 2023, the Company signed a "Creditor's Rights and Debts Agreement" with Jianan Investment in which Canaan Investment confirmed that it owed the Company the aforesaid investment sum. The Company applied for notarization of the corresponding creditor's rights in January 2024, and the Zhongshan Notary Office of Nanjing City, Jiangsu Province issued a notarial certificate ((2024) Suning Zhongshan Certificate No. 540) of creditor's rights documents with compulsory enforcement effect.

In March 2024, the Company submitted an enforcement application against Jianan Investment to the Yangzhou Intermediate People's Court. The application has passed the court's filing review and the court has issued an enforcement document (2024) Su 10 Zhi No. 54.

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

(VII) Inventories

1. Classification of inventories

Classifications	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for value decline/ provision for impairment of contract performance costs	Book value	Carrying balance	Provision for value decline/ provision for impairment of contract performance costs	Book value
Commodity stocks	58,442,744.37	8,099,693.00	50,343,051.37	44,770,578.51	7,821,505.56	36,949,072.95

2. Provision for value decline of inventory and provision for impairment of contract performance costs

Classifications	Closing balance at preceding year	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversed or charged off	Others	
Commodity stocks	7,821,505.56	278,187.44				8,099,693.00

3. Inventories with provision for value decline based on inventory age:

Portfolio	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for value decline	Provision proportion (%)	Carrying value	Provision for value decline	Provision proportion (%)
Within 1 year (1 year inclusive)	39,328,918.44			21,203,401.30		
1-2 years	9,974,800.30	2,992,440.09	30.00	22,448,520.12	6,734,556.03	30.00
2-3 years	8,063,545.44	4,031,772.72	50.00	63,415.12	31,707.56	50.00
Over 3 years	1,075,480.19	1,075,480.19	100.00	1,055,241.97	1,055,241.97	100.00
Total	58,442,744.37	8,099,693.00		44,770,578.51	7,821,505.56	

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

(VIII) Contract assets

1. Particulars of contract assets

Item	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Related to project contracting service contract (Note)	558,324,531.12	49,171,568.43	509,152,962.69	591,932,936.10	44,612,934.65	547,320,001.45

Note: The project contracting services provided by the Company are recognized in accordance with the progress of contract performance, and the contract price is collected after completion of the work inspection and settlement by the customer. The portion of the income recognized by the Company according to the progress of contract performance exceeding the settlement amount by the customer is recognized as contract assets.

2. Disclosure based on classification of impairment provision method for contract assets

Classifications	Closing balance					Closing balance at preceding year				
	Carrying balance		Provision for impairment		Book value	Carrying balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for impairment on individual basis	7,362,221.88	1.32	7,362,221.88	100.00			7,362,221.88	1.24	7,362,221.88	100.00
Provision for impairment on credit risk characteristics portfolio	550,962,309.24	98.68	41,809,346.55	7.59	509,152,962.69	584,570,714.22	98.76	37,250,712.77	6.37	547,320,001.45
Including: Aging portfolio	550,962,309.24	98.68	41,809,346.55	7.59	509,152,962.69	584,570,714.22	98.76	37,250,712.77	6.37	547,320,001.45
Total	558,324,531.12	100.00	49,171,568.43		509,152,962.69	591,932,936.10	100.00	44,612,934.65		547,320,001.45

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

(VIII) Contract assets (Continued)

2. Disclosure based on classification of impairment provision method for contract assets (Continued)

Significant contract assets with provision for impairment on individual basis:

Name	Closing balance				Closing balance at preceding year	
	Carrying balance	Provision for impairment	Provision proportion (%)	Basis for provision	Carrying balance	Provision for impairment
Office of Urban Key Construction Command Department of Bengbu Economic Development Zone (蚌埠經濟開發區城市大建設指揮部辦公室) (Traffic signal monitoring system project for eighth roads in Binhu New Area)	6,347,316.68	6,347,316.68	100.00	Long aging and expected unrecoverable	6,347,316.68	6,347,316.68
Xiamen Road & Bridge Construction Group Co., Ltd. (廈門路橋建設集團有限公司) (High-definition bayonet system project for Xiamen Expressway and station entrance and exit)	754,351.96	754,351.96	100.00	Long aging and expected unrecoverable	754,351.96	754,351.96
Guangzhou Public Security Bureau (廣州市公安局) (GZ-ITMS2 second batch of new electronic police project)	260,553.24	260,553.24	100.00	Long aging and expected unrecoverable	260,553.24	260,553.24
Total	7,362,221.88	7,362,221.88			7,362,221.88	7,362,221.88

Provision for impairment on credit risk characteristics portfolio:

Aging portfolio:

Name	Closing balance		Provision proportion (%)
	Contract assets	Provision for impairment	
Within 1 year (1 year inclusive)	316,436,941.14	12,657,477.70	4.00
1 to 2 years	187,298,825.37	14,983,906.03	8.00
2 to 3 years	47,226,542.73	14,167,962.82	30.00
Total	550,962,309.24	41,809,346.55	

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

(VIII) Contract assets (Continued)

3. Particulars of impairment provision for contract assets in the current period

Items	Closing balance at preceding year	Provision in the current period	Reversed in the current period	Charged off/written off in the current period	Closing balance
Provision for bad debt on individual basis	7,362,221.88				7,362,221.88
Provision for bad debt on portfolio basis	37,250,712.77	4,558,633.78			41,809,346.55
Total	44,612,934.65	4,558,633.78			49,171,568.43

(IX) Non-current assets due within one year

Item	Closing balance	Closing balance at preceding year
Equity transfer money		24,687,737.50

(X) Other current assets

Items	Closing balance	Closing balance at preceding year
Deductible and pending for verification input VAT	39,799,554.21	43,321,282.40
Prepaid enterprise income tax	6,682,639.36	6,395,720.19
Prepayment of other taxes	31,704.53	31,152.50
Debt investment	16,674,448.00	16,436,168.00
Total	63,188,346.10	66,184,323.09

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

(XI) Long-term equity investments

Investee	Closing balance		Increase/decrease in the current period								Closing balance	Closing balance of impairment provision
	Closing balance at preceding year	of impairment provision at preceding year	Increase in investment	Decrease in investment	Investment gains and losses recognized using equity method	Other comprehensive income		Cash dividend declared or profits	Impairment provision	Others		
						adjustment	changes in equity					
Associates												
Nanjing Sample Intelligent Technology Co., Ltd. (南京三貫智能科技有限公司)	106,312.95				-18,463.39							87,849.56
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd. (台州交投數智科技發展有限公司)	10,026,144.05				7,703.94							10,033,847.99
Total	10,132,457.00				-10,759.45							10,121,697.55

(XII) Other equity instrument investment

1. Particulars of other equity instrument investment

Name	Closing balance	Closing balance at preceding year	Gains included in other comprehensive income in the current period	Losses included in other comprehensive income in the current period	Accumulated gains included in other comprehensive income at the end of the current period	Accumulated losses included in other comprehensive income at the end of the current period	Dividend income recognized in the current period	Reasons for designation at fair value through other comprehensive income
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))	47,702,656.62	47,449,799.45	252,857.17		1,300,856.62			Strategic investment
Jinan Xuyi Equity Fund No.1 (迦南盱眙股權基金1號) (Note)		454,761,800.00		4,761,800.00		4,761,800.00		
Total	47,702,656.62	502,211,599.45	252,857.17	4,761,800.00	1,300,856.62	4,761,800.00		

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XII) Other equity instrument investment (Continued)

1. Particulars of other equity instrument investment (Continued)

Note: In October 2017, the Company invested RMB450 million yuan to acquire the “Jianan Xuyi Equity Fund No. 1”, a closed-end contractual private investment fund, issued by Jiangsu Jianan Investment Development Co., Ltd.* (江蘇迦南投資發展有限公司) (hereinafter referred to as Jianan Investment). The fund specifically invested in the equity of Xuyi County Sizhou Port Co., Ltd. (盱眙縣泗州港務有限公司) (Hereinafter referred to as Sizhou Port Company) which is a project company for investment in the Xuyi Port Industrial Park PPP project.

In November 2023, the term of the above-mentioned fund ended. In December 2023, the Company signed a “Creditor’s Rights and Debts Agreement” with Jianan Investment in which Canaan Investment confirmed that it owed the Company the aforesaid investment sum. The Company applied for notarization of the corresponding creditor’s rights in January 2024, and the Zhongshan Notary Office of Nanjing City, Jiangsu Province issued a notarial certificate ((2024) Suning Zhongshan Certificate No. 540) of creditor’s rights documents with compulsory enforcement effect. In March 2024, the Company submitted an enforcement application against Jianan Investment to the Yangzhou Intermediate People’s Court. The application has passed the court’s filing review and the court has issued an enforcement document (2024) Su 10 Zhi No. 54. The relevant fund investment amount was transferred to other receivables for accounting.

2. Explanation of derecognition in the current period

Name	Cumulative gains transferred to retained earnings	Cumulative losses transferred to retained earnings	Reason for derecognition
Jianan Xuyi Equity Fund No. 1	4,761,800.00		Term expired

(XIII) Other non-current financial assets

Items	Closing balance	Closing balance at preceding year
Financial assets measured at fair value through profit or loss	94,230,256.89	144,424,151.22
Including: Equity instrument investment	94,230,256.89	144,424,151.22
Financial assets designated at fair value through profit or loss	15,875,484.36	15,981,201.34
Including: Debt instrument investment	15,875,484.36	15,981,201.34
Total	110,105,741.25	160,405,352.56

Note: The equity instrument investments held by the company are all equity investments in unlisted companies.

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

(XIV) Investment property

1. Investment property adopting fair value measurement model

Items	Property, buildings
1. Closing balance at preceding year	236,803,100.00
2. Movement in the current period	195,215,491.53
Including: Transfer in of fixed assets/intangible assets	59,135,344.36
Change in fair value	136,080,147.17
	<u>432,018,591.53</u>
3. Closing balance	<u><u>432,018,591.53</u></u>

2. Major investment property in the current period

Items	Geographical location	Construction area (m ²)	Rental income in the reporting period	Fair value at the end of period	Fair value at the beginning of period
Office	No. 10 Maqun Avenue, Nanjing	30,575.32		277,086,376.11	236,803,100.00
Office	No. 10 Maqun Avenue, Nanjing	16,730.43	13,374,100.24	154,932,215.42	
		<u>47,305.75</u>	<u>13,374,100.24</u>	<u>432,018,591.53</u>	<u>236,803,100.00</u>

3. Particulars of conversion to investment property using fair value measurement model

Items	Item of account before conversion	Amount	Reasons for conversion	Approval procedure	Amount of impact on profit and loss	Amount of impact on other comprehensive income
Property, buildings	Fixed assets	54,443,827.13	Leased out	Board resolution		85,045,942.69
Land use right	Intangible assets	4,691,517.23	Leased out	Board resolution		
Total		<u>59,135,344.36</u>			<u></u>	<u>85,045,942.69</u>

Notes to the Financial Statements

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

(XIV) Investment property (Continued)

4. Investment property for which title certificates have not been obtained at the end of the period

Item	Fair value at the end of the period	Reason for ownership certificates not obtained
Addition of building block No. 1/2/3/7/8, No. 10 Maqun Avenue, Nanjing	154,932,215.42	Still under processing

(XV) Fixed assets

1. Fixed assets and disposal of fixed assets

Items	Closing balance	Closing balance at preceding year
Fixed assets	50,520,450.88	152,999,306.59
Disposal of fixed assets		
Total	50,520,450.88	152,999,306.59

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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 equipment	Total
1. Original book value					
(1) Closing balance at preceding year	143,521,759.87	314,798,023.40	3,254,954.53	113,591,525.63	575,166,263.43
(2) Increase in the current period		3,273,070.85		204,775.22	3,477,846.07
– Acquisition		3,273,070.85		32,562.82	3,305,633.67
– Transfer in of construction in progress				172,212.40	172,212.40
(3) Decrease in the current period	97,039,933.29	149,060,747.45		3,508,248.62	249,608,929.36
– Disposal or write-off		149,060,747.45		3,508,248.62	152,568,996.07
– Transfer in of investment property	97,039,933.29				97,039,933.29
(4) Closing balance	46,481,826.58	169,010,346.80	3,254,954.53	110,288,052.23	329,035,180.14
2. Accumulated depreciation					
(1) Closing balance at preceding year	56,320,286.85	256,829,200.76	2,929,005.19	86,589,176.06	402,667,668.86
(2) Increase in the current period	4,076,677.61	25,808,020.80	29,297.25	6,846,511.17	36,760,506.83
– Provision	4,076,677.61	25,808,020.80	29,297.25	6,846,511.17	36,760,506.83
(3) Decrease in the current period	42,596,106.16	134,309,097.58		1,575,063.82	178,480,267.56
– Disposal or write-off		134,309,097.58		1,575,063.82	135,884,161.40
– Transfer in of investment property	42,596,106.16				42,596,106.16
(4) Closing balance	17,800,858.30	148,328,123.98	2,958,302.44	91,860,623.41	260,947,908.13
3. Provision for impairment					
(1) Closing balance at preceding year		18,709,318.09		789,969.89	19,499,287.98
(2) Increase in the current period					
(3) Decrease in the current period		1,932,466.85			1,932,466.85
– Disposal or write-off		1,932,466.85			1,932,466.85
(4) Closing balance		16,776,851.24		789,969.89	17,566,821.13
4. Book value					
(1) Closing book value	28,680,968.28	3,905,371.58	296,652.09	17,637,458.93	50,520,450.88
(2) Closing book value at preceding year	87,201,473.02	39,259,504.55	325,949.34	26,212,379.68	152,999,306.59

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

(XV) Fixed assets (Continued)

3. Fixed assets leased out through operating leases

Item	Closing book value	Closing book value at preceding year
Social security video screen prevention and control system of Bengbu City (expansion)	<u> </u>	<u>32,600,083.49</u>

4. There were no fixed assets for which ownership certificates has not been obtained at the end of the period

(XVI) Construction in progress

1. Construction in progress and construction materials

Item	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Construction in progress	<u> </u>	<u> </u>	<u> </u>	172,212.40	<u> </u>	<u>172,212.40</u>

2. Particulars of construction in progress

Item	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Machinery room modification project	<u> </u>	<u> </u>	<u> </u>	172,212.40	<u> </u>	<u>172,212.40</u>

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

(XVII) Intangible assets

Items	Land use right	Software	Patented technology	Total
1. Original book value				
(1) Closing balance at preceding year	10,636,583.49	8,994,299.38	21,334,076.22	40,964,959.09
(2) Increase in the current period				
(3) Decrease in the current period	7,053,174.10	1,309,825.11		8,362,999.21
– Disposal		1,309,825.11		1,309,825.11
– Transfer in of investment property	7,053,174.10			7,053,174.10
(4) Closing balance	3,583,409.39	7,684,474.27	21,334,076.22	32,601,959.88
2. Accumulated amortization				
(1) Closing balance at preceding year	3,421,059.73	7,108,686.95	19,177,059.64	29,706,806.32
(2) Increase in the current period	240,774.36	1,103,214.48	35,158.44	1,379,147.28
– Provision	240,774.36	1,103,214.48	35,158.44	1,379,147.28
(3) Decrease in the current period	2,361,656.87	642,165.16		3,003,822.03
– Disposal		642,165.16		642,165.16
– Transfer in of investment property	2,361,656.87			2,361,656.87
(4) Closing balance	1,300,177.22	7,569,736.27	19,212,218.08	28,082,131.57
3. Provision for impairment				
(1) Closing balance at preceding year		862,531.75		862,531.75
(2) Increase in the current period				
(3) Decrease in the current period		862,531.75		862,531.75
– Disposal		862,531.75		862,531.75
(4) Closing balance				
4. Book value				
(1) Closing book value	2,283,232.17	114,738.00	2,121,858.14	4,519,828.31
(2) Closing book value at preceding year	7,215,523.76	1,023,080.68	2,157,016.58	10,395,621.02

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

(XVIII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets before offsetting

Item	Closing balance		Closing balance at preceding year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment provision for assets	414,827,656.73	78,636,072.28	476,698,165.56	71,504,724.83

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 other non-current financial assets	28,565,436.99	4,284,815.55	28,191,696.15	4,228,754.42
Fair value change of other equity instruments investment	1,300,856.62	195,128.50	5,809,799.45	871,469.92
Fair value change of investment property	127,727,758.74	19,159,163.81	76,693,554.26	11,504,033.14
Asset valuation surplus from business combination not under common control	578,402.40	86,760.36	703,995.67	105,599.35
Fair value change of investment property on conversion date	85,045,942.69	12,756,891.40		
Total	243,218,397.44	36,482,759.62	111,399,045.53	16,709,856.83

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

(XVIII) Deferred income tax assets and deferred income tax liabilities (Continued)

3. Details of unrecognized deferred income tax assets

Items	Closing balance	Closing balance at preceding year
Deductible temporary difference	121,739,900.17	146,813,256.14
Losses that can be offset by pre-tax profits in future years	503,707,960.12	344,792,233.22
Total	625,447,860.29	491,605,489.36

4. Deductible losses, for which deferred income tax assets are not recognized, will expire in the following years

Year	Closing balance	Closing balance at preceding year
2027	321,814.02	321,814.02
2028	8,119,272.01	8,119,272.01
2029	34,386,008.22	34,343,692.52
2030	48,344,749.39	48,344,749.39
2031	69,491,765.49	69,491,765.49
2032	184,170,939.79	184,170,939.79
2033	158,873,411.20	
Total	503,707,960.12	344,792,233.22

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

(XIX) Assets with restricted ownership or right of use

Items	At the end of the period				At the end of preceding year			
	Carrying balance	Book value	Restricted type	Restricted status	Carrying balance	Book value	Restricted type	Restricted status
Cash at bank and on hand	26,113,063.86	26,113,063.86	Retention monies, frozen due to litigation	Retention monies, frozen due to litigation	163,961,528.06	163,961,528.06	Retention monies, frozen due to litigation etc.	Retention monies, frozen due to litigation etc.
Investment property	432,018,591.53	432,018,591.53	Secured	Loan security	236,803,100.00	236,803,100.00	Secured	Loan security
Fixed assets	46,481,826.58	28,680,968.28	Secured	Loan security	146,341,680.63	86,181,032.91	Secured	Loan security
Intangible assets	3,583,409.39	2,283,232.17	Secured	Loan security	10,636,583.49	7,215,523.76	Secured	Loan security
Total	<u>508,196,891.36</u>	<u>489,095,855.84</u>			<u>557,742,892.18</u>	<u>494,161,184.73</u>		

(XX) Short-term borrowings

1. Classification of short-term borrowings

Items	Closing balance	Closing balance at preceding year
Pledged and guaranteed borrowings	384,000,000.00	455,000,000.00
Secured and guaranteed borrowings	46,770,000.00	46,770,000.00
Guaranteed borrowings	169,950,000.00	220,590,000.00
Pledged borrowings		5,798,143.15
Interest payable	769,799.67	949,646.71
Total	<u>601,489,799.67</u>	<u>729,107,789.86</u>

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

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXI) Bills payable

Type	Closing balance	Closing balance at preceding year
Bank acceptance bills	100,000.00	

(XXII) Accounts payable

1. Accounts payable disclosed according to aging at the date of entry

Items	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	223,367,408.42	199,223,954.53
1-2 years	64,047,657.07	145,830,320.29
2-3 years	43,331,516.27	57,275,970.10
Over 3 years	69,609,996.41	17,938,600.68
Total	400,356,578.17	420,268,845.60

2. Significant accounts payable with aging of more than one year or overdue

Items	Closing balance	Reason for outstanding or carried forward
Shandong Yanhua Information Technology Co., Ltd. (山東煙華信息科技有限公司)	31,368,789.16	Not yet settled

(XXIII) Contract liabilities

Item	Closing balance	Closing balance at preceding year
Related to engineering contracts	43,275,025.51	55,344,250.54

Note: As of 31 December 2023, the Company's contract liabilities related to the engineering contracts are the excess portion of the settled price over the amount of income recognized by the Company based on the performance progress of the contracts.

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIV) Employees benefits payables

1. Particulars of employees benefits payables

Items	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
Short-term employees benefits	15,826,266.94	43,037,982.52	44,355,564.72	14,508,684.74
Post-employment benefits – defined contribution plan		3,557,361.40	3,557,361.40	
Termination benefits	19,485.00	1,834,484.01	1,834,484.01	19,485.00
Total	<u>15,845,751.94</u>	<u>48,429,827.93</u>	<u>49,747,410.13</u>	<u>14,528,169.74</u>

2. Particulars of short-term employees benefits

Items	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
(1) Salaries, bonuses, allowances and subsidies	15,619,428.09	37,756,513.13	39,069,375.33	14,306,565.89
(2) Employee welfare		397,217.24	397,217.24	
(3) Social insurance		2,148,204.25	2,148,204.25	
Including: Medical insurance		1,907,122.95	1,907,122.95	
Work injury insurance		68,880.37	68,880.37	
Maternity insurance		172,200.93	172,200.93	
(4) Housing funds	116,977.06	2,721,057.79	2,721,057.79	116,977.06
(5) Union funds and staff education costs	89,861.79	14,990.11	19,710.11	85,141.79
(6) Pay for short-term absence				
(7) Short-term profit sharing plan				
Total	<u>15,826,266.94</u>	<u>43,037,982.52</u>	<u>44,355,564.72</u>	<u>14,508,684.74</u>

Notes to the Financial Statements

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

(XXIV) Employees benefits payables (Continued)

3. Particulars of defined contribution plan

Items	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
Basic pension contribution		3,449,735.81	3,449,735.81	
Unemployment insurance		107,625.59	107,625.59	
Corporate annuity payment				
Total		3,557,361.40	3,557,361.40	

(XXV) Taxes payable

Tax items	Closing balance	Closing balance at preceding year
VAT	2,033,327.34	2,141,279.83
Enterprise income tax	802,569.90	802,569.90
Individual income tax	107,125.27	153,453.70
City maintenance and construction tax	56,889.05	89,336.64
Property tax	810,064.68	643,267.05
Education surcharge	24,381.05	38,287.13
Local education surcharge	16,254.03	24,972.66
Land use tax	98,413.75	98,413.75
Stamp duty	39,674.71	52,756.54
Profit tax	132,597.20	130,702.37
Total	4,121,296.98	4,175,039.57

Notes to the Financial Statements

For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXVI) Other payables

Items	Closing balance	Closing balance at preceding year
Interests payable	101,792.47	657,617.35
Dividends payable		
Other payables	52,866,563.70	87,946,433.89
Total	52,968,356.17	88,604,051.24

1. Interests payable

Item	Closing balance	Closing balance at preceding year
Interest of long-term borrowings with interest paid by installments and principal repaid when due	101,792.47	657,617.35

2. Other payables

(1) Disclosure by nature

Items	Closing balance	Closing balance at preceding year
Current accounts	31,475,176.28	32,033,376.06
Retention monies	14,485,529.30	49,664,044.27
Amounts collected or paid on behalf of others	156,001.56	223,193.39
Others	6,749,856.56	6,025,820.17
Total	52,866,563.70	87,946,433.89

(2) There were no significant other payables aged over one year at the end of the period

(XXVII) Non-current liabilities due within one year

Item	Closing balance	Closing balance at preceding year
Long-term borrowing due within one year	6,000,000.00	6,000,000.00

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXVIII) Other current liabilities

Items	Closing balance	Closing balance at preceding year
Output VAT tax pending for transfer	1,888,963.78	3,755,494.56
Liabilities not derecognized by bill endorsement	1,700,000.00	4,923,951.90
Total	3,588,963.78	8,679,446.46

(XXIX) Long-term borrowing

Items	Closing balance	Closing balance at preceding year
Secured, pledged and guaranteed loan	84,250,000.00	90,250,000.00
Pledged loan		3,782,451.78
Less: Long-term borrowing due within one year	6,000,000.00	6,000,000.00
Total	78,250,000.00	88,032,451.78

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

Items	Closing balance at preceding year
1 to 2 years	7,400,000.00
2 to 3 years	7,400,000.00
3 to 4 years	7,400,000.00
4 to 5 years	8,000,000.00
Over 5 years	48,050,000.00
Total	78,250,000.00

Explanation: During the reporting period, the annual interest rate for the Company's long-term borrowing ranging from 3.96%-4.06%.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(XXX) Deferred income

Items	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
Government subsidies	6,935,213.17		6,808,761.30	126,451.87

(XXXI) Share capital

Items	Closing balance at preceding year	Increase (+)/Decrease (-) in the current period					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Other	Sub-total	
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	397,821,000.00						397,821,000.00
Active Gold Holding Limited	123,862,500.00						123,862,500.00
Sha Min	3,375,000.00						3,375,000.00
Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司)	34,375,000.00						34,375,000.00
Shandong Runbang Agricultural Development Co., Ltd. (山東潤邦農業開發有限公司)	3,125,000.00						3,125,000.00
Overseas public shareholders (H Shares)	229,500,000.00						229,500,000.00
Total	792,058,500.00						792,058,500.00

(XXXII) Capital reserve

Items	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share premium)	80,999,419.73			80,999,419.73
Other capital reserve				
Total	80,999,419.73			80,999,419.73

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXIII) Other comprehensive income

Items	Closing balance at preceding year	Current Period					Less: Transfer to retained earnings in the current period that previously included in other comprehensive income	Closing balance
		Less: Transfer to profit or loss in the current period before that previously included in other comprehensive income	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholder after tax	Less: Transfer to retained earnings in the current period that previously included in other comprehensive income		
1. Other comprehensive income that will not be reclassified to profit or loss	4,881,433.47	-4,508,942.83	-676,341.42	3,832,601.41			1,048,832.06	
Including: Changes of re-measurement of defined benefit plans								
Changes in fair value of other equity instruments investment	4,881,433.47	-4,508,942.83	-676,341.42	3,832,601.41			1,048,832.06	
2. Other comprehensive income that will be reclassified to profit or loss	29,878,078.41	85,226,122.53	12,756,891.40	72,469,231.13			102,347,309.54	
Including: Translation difference in foreign currency statements	-5,464,372.71	180,179.84	-	180,179.84			-5,284,192.87	
Others	35,342,451.12	85,045,942.69	12,756,891.40	72,289,051.29			107,631,502.41	
Total other comprehensive income	34,759,511.88	80,717,179.70	12,080,549.98	68,636,629.72			103,396,141.60	

(XXXIV) Surplus reserve

Item	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	104,128,024.15	4,008,560.59		108,136,584.74

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXV) Undistributed profits

Items	Current Period	Previous Period
Undistributed profit before adjustment at the end of preceding year	536,999,877.42	812,449,980.76
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	536,999,877.42	812,449,980.76
Add: Current net profit attributable to owners’ equity of the parent company	1,994,964.77	-273,526,467.22
Less: Provision of statutory surplus reserves	4,008,560.59	
Provision of discretionary surplus reserves		
Provision for general credit risk		
Ordinary shares dividends payable		
Ordinary shares dividends transferred to the share capital		
Transfer to other comprehensive income	-4,761,800.00	1,923,636.12
Undistributed profit at the end of the period	539,748,081.60	536,999,877.42

(XXXVI) Operating income and operating cost

1. Particulars of operating income and operating cost

Items	Current Period		Previous Period	
	Income	Cost	Income	Cost
Principal operation	456,611,297.51	390,805,849.30	481,171,833.77	472,427,654.38
Other operation	36,929,772.04	15,296,883.97	31,493,360.24	11,001,553.95
Total	493,541,069.55	406,102,733.27	512,665,194.01	483,429,208.33

Details of operating income

Items	Current period	Previous period
Income generated from customer contracts	480,166,969.31	501,145,572.51
Rental income	13,374,100.24	11,519,621.50
Total	493,541,069.55	512,665,194.01

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXXVI) Operating income and operating cost (Continued)

2. Operating income and operating cost (by project)

Items	Current Period		Previous Period	
	Income	Cost	Income	Cost
System integration	394,450,069.68	322,672,309.12	403,057,943.39	371,292,868.48
Intelligent terminal sales	13,516,283.21	10,541,833.21	26,103,338.93	20,029,569.65
Service income	48,644,944.62	57,591,706.97	52,010,551.45	81,105,216.25
Other business	36,929,772.04	15,296,883.97	31,493,360.24	11,001,553.95
Total	<u>493,541,069.55</u>	<u>406,102,733.27</u>	<u>512,665,194.01</u>	<u>483,429,208.33</u>

3. Operating income and operating cost (by region)

Items	Current Period		Previous Period	
	Income	Cost	Income	Cost
Mainland China	493,541,069.55	406,102,733.27	512,665,194.01	483,429,208.33
Hong Kong, PRC				
Total	<u>493,541,069.55</u>	<u>406,102,733.27</u>	<u>512,665,194.01</u>	<u>483,429,208.33</u>

4. Analysis of operating income and operating cost

Income generated from customer contracts in the current period is classified according to the time of commodity transfer as follow

Classifications	Operating income	Operating cost
Recognized at a point of time	99,090,999.87	83,430,424.15
Recognized within a period of time	<u>394,450,069.68</u>	<u>322,672,309.12</u>
Total	<u>493,541,069.55</u>	<u>406,102,733.27</u>

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXXVI) Operating income and operating cost (Continued)

5. Explanation 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.

6. Transaction prices apportioned to remaining performance obligations

The amount of transaction prices corresponding to performance obligations that have been contracted for but not yet performed or completed as at 31 December 2023 was RMB506,267,750.56 (as at 31 December 2022 was RMB380,660,490.02), of which RMB374,934,971.37 is expected to be recognized as income in 2024 and the remaining RMB131,332,779.19 is expected to be recognized as income in 2025.

(XXXVII) Taxes and surcharges

Items	Current Period	Previous Period
City maintenance and construction tax	776,231.80	938,454.11
Education surcharge	355,459.77	431,737.82
Local education surcharge	237,467.73	287,825.23
Property tax	2,409,056.66	2,366,785.94
Land-of-use tax	393,655.00	393,655.00
Vehicles usage tax	3,120.00	660.00
Stamp duty	246,804.63	352,026.69
Total	4,421,795.59	4,771,144.79

Notes to the Financial Statements

For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XXXVIII) Selling and distribution expenses

Items	Current Period	Previous Period
Employees remuneration	23,732,545.07	30,168,351.80
Entertainment expenses	3,815,853.51	3,443,575.43
Traveling expenses	3,224,789.90	2,660,052.60
Depreciation of fixed assets	2,659,759.80	1,322,381.21
Bidding fees	1,358,495.56	1,433,739.86
Project maintenance expenses	1,327,378.47	2,405,318.24
Others	347,899.06	464,755.41
Vehicle expenses	334,470.90	429,596.35
Lease expenses	251,585.24	330,455.05
Consultation and agency fees	240,974.33	195,156.72
Office expenses	144,749.39	116,664.80
Postage and telephone communication fees	142,130.63	156,098.76
Water and electricity charges	99,738.94	203,493.41
Technical services fee	55,081.02	77,801.77
Maintenance fees	20,938.96	717,311.75
Labour expenses	10,000.00	
Advertisement expenses	3,250.00	5,433.77
Total	37,769,640.78	44,130,186.93

(XXXIX) General and administrative expenses

Items	Current Period	Previous Period
Employees remuneration	12,267,518.16	15,979,957.31
Depreciation of fixed assets	10,855,313.96	15,131,525.92
Agency appointment fee	7,121,638.09	7,028,432.95
Auditors' remuneration	1,000,000.00	1,000,000.00
Property management fee	922,969.10	1,631,040.17
Entertainment expenses	891,826.12	579,619.84
Lease expenses	824,328.23	833,910.56
Amortization of intangible assets	706,506.28	816,569.17
Qualification certification fee	489,226.03	206,591.47
Board fee	455,789.00	385,921.00
Maintenance fee	331,717.50	377,697.01
Vehicles usage expenses	218,004.34	373,840.43
Technical services fee	187,661.48	859,465.30
Office expenses	119,828.40	576,994.75
Travelling expenses	96,067.41	35,400.62
Others	641,684.54	815,888.96
Total	37,130,078.64	46,632,855.46

Notes to the Financial Statements

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

(XL) Research & development expenses

Items	Current Period	Previous Period
Employees remuneration	12,418,654.70	13,094,081.02
Direct materials	7,747,308.94	7,811,957.51
Technical services fee	1,750,749.38	876,805.35
Amortization of intangible assets	477,769.20	349,584.61
Depreciation expenses	174,013.42	160,603.50
Travelling expenses	167,733.17	68,404.32
Patent expenses	148,441.51	134,837.64
Entertainment expenses	77,253.82	191,514.64
Office expenses	69,527.58	36,915.26
Water and electricity charges	58,487.69	176,675.64
Others	37,379.30	104,297.27
Agency and consultation fee	20,882.64	21,515.06
Postage and telephone communication fee	14,402.37	22,295.33
Property management fee	8,709.87	90,106.25
Total	23,171,313.59	23,139,593.40

(XLI) Financial expenses

Items	Current Period	Previous Period
Interest expenses	34,053,010.53	42,758,466.41
Including: Interest expense of lease liability		
Less: Interest income	1,249,797.61	5,672,499.57
Exchange gain and loss	307.49	395.85
Others	-59,790.14	-255,417.59
Total	32,743,730.27	36,830,945.10

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For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(XLII) Other income

Items	Current Period	Previous Period
Government subsidies – tax refund	1,892,766.42	4,149,545.77
Government subsidies – others	7,031,546.30	7,694,147.12
Additional input VAT credit		23,893.96
Handling fee for withholding individual income tax	38,495.86	182,711.53
Total	8,962,808.58	12,050,298.38

(XLIII) Investment income

Items	Current Period	Previous Period
Investment income from long-term equity investment under equity method	-10,759.45	17,666.00
Investment income from disposal of long-term equity investments	194,541.84	-1,024,248.53
Investment income on other non-current financial assets during the holding period		675,165.71
Investment income from disposal of other non-current financial assets	-15,479,535.17	-863,300.00
Total	-15,295,752.78	-1,194,716.82

(XLIV) Gain on fair value change

Sources generating gain on fair value change	Current Period	Previous Period
Other non-current financial assets	268,023.86	1,295,967.14
Investment property measured at fair value	51,034,204.48	313,000.00
Total	51,302,228.34	1,608,967.14

Notes to the Financial Statements

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

(XLV) Credit impairment losses

Items	Current Period	Previous Period
Loss from bad debts of bills receivable	132,620.53	69,893.90
Loss from bad debts of accounts receivable	-23,669,835.62	91,616,562.43
Loss from bad debts of other receivables	6,505,197.07	107,683,379.22
Total	-17,032,018.02	199,369,835.55

(XLVI) Asset impairment losses

Items	Current Period	Previous Period
Loss from declines in values of inventories and impairment loss of contract performance costs	278,187.44	5,884,093.91
Impairment loss of contract assets	4,558,633.78	-11,379,941.87
Total	4,836,821.22	-5,495,847.96

(XLVII) Income from assets disposal

Items	Current Period	Previous Period
Gains from disposal of non-current assets		-67,124.70
Including: Gains from disposal of fixed assets		-3,044.93
Gains from disposal of intangible assets		-64,079.77
Total		-67,124.70

Notes to the Financial Statements

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

(XLVIII) Non-operating income

Items	Current Period	Previous Period
Government subsidy	2,500.00	
Liquidated damages and compensation income	90,000.00	3,374,912.46
Others	1,306,051.19	828.67
Total	1,398,551.19	3,375,741.13

(XLIX) Non-operating expenses

Items	Current Period	Previous Period
Losses on written-off of non-current assets	30.00	68,002.29
Fines	9,000,000.00	50.00
Liquidated damages and compensation expenses		220,810.78
Late payment fee	13,904.75	340,098.77
Others	10,060.39	0.09
Total	9,023,995.14	628,961.93

(L) Income tax expenses

1. Table of income tax expenses

Items	Current Period	Previous Period
Income tax for the current period	-542,794.02	-903,642.29
Deferred income tax	561,005.36	-3,232,655.93
Total	18,211.34	-4,136,298.22

Notes to the Financial Statements

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

(L) Income tax expenses (Continued)

2. Reconciliation between total profit and income tax expenses

Items	Current Period
Total profit	1,740,814.40
Income tax expenses calculated at applicable tax rates	261,122.16
Effect of different tax rates applicable to subsidiaries	-16,411,923.77
Income tax adjustments on prior periods	-572,933.75
Additional deduction on its research and development expenses	-3,513,314.72
Cost, expenses and losses not deductible for tax purposes	312,990.75
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-5,516.93
Impact of deductible temporary differences or deductible loss for which deferred income tax assets not recognized in the current period	19,947,787.60
Income tax expenses	18,211.34

(LI) Dividend

Item	Current year	Previous year
No final dividend is proposed for the current period (2022: Nil)		

The Board recommended not to distribute a final dividend for the year ended 31 December 2023 on 25 April 2024 (2022: nil).

(LII) Earnings per share

1. Basic earnings per share

Basic earnings per share are computed by dividing the consolidated net profit attributable to parent company's shareholders of ordinary shares by the weighted average number of the Company's outstanding ordinary shares:

Items	Current Period	Previous Period
Consolidated net profit attributable to parent company's shareholders of ordinary shares	1,994,964.77	-273,526,467.22
Weighted average number of outstanding ordinary shares of the Company	792,058,500.00	792,058,500.00
Basic earnings per share	0.003	-0.345
Including: Basic earnings per share from continuing operations	0.003	-0.345
Basic earnings per share from discontinued operations		

Notes to the Financial Statements

For the year ended 31 December 2023
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(LII) Earnings per share (Continued)

2. Diluted earnings per share

Diluted earnings per share are computed by dividing the consolidated net profit (diluted) attributable to parent company's shareholders of ordinary shares by the weighted average number (diluted) of the Company's outstanding ordinary shares:

Items	Current Period	Previous Period
Consolidated net profit attributable to parent company's shareholders of ordinary shares (diluted)	1,994,964.77	-273,526,467.22
Weighted average number of outstanding ordinary shares of the Company (diluted)	792,058,500.00	792,058,500.00
Diluted earnings per share	0.003	-0.345
Including: Diluted earnings per share from continuing operations	0.003	-0.345
Diluted earnings per share from discontinued operations		

(LIII) Items of cash flow statements

1. Cash related to operating activities

(1) Other cash receipts relating to operating activities

Items	Current Period	Previous Period
Income from operating lease	14,042,805.25	13,019,993.61
Deposit interest income	1,249,797.61	5,672,499.57
Government subsidies	225,285.00	271,586.35
Liquidated damages and compensation income	90,000.00	3,374,912.46
Retention monies and security deposit	40,311,930.59	40,238,552.46
Reserved fund	8,740,856.56	12,577,429.37
Cash received from fund transactions	450,919,225.37	1,004,479,897.56
Restricted cash recovered during the period	153,337,165.50	3,576,491.53
Others	1,344,547.05	55,647.96
Total	670,261,612.93	1,083,267,010.87

Notes to the Financial Statements

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

(LIII) Items of cash flow statements (Continued)

1. Cash related to operating activities (Continued)

(2) Other cash payments relating to operating activities

Items	Current Period	Previous Period
Operating lease expenses	1,713,856.81	2,041,742.19
Fees and expenses	33,728,653.55	13,426,216.71
Bank handling charges	252,472.36	766,532.41
Penalty charges	9,023,965.14	22,340,148.77
Liquidated damages and compensation expenses		220,810.78
Retention monies and security deposit	30,615,603.86	38,342,393.94
Reserved fund	7,883,158.64	12,007,728.96
Cash paid for current accounts	516,440,802.07	773,176,878.86
Increase in restricted cash during the period	3,949,077.18	148,102,873.91
Total	603,607,589.61	1,010,425,326.53

2. Cash related to investing activities

Other cash receipts relating to investing activities

Items	Current Period	Previous Period
Income on overdue payment penalty of the equity transfer of Hong Kang Life Insurance Co., Ltd.		3,577,407.21
Intention money for equity transfer		35,500,000.00
Total		39,077,407.21

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(LIII) Items of cash flow statements (Continued)

3. Cash related to financing activities

- (1) Other cash payments relating to financing activities

Items	Current Period	Previous Period
Cash paid for capital reduction	353,545.41	

- (2) Changes in various liabilities arising from financing activities

Items	Closing balance at preceding year	Increase in the current period		Decrease in the current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Bank borrowings (long-term and short-term borrowings and corresponding interest)	823,797,858.99	656,720,000.00	34,924,602.67	828,526,997.91	1,073,871.61	685,841,592.14

Notes to the Financial Statements

For the year ended 31 December 2023

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

(LIV) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Supplementary information	Current Period	Previous Period
1. Net profits adjusted to cash flows from operating activities		
Net profit	1,722,603.06	-300,862,226.17
Add: Credit impairment loss	-17,032,018.02	199,369,835.55
Provision for assets impairment	4,836,821.22	-5,495,847.96
Depreciation of fixed assets	36,760,506.83	56,034,580.97
Depreciation of productive biological assets		
Depletion of oil and gas assets		
Depreciation of right-of-use assets		
Amortization of intangible assets	1,379,147.28	1,166,153.78
Amortization of long-term deferred expenses		620,319.39
Losses from disposal of fixed assets, intangible assets and other long-term assets (with “-” for gains)		67,124.70
Losses from write-off fixed assets (with “-” for gains)	30.00	68,002.29
Losses on change in fair value (with “-” for gains)	-51,302,228.34	-1,608,967.14
Financial expenses (with “-” for gains)	34,053,318.02	42,758,862.26
Investment losses (with “-” for gains)	15,295,752.78	1,194,716.82
Decrease in deferred income tax assets (with “-” for increase)	-7,131,347.45	-3,058,626.72
Increase in deferred income tax liabilities (with “-” for decrease)	7,711,191.80	905,347.98
Decrease in inventories (with “-” for increase)	-13,672,165.86	27,560,073.58
Decrease of operating receivables (with “-” for increase)	108,074,450.71	392,658,950.15
Increase of operating payables (with “-” for decrease)	-77,387,924.57	-131,194,171.51
Others	137,848,464.20	-145,548,332.38
Net cash flows from operating activities	181,156,601.66	134,635,795.59
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital		
Convertible company bonds due within one year		
Acquisition of right-of-use assets by assuming lease liabilities		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	340,989,178.69	308,915,828.15
Less: Cash at the beginning of period	308,915,828.15	359,877,697.64
Add: Cash equivalents at end of the period		
Less: Cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	32,073,350.54	-50,961,869.49

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

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

(LIV) Supplementary information of cash flow statements (Continued)

2. Composition of cash and cash equivalents

Items	Closing balance	Closing balance at preceding year
1.Cash	340,989,178.69	308,915,828.15
Including: Cash on hand		58.33
Digital currency readily available	3,860,182.33	
Bank deposit readily available	337,128,996.36	308,915,769.82
Other monetary funds readily available		
Deposit in central banks readily available		
Interbank deposit		
Interbank placement		
2.Cash equivalents		
Including: Bond investment due in three months		
3.Cash and cash equivalents at end of the period	340,989,178.69	308,915,828.15
Including: Cash and cash equivalents held but not available for use by parent company or intra-group subsidiaries	26,113,063.86	163,961,528.06

(LV) Foreign currency monetary items

Items	Closing balance of foreign currency	Exchange rate	Closing balance of conversion into RMB
Cash at bank and on hand			
Including: Hong Kong dollar	255,620.29	0.90622	231,648.22
Other current assets			
Including: Hong Kong dollar	18,137,061.64	0.90622	16,436,168.00

Notes to the Financial Statements

For the year ended 31 December 2023
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VI. RESEARCH AND DEVELOPMENT EXPENDITURE

Items	Current period	Previous period
Employees remuneration	12,267,518.16	15,979,957.31
Depreciation of fixed assets	10,855,313.96	15,131,525.92
Agency appointment fee	7,121,638.09	7,028,432.95
Auditors' remuneration	1,000,000.00	1,000,000.00
Property management fee	922,969.10	1,631,040.17
Entertainment expenses	891,826.12	579,619.84
Lease expenses	824,328.23	833,910.56
Amortization of intangible assets	706,506.28	816,569.17
Others	641,684.54	815,888.96
Qualification certification fee	489,226.03	206,591.47
Board fee	455,789.00	385,921.00
Maintenance fee	331,717.50	377,697.01
Vehicles usage expenses	218,004.34	373,840.43
Technical services fee	187,661.48	859,465.30
Office expenses	119,828.40	576,994.75
Travelling expenses	96,067.41	35,400.62
Total	37,130,078.64	46,632,855.46
Including: Expensed R&D expenditure	37,130,078.64	46,632,855.46
Capitalized R&D expenditure		

VII. CHANGE OF THE SCOPE OF CONSOLIDATION

- (I) There was no business combination not under common control in the current period
- (II) There was no business combination under common control in the current period
- (III) The Company did not have reverse purchase in the current year
- (IV) Changes in scope of consolidation due to other reasons

The company established a new wholly-owned subsidiary, Nanjing Dingshang Fanxing Technology Co., Ltd. (南京頂尚繁星科技有限公司) on 18 May 2023, which has been included in the scope of consolidation since its establishment.

The company established a new wholly-owned subsidiary, Nanjing Sample Zhihui Technology Development Co., Ltd. (南京三寶智匯科技發展有限公司) on 10 October 2023, which has been included in the scope of consolidation since its establishment.

The subsidiary, Jiangsu Zhiyun Weijing Data Technology Company Limited (江蘇智運唯盈數據科技有限公司), has been deregistered and liquidated in August 2023, and the deregistration was approved by the Administrative Approval Bureau of Qixia District, Nanjing on 31 August 2023. Subsequently, it was no longer be included in the scope of consolidation.

Notes to the Financial Statements

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VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Type of legal entity	Principal		Business nature	Issued share capital	Percentage of shareholding (%)		Way of procurement
		place of business	Place of registration			Direct	Indirect	
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Intelligent transportation	220,000,000.00	100.00		Business combination not under common control
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Computer software	114,000,000.00	100.00		Established by investment
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	IOT technology	100,000,000.00	100.00		Established by investment
Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司)	Joint stock limited company (not listed)	Nanjing, PRC	Nanjing, PRC	Information technology	100,000,000.00	35.00	65.00	Business combination not under common control
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Limited liability company	Hong Kong, PRC	Hong Kong, PRC	Consultation and investment	78,000.00 (HKD)	100.00		Established by investment
Federal International Enterprise Limited (永鴻國際企業有限公司)	Limited liability company	Hong Kong, PRC	Hong Kong, PRC	Electronic products	10,000.00 (HKD)		100.00	Business combination not under common control

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

1. Structure of the Group (Continued)

Name of subsidiaries	Type of legal entity	Principal place of business	Place of registration	Business nature	Issued share capital	Percentage of shareholding (%)		Way of procurement
						Direct	Indirect	
Jiangsu RuiFu Intelligent Tech. Co., Limited (江蘇瑞福智能科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Electronic products	31,344,734.83		100.00	Business combination not under common control
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Municipal investment	100,000,000.00		70.00	Business combination not under common control
Nanjing Dingshang Fanxing Technology Co., Ltd. (南京頂尚繁星科技有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Software and Information Technology Services			100.00	Established by investment
Nanjing Sample Zhihui Technology Development Co., Ltd. (南京三寶智匯科技發展有限公司)	Limited liability company	Nanjing, PRC	Nanjing, PRC	Computer, manufacturing of communication and other electronic equipment			100.00	Established by investment

There were no bonds issued by the Company.

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly-owned subsidiary

Name of subsidiary	Percentage of minority shareholdings	Profit or loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Balance of minority shareholders at the end of period
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	30.00%	-239,262.83		8,826,525.57

3. Key financial information of significant non-wholly-owned subsidiary

Name of subsidiary	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	29,972,631.69	60,869.38	30,033,501.07	611,749.17		611,749.17

(Continued)

Name of subsidiary	Current assets	Non-current assets	Closing balance at preceding year			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	30,889,807.41	111,983.16	31,001,790.57	782,495.89		782,495.89

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For the year ended 31 December 2023
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VIII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

3. Key financial information of significant non-wholly-owned subsidiary (Continued)

Name of subsidiary	Current Period			Previous Period				
	Operating income	Net profit	Total comprehensive income	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)		-797,542.78	-797,542.78	95,239.96		-20,082,160.35	-20,082,160.35	-38,066.83

IX. GOVERNMENT SUBSIDIES

(I) Types, amounts and items of government subsidies

1. Government subsidies included in current profit and loss

Asset-related government subsidies

Items presented in balance sheet	Amount of government subsidy	Amount included in the current profit or loss or used to offset the losses of related costs and expenses		Items included in the current profit or loss or used to offset the losses of related costs and expenses
		Current Period	Previous Period	
Funding from special fund agreement for Internet of Things Project of Ministry of Industry and Information Technology	440,000.00	440,000.00		Other income
Science and Technology Bureau of Nanjing Qixia District	86,186.08	86,186.08	265,863.84	Other income
Total	526,186.08	526,186.08	265,863.84	

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For the year ended 31 December 2023
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IX. GOVERNMENT SUBSIDIES (Continued)

(I) Types, amounts and items of government subsidies (Continued)

1. Government subsidies included in current profit and loss (Continued)

Income-related government subsidies

Items included in current profit and loss or offset the losses of relevant costs and expenses	Government subsidy amount	Amount for inclusion in current profit and loss or offset the losses of relevant costs and expenses	
		Current period	Previous period
Special subsidy of demonstration project of application of comprehensive supervision system based on Internet of things technology for urban intelligent traffic	5,762,575.22	5,762,575.22	6,000,000.00
“Two passengers and one danger” research and demonstration project of risk prevention and control technology for key operating vehicles			1,000,000.00
The Provincial Intellectual Property Special Fund distributed by The Market Supervision and Administration Bureau of Qixia District, Nanjing City	50,000.00	50,000.00	
Job stability subsidy	72,785.00	72,785.00	
VAT refundable on software products	1,892,766.42	1,892,766.42	4,149,545.77
Science and Technology Bureau of Nanjing Qixia District	100,000.00	100,000.00	
Cooperation fee for co-operation with National Natural Science Foundation	520,000.00	520,000.00	
Maqun Office of the People’s Government of Qixia District of Nanjing City			123,000.00
Subsidy of Southeast University			100,000.00
Provincial grants for international cooperation			184,752.84
Others			20,530.44
Total	8,398,126.64	8,398,126.64	11,577,829.05

Notes to the Financial Statements

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IX. GOVERNMENT SUBSIDIES (Continued)

(I) Types, amounts and items of government subsidies (Continued)

2. Liabilities involving government subsidies

Liability items	Closing balance at preceding year	New subsidy amount in the current period	Amount included in non-operating income in the current period	Amount of transfer into other income in the current period	Amount of offsetting costs and expenses in the current period	Other movements	Closing balance	Asset-related/ Income-related
Deferred income	562,390.87			526,186.08			36,204.79	Asset-related
Deferred income	6,372,822.30			6,282,575.20			90,247.10	Income-related
Total	6,935,213.17			6,808,761.30			126,451.87	

X. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

(I) Various risks arising from financial instruments

The Company's main financial instruments include cash at bank and on hand, equity investments, debt investment, loans, accounts receivable, accounts payable and financial guarantee contracts, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

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

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

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

(I) Various risks arising from financial instruments *(Continued)*

1. Credit risk

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

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

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

The 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.

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

(I) Various risks arising from financial instruments *(Continued)*

1. Credit risk *(Continued)*

As of 31 December 2023, the carrying amount and expected credit impairment loss of related assets were as follows:

Items	Carrying balance	Bad debt provision
Bills receivable	8,813,860.74	352,554.43
Accounts receivable	547,862,462.66	291,155,736.71
Other receivables	995,941,217.62	133,385,306.64
Contract assets	558,324,531.12	49,171,568.43
Total	<u>2,110,942,072.14</u>	<u>474,065,166.21</u>

2. Liquidity risk

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

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

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

(I) Various risks arising from financial instruments *(Continued)*

2. Liquidity risk *(Continued)*

Each financial liability of the Company is presented at undiscounted contractual cash flows by maturity date as follows:

Items	Closing balance			Book value
	Within 1 year	Over 1 year	Total undiscounted contract amount	
Accounts payable	400,356,578.17		400,356,578.17	400,356,578.17
Other payables	52,968,356.17		52,968,356.17	52,968,356.17
Short-term borrowings	616,518,557.45		616,518,557.45	601,489,799.67
Non-current liabilities due				
within one year	6,110,880.00		6,110,880.00	6,000,000.00
Other current liabilities	3,588,963.78		3,588,963.78	3,588,963.78
Long-term borrowings		94,096,567.00	94,096,567.00	78,250,000.00
Total	1,079,543,335.57	94,096,567.00	1,173,639,902.57	1,142,653,697.79

Items	Closing balance at preceding year			Book value
	Within 1 year	Over 1 year	Total undiscounted contract amount	
Accounts payable	420,268,845.60		420,268,845.60	420,268,845.60
Other payables	88,604,051.24		88,604,051.24	88,604,051.24
Short-term borrowings	748,509,632.06		748,509,632.06	729,107,789.86
Non-current liabilities due				
within one year	6,122,010.00		6,122,010.00	6,000,000.00
Other current liabilities	8,679,446.46		8,679,446.46	8,679,446.46
Long-term borrowings		113,343,359.58	113,343,359.58	88,032,451.78
Total	1,272,183,985.36	113,343,359.58	1,385,527,344.94	1,340,692,584.94

Notes to the Financial Statements

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

(I) Various risks arising from financial instruments *(Continued)*

3. 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 interest rate financial liabilities expose the Company to cash flow interest rate risk, while fixed interest rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the comparative proportion of fixed interest rate contracts and floating interest 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 interest 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 2023, the Company's interest-bearing debts are all loan contracts in Renminbi with fixed interest rate, with a total amount of RMB684,970,000 (31 December 2022: RMB822,190,600). Changes in interest rates have no impact on net profit.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HK dollar) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk.

Notes to the Financial Statements

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X. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Various risks arising from financial instruments (Continued)

3. Market risk (Continued)

(2) Exchange rate risk (Continued)

As of 31 December 2023, the carrying amounts in RMB equivalent of the Company's financial assets and financial liabilities denominated in Hong Kong dollars were summarized below:

Items	Closing balance	Closing balance at preceding year
Cash at bank and on hand	231,648.22	553,218.20
Other current assets	16,674,448.00	16,436,168.00
Total	16,906,096.22	16,989,386.20

On 31 December 2023, with all other variables remaining unchanged, the net profits of the Company will increase or decrease by RMB718,500 (31 December 2022: RMB722,000) if RMB appreciate or depreciate by 5% against HKD. The management is of the view that 5% is reasonably reflected the reasonable range of change for RMB against HKD in the following year.

(3) Other price risk

Other price risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to market price changes other than exchange rate risk and interest rate risk.

The other price risk faced by the Company mainly arises from investments in various equity instruments, with risks of changes in the price of equity instruments. The management is of view that the market price risk faced by these investment activities is acceptable.

The equity investments held by the Company are as below:

Items	Closing balance	Closing balance at preceding year
Investment in other equity instruments	47,702,656.62	502,211,599.45
Other non-current financial assets	110,105,741.25	160,405,352.56
Total	157,808,397.87	662,616,952.01

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XI. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level I inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level II inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level III inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

(I) Closing fair value of assets and liabilities measured at fair value

Items	Closing fair value			Total
	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	
I. Continuous fair value measurement				
Investment in other equity instrument			47,702,656.62	47,702,656.62
Other non-current financial assets			110,105,741.25	110,105,741.25
1. Financial assets measured at fair value through profit or loss				
(1) Investment in debt instruments				
(2) Investment in equity instruments				
(3) Derivative financial assets				
(4) Others				
2. Financial assets designated at fair value through profit or loss				
(1) Investment in debt instruments			15,875,484.36	15,875,484.36
(2) Investment in equity instruments			94,230,256.89	94,230,256.89
Investment property			432,018,591.53	432,018,591.53
Total assets measured at fair value on a recurring basis			589,826,989.40	589,826,989.40

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For the year ended 31 December 2023
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XI. DISCLOSURE OF FAIR VALUE *(Continued)*

(II) Determination of market price of continuous and non-continuous items of level I measurement at fair value

For listed equity instruments, debt instrument investments and fund investments, the Company uses their closing price on the stock exchange on the nearest trading day to the balance sheet date as the basis for determining their fair value.

(III) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level II measurement at fair value

For trust plans, asset management plan investments and wealth management products, the Company uses the net value announced by the issuer or trustee on the date closest to the balance sheet date as the basis for determining their fair value;

For unlisted fund investments, the Company uses the valuation provided by asset managers on the date closest to the balance sheet date as the basis for determining their fair value;

For bonds traded on the national inter-bank bond market, the Company uses the daily valuation published by China Central Depository & Clearing Co., Ltd. as the basis for determining their fair value.

(IV) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level III measurement at fair value

Items	Fair value at the end of the period	Valuation technique(s)	Unobservable inputs	Range/weighted average
Other equity instrument investments	47,702,656.62	Cost approach	Net assets on the book	N/A
Other non-current financial assets	110,105,741.25	Cost approach, market approach	Price-to-book multiple Liquidity discount rate	1-1.73 35%
Investment property	432,018,591.53	Income approach	Discount rate Price of leasable area of the unit	5.009% RMB1.6/M ² /day- RMB1.9/M ² /day

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For the year ended 31 December 2023
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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) General information of the parent company of the Company

Unit: RMB0'000

Name of the parent company	Place of registration	Nature of business	Registered share capital	Equity interests held in the Company (%)	Voting right in the Company (%)
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing, PRC	Investment and development of high-tech industry; project investment & advisory services, asset management etc.	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 Note "VIII. Interests in other entities".

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Particulars of joint ventures and associates of the Company

For details of the significant joint ventures or associates of the Company, please refer to Note “VIII. Interests in other entities”.

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

Name of joint venture or associate	Relationship with the Company
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	Associate of the Company

(IV) Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	Enterprise controlled by the same parent company
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	Enterprise controlled by the same parent company
Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	Enterprise controlled by the same parent company
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
Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公司)	Enterprise controlled by the same parent company
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	Under the same control of the ultimate controller
Nanjing Tongrentang Liquor Co., Ltd. (南京同仁堂酒業有限責任公司)	Enterprise controlled by the same parent company
Nanjing Trade Mutual Plus Information Technology Co., Ltd. (南京貿互加信息科技有限公司)	Enterprise controlled by the same parent company
Huangshan Lingtai Lanshi Chinese Medicine 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
Nanjing Tongrentang Liuhe Qiankun Health Development Co., Ltd. (南京同仁堂六和乾坤健康發展有限公司)	Enterprise controlled by the same parent company

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions

1. Particulars of leasing with related parties

The Company acts as lessor:

Name of the lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the previous period
Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	Property leasing	2,334,091.98	749,430.47
Nanjing Trade Mutual Plus Information Technology Co., Ltd. (南京貿互加信息科技有限公 司)	Property leasing	8,030.00	8,030.00
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公 司)	Property leasing	539,698.73	549,222.54
Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公 司)	Property leasing	876,873.76	1,225,995.10
Nanjing Tongrentang Liquor Co., Ltd. (南京同仁堂酒業有限責任公 司)	Property leasing	143,800.12	
Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公 司)	Property leasing	401,013.34	397,653.34
Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公 司)	Property leasing	17,972.60	8,986.31
Nanjing Tongrentang Liuhe Qiankun Health Development Co., Ltd. (南京同仁堂六和乾坤健康發展有限公 司)	Property leasing	494,477.27	
Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公 司)	Property leasing		128,480.00
Total		<u>4,815,957.80</u>	<u>3,067,797.76</u>

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Related party guarantees

The Company acts as guarantor:

Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,709,287.00	2021/8/26	2024/2/28	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	5,360,000.00	2022/9/22	2023/2/28	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	5,000,000.00	2022/9/22	2023/3/31	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	380,000.00	2022/10/10	2023/2/14	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,129,133.00	2022/10/27	2023/12/31	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	200,000.00	2022/11/3	2023/2/21	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	533,207.68	2022/11/3	2023/4/25	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	94,602.00	2022/12/2	2023/5/24	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	94,489.92	2022/12/8	2023/4/30	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,066,415.35	2022/12/8	2023/3/2	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	135,931.75	2022/12/28	2023/4/1	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2022/4/7	2023/4/6	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,000,000.00	2022/7/1	2023/6/30	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	70,000,000.00	2022/6/15	2023/6/13	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	70,000,000.00	2022/6/8	2023/6/6	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	45,000,000.00	2022/12/6	2023/12/4	Yes

Notes to the Financial Statements

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Related party guarantees (Continued)

Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee has been fulfilled
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,500,000.00	2022/4/22	2023/4/19	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	49,500,000.00	2022/4/7	2023/4/5	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	8,000,000.00	2022/12/13	2023/12/11	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	7,590,000.00	2022/12/28	2023/9/20	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	3,000,000.00	2022/12/29	2023/9/18	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	49,500,000.00	2023/4/4	2024/4/3	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	12,500,000.00	2023/4/11	2024/4/9	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	45,000,000.00	2023/12/5	2024/12/4	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	8,000,000.00	2023/12/7	2024/12/6	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	10,000,000.00	2023/4/13	2024/4/12	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	44,000,000.00	2023/6/6	2024/6/4	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	40,000,000.00	2023/6/14	2024/6/12	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	25,000,000.00	2023/6/30	2024/6/28	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	2,900,000.00	2023/9/7	2024/7/20	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	2,100,000.00	2023/11/8	2024/7/19	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	2,615,200.00	2023/3/27	2024/6/30	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	390,217.79	2023/6/14	2023/12/31	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	2,000,000.00	2023/7/20	2023/12/31	Yes
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	1,000,000.00	2023/8/4	2024/1/31	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	361,500.00	2023/10/12	2024/12/31	No
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	15,143,302.80	2023/11/1	2025/10/31	No
Total	601,803,287.29			

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Related party guarantees (Continued)

Particulars of guarantees provided for letter of guarantee and bills:

As at 31 December 2023, the Company has provided guarantee totaling RMB24,348,640.59 for the letter of guarantee issued by Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司), a subsidiary of the Company.

The Company act as the guaranteed party:

Guarantor	Guaranteed 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 Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2022/12/13	2023/12/12	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	14,500,000.00	2022/12/8	2023/12/6	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2022/12/8	2023/12/6	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	46,770,000.00	2022/11/17	2023/11/17	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2022/9/26	2023/9/14	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2022/8/18	2023/2/18	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,500,000.00	2022/8/10	2023/8/9	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	75,000,000.00	2022/6/23	2023/6/21	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	30,000,000.00	2022/6/23	2023/6/22	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	40,000,000.00	2022/6/22	2023/6/21	Yes
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	30,000,000.00	2022/9/30	2023/9/14	Yes

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Related party guarantees (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	Jiangsu Intellitrans Company Limited (江蘇智達科技發展有限公司)	10,000,000.00	2023/4/13	2024/4/12	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Jiangsu Intellitrans Company Limited (江蘇智達科技發展有限公司)	30,000,000.00	2023/8/16	2024/3/19	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	84,250,000.00	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 Company Limited (南京三寶科技股份有限公司)	46,770,000.00	2023/11/28	2024/11/24	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	45,000,000.00	2023/6/21	2024/6/20	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	5,000,000.00	2023/11/29	2024/7/27	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2023/8/8	2024/2/8	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Nanjing Tongrentang Health Pharmaceutical Group Co., Ltd. (南京同仁堂健康藥業集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2023/8/16	2024/3/19	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Sample Digital Technology Co., Ltd. (三寶數碼科技有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	30,000,000.00	2023/6/19	2024/6/18	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司), Sha Min, Sample Digital Technology Co., Ltd. (三寶數碼科技有限公司), Nanjing Tongrentang Pharmaceutical Co., Ltd. (南京同仁堂藥業有限責任公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	30,000,000.00	2023/6/16	2024/6/15	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,500,000.00	2023/8/14	2024/8/10	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	50,000,000.00	2023/12/8	2024/12/6	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	14,500,000.00	2023/12/4	2024/12/3	No
Nanjing Sample Technology Group Company Limited (南京三寶科技集團有限公司)	Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司)	20,000,000.00	2023/12/4	2024/12/3	No
Total		852,790,000.00			

As at 31 December 2023, the Company has issued letter of guarantees of a total of RMB2,855,225.00 in the bank, and the Company has deposited retention monies of RMB2,855,225.00.

Notes to the Financial Statements

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel

1) Emoluments of Directors and supervisors:

Name	Directors and supervisors' emoluments	Current period Other emoluments		Total
		Basic salaries and allowance	Contributions to retirement benefits and pensions schemes	
Executive Directors:				
Mr. Sha Min (Chief Executive Officer)	42,500.00			42,500.00
Mr. Ma Fengkui (Vice President)	42,500.00	593,500.00	113,854.92	749,854.92
Mr. Zhang Junmin (Resigned)	8,750.00	374,365.00	113,726.46	496,841.46
Mr. Liu Min (Vice President)	20,559.00	140,800.00	23,412.24	184,771.24
Sub-total	114,309.00	1,108,665.00	250,993.62	1,473,967.62
Non-executive Director :				
Ms. Cai Lijuan	20,559.00			20,559.00
Sub-total	20,559.00			20,559.00
Independent non-executive Directors:				
Mr. Hu Hanhui	56,250.00			56,250.00
Mr. Gao Lihui	56,250.00			56,250.00
Mr. Niu Zhongjie	76,250.00			76,250.00
Sub-total	188,750.00			188,750.00
Supervisor:				
Mr. Zou Tao	18,750.00	351,086.00	96,083.48	465,919.48
Independent supervisors:				
Mr. Qiu Xiang Yang	56,250.00			56,250.00
Mr. Dai Jian Jun	56,250.00			56,250.00
Sub-total	131,250.00	351,086.00	96,083.48	578,419.48
Senior management:				
Ms. Xu Yonghui	-	494,875.00	80,189.16	575,064.16
Sub-total		494,875.00	80,189.16	575,064.16
Total	454,868.00	1,954,626.00	427,266.26	2,836,760.26

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel (Continued)

1) Emoluments of Directors and supervisors: (Continued)

Name	Directors and supervisors' emoluments	Previous period		Total
		Basic salaries and allowance	Other emoluments Contributions to retirement benefits and pensions schemes	
Executive Directors:				
Mr. Sha Min (Chief Executive Officer)	32,500.00	404,000.00	14,360.58	450,860.58
Mr. Ma Fengkui (Vice President)	32,500.00	904,100.00	110,283.11	1,046,883.11
Mr. Zhang Junmin (Resigned)	32,500.00	804,040.00	108,846.52	945,386.52
Sub-total	97,500.00	2,112,140.00	233,490.21	2,443,130.21
Non-executive Director:				
Mr. Chang Yong (Resigned)	32,500.00	150,500.00	42,600.00	225,600.00
Sub-total	32,500.00	150,500.00	42,600.00	225,600.00
Independent non-executive Directors:				
Mr. Hu Hanhui	41,250.00			41,250.00
Mr. Gao Lihui	41,250.00			41,250.00
Mr. Niu Zhongjie	61,250.00			61,250.00
Sub-total	143,750.00			143,750.00
Supervisor:				
Mr. Zou Tao	13,750.00	380,480.00	96,141.01	490,371.01
Independent supervisors:				
Mr. Qiu Xiang Yang	41,250.00			41,250.00
Mr. Dai Jian Jun	41,250.00			41,250.00
Sub-total	96,250.00	380,480.00	96,141.01	572,871.01
Senior management:				
Mr. Li Chengyang (Resigned)		287,194.00	43,291.80	330,485.80
Ms. Xu Yonghui		337,040.00	81,536.52	418,576.52
Sub-total		624,234.00	124,828.32	749,062.32
Total	370,000.00	3,267,354.00	497,059.54	4,134,413.54

Note: As approved at the seventh meeting of the eighth session of the board of Directors of the Company held on 3 March 2023: Mr. Zhang Junmin resigned as executive director of the Company, Mr. Ma Fengkui resigned as the chief executive officer of the Company and Mr. Sha Min was appointed as the chief executive officer of the Company. It was proposed the appointment of Mr. Liu Min as the executive director of the Company and Ms. Cai Lijuan as the non-executive director of the Company. The proposed appointment of Mr. Liu Min and Ms. Cai Lijuan were considered and approved by ordinary resolutions at the first extraordinary shareholders' meeting of 2023 held on 17 April 2023.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(V) Related party transactions *(Continued)*

3. Remuneration of key management personnel *(Continued)*

1) Emoluments of Directors and supervisors: *(Continued)*

No director or supervisor of the Company has waived any remuneration during the reporting period.

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

During the reporting period, no discretionary bonuses were paid to the directors or supervisors of the Company.

2) Five highest paid individuals

During the year, of the five individuals with the highest emoluments, one was Director and one was senior management (2022: two were Directors). The emoluments of them are disclosed in the notes above. The emoluments of the remaining three (2022: three) individuals were as follows:

Items	Current period	Previous period
Basic salaries and allowance	1,874,198.53	2,278,470.00
Contributions to retirement benefits and pensions schemes	310,731.39	326,038.43
Total	2,184,929.90	2,604,508.43

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

During the reporting period, no discretionary bonuses were paid to the five highest paid individuals.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel (Continued)

- 3) Number of individuals with highest emoluments are categorised based on emoluments group as follows

Items	Number in the current period	Number in the previous period
Nil to HK\$1,000,000 (equivalent to nil to RMB906,220)	2	2
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB906,221 to RMB1,359,330)	1	1

(VI) Unsettled receivables and payables with related parties

1. Receivable items

Items	Related party	Closing balance		Closing balance at preceding year	
		Carrying balance	Bad debt provision	Carrying balance	Bad debt provision
Accounts Receivable	Nanjing Tongrentang Health Industry Co., Ltd. (南京同仁堂健康產業有限公司)	50,625.78	2,531.29	109,889.21	5,494.46
	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	1,196,897.65	59,844.88	1,524,747.72	76,237.39
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	22,907,595.09	1,145,379.75	21,357,158.56	1,067,857.93
	Nanjing Sample Corporate Development Co., Ltd. (南京三寶企業發展有限公司)	931,438.93	46,571.95	80,187.76	4,009.39
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)			69,070.10	5,863.68
	Nanjing Tongrentang Liquor Co., Ltd. (南京同仁堂酒業有限責任公司)	86,219.64	4,310.98		
	Nanjing Trade Mutual Plus Information Technology Co., Ltd. (南京貿互加信息科技有限公司)	8,431.50	421.58		
	Other receivables	Jiangsu Cross-border e-Commerce Services Co., Ltd. (江蘇跨境電子商務服務有限公司)	168,506.70	8,425.34	168,506.70
Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)		9,653.50	482.68	9,653.50	482.68
Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)		119,422.30	5,971.12	284,907.19	14,245.36

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(VI) Unsettled receivables and payables with related parties (Continued)

2. Payable items

Items	Related party	Closing book balance	Closing book balance at preceding year
Other payables			
	Huangshan Lingtai Lanshi Chinese Medicine Technology Co., Ltd. (黃山靈台蘭室中藥材科技有限公司)	29,434.95	29,434.95
	Jiangsu Yudao Data Technology Co., Ltd. (江蘇馭道數據科技有限公司)	49,396.98	140,096.98
	Nanjing Hong Shi Healthy Industry Company Limited (南京紅石健康產業發展有限公司)	1,983.19	1,983.19
	Nanjing Sample Intelligent Technology Co., Ltd. (南京三寶智能科技有限公司)	7,812.40	7,812.40
	Qingdao Big Data Technology Development Group Co., Ltd. (青島大數據科技發展有限公司)	93,666.66	93,666.66

XIII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

As at 31 December 2023, the total amount of letter of guarantees issued by the Company was RMB33,092,200.19.

(II) Contingent events

Please refer to Note XII. (V) for the debt guarantee provided by the Company for related parties (subsidiaries) as at 31 December 2023.

Notes to the Financial Statements

For the year ended 31 December 2023
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XIV. EVENTS AFTER BALANCE SHEET DATE

The Company has no events after balance sheet date that is required to be disclosed.

XV. OTHER IMPORTANT MATTERS

The Company has no other important matter that is required to be disclosed.

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

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

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	63,121,369.04	62,925,990.41
1-2 years	28,229,048.17	14,400,463.55
2-3 years	6,197,709.80	8,739,685.45
Over 3 years	194,880,931.33	207,754,616.31
Sub-total	292,429,058.34	293,820,755.72
Less: Provision for bad debt	184,113,117.32	196,869,363.41
Total	108,315,941.02	96,951,392.31

Notes to the Financial Statements

For the year ended 31 December 2023
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Accounts receivable disclosed based on classification of provision method for bad debts

Classifications	Closing balance				Closing balance at preceding year					
	Carrying balance		Provision for bad debt		Carrying balance		Provision for bad debt			
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value	
Provision for bad debt on individual basis	70,441,072.60	24.09	70,441,072.60	100.00	70,441,072.60	23.97	70,441,072.60	100.00		
Provision for bad debt on credit risk characteristics portfolio	221,987,985.74	75.91	113,672,044.72	51.21	108,315,941.02	223,379,683.12	76.03	126,428,290.81	56.60	96,951,392.31
Including:										
Aging portfolio	167,108,274.70	57.14	112,412,984.29	67.27	54,695,290.41	200,307,699.87	68.18	125,274,691.64	62.54	75,033,008.23
Portfolio of related party outside the scope of consolidation	25,181,208.59	8.61	1,259,060.43	5.00	23,922,148.16	23,071,983.25	7.85	1,163,589.17	5.00	21,918,384.08
Portfolio of related party within the scope of consolidation	3,267,227.83	1.12			3,267,227.83					
Low risk portfolio	26,431,274.62	9.04			26,431,274.62					
Total	292,429,058.34	100.00	184,113,117.32		108,315,941.02	293,820,755.72	100.00	196,869,363.41		96,951,392.31

Significant accounts receivable with bad debt provision on individual basis:

Name	Closing balance				Closing balance at preceding year	
	Carrying balance	Bad debt provision	Provision proportion (%)	Provision basis	Carrying balance	Bad debt provision
Unit I	36,693,454.80	36,693,454.80	100.00	Expected unrecoverable	36,693,454.80	36,693,454.80
Unit II	26,547,617.80	26,547,617.80	100.00	Expected unrecoverable	26,547,617.80	26,547,617.80
Unit III	7,200,000.00	7,200,000.00	100.00	Expected unrecoverable	7,200,000.00	7,200,000.00
Total	70,441,072.60	70,441,072.60			70,441,072.60	70,441,072.60

Notes to the Financial Statements

For the year ended 31 December 2023
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Accounts receivable disclosed based on classification of provision method for bad debts (Continued)

Provision for bad debts based on credit risk characteristics portfolio:

(1) Aging portfolio

Name	Closing balance		Provision proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year (1 year inclusive)	34,485,221.52	1,379,408.85	4.00
1 to 2 years	20,644,324.65	1,651,545.97	8.00
2 to 3 years	3,709,570.08	1,112,871.02	30.00
Over 3 years	108,269,158.45	108,269,158.45	100.00
Total	<u>167,108,274.70</u>	<u>112,412,984.29</u>	

(2) Portfolio of related party outside the scope of consolidation

Items	Closing balance		Provision proportion (%)
	Carrying balance	Bad debt provision	
Portfolio of related party outside the scope of consolidation	<u>25,181,208.59</u>	<u>1,259,060.43</u>	<u>5.00</u>

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Accounts receivable disclosed based on classification of provision method for bad debts (Continued)

(3) Portfolio of related party within the scope of consolidation

Item	Carrying value	Closing balance	
		Bad debt provision	Provision proportion (%)
Portfolio of related party within the scope of consolidation	3,267,227.83		

(4) Low risk portfolio

Item	Carrying value	Closing balance	
		Bad debt provision	Provision proportion (%)
Low risk portfolio	26,431,274.62		

Notes to the Financial Statements

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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

3. Provision, reversal or recovery of bad debt provision in the current period

Classifications	Opening balance of the year	Changes in the current period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Expected credit losses accrued on individual basis	70,441,072.60				70,441,072.60
Provision for bad debt on credit risk characteristics portfolio	126,428,290.81	-12,756,246.09			113,672,044.72
Including: Aging portfolio	125,274,691.64	-12,861,707.35			112,412,984.29
Portfolio of related party outside the scope of consolidation	1,153,599.17	105,461.26			1,259,060.43
Total	196,869,363.41	-12,756,246.09			184,113,117.32

(II) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		
Other receivables	987,617,061.42	416,900,306.95
Total	987,617,061.42	416,900,306.95

Notes to the Financial Statements

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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (continued)

Other receivables

(1) Disclosed according to the aging of the entry date

Aging	Closing balance	Closing balance at preceding year
Within 1 year (1 year inclusive)	900,614,365.90	388,215,849.82
1 to 2 years	54,849,228.99	21,707,645.67
2 to 3 years	20,783,195.09	60,852,699.01
Over 3 years	65,226,432.50	6,605,786.55
Sub-total	1,041,473,222.48	477,381,981.05
Less: Bad debt provision	53,856,161.06	60,481,674.10
Total	987,617,061.42	416,900,306.95

(2) Disclosed based on classification of provision method for bad debt

Classifications	Closing balance				Book value	Closing balance at preceding year				
	Carrying balance		Bad debt provision			Carrying balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision of bad debt on individual basis	36,795,127.81	3.53	36,795,127.81	100.00	33,939,258.72	7.11	33,939,258.72	100.00		
Provision for bad debt on credit risk characteristics portfolio	1,004,678,094.67	96.47	17,061,033.25	1.70	987,617,061.42	443,442,722.33	92.89	26,542,415.38	5.99	416,900,306.95
Including:										
Aging portfolio	37,180,303.56	3.57	17,046,636.80	45.85	20,133,666.76	365,880,931.43	76.64	26,528,018.93	7.25	339,352,912.50
Portfolio of related party outside the scope of consolidation	287,929.00	0.03	14,396.45	5.00	273,532.55	287,929.00	0.06	14,396.45	5.00	273,532.55
Portfolio of related party within the scope of consolidation	511,541,171.90	49.12			511,541,171.90	77,273,861.90	16.19			77,273,861.90
Low risk portfolio	455,668,690.21	43.75			455,668,690.21					
Total	1,041,473,222.48	100.00	53,856,161.06		987,617,061.42	477,381,981.05	100.00	60,481,674.10		416,900,306.95

Notes to the Financial Statements

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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (Continued)

Other receivables (Continued)

(3) Particulars of provision for bad debt

	Stage I	Stage II	Stage III	
	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)	Total
Closing balance at preceding year	26,542,415.38		33,939,258.72	60,481,674.10
Opening balance in current period				
– transferred to stage II				
– transferred to stage III				
– reversed to stage II				
– reversed to stage I				
Provision in the current period	-9,481,382.13		2,855,869.09	-6,625,513.04
Reversal in the current period				
Charge-off in the current period				
Write-off in the current period				
Other movements				
Closing balance	17,061,033.25		36,795,127.81	53,856,161.06

Notes to the Financial Statements

For the year ended 31 December 2023
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (Continued)

Other receivables (Continued)

(3) Particulars of provision for bad debt (Continued)

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

	Stage I	Stage II	Stage III	
	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)	Total
Carrying balance				
Closing balance at preceding year	443,442,722.33		33,939,258.72	477,381,981.05
Opening balance in current period				
– transferred to stage II				
– transferred to stage III				
– reversed to stage II				
– reversed to stage I				
Increase in the current period	561,235,372.34		2,855,869.09	564,091,241.43
Derecognition in the current period				
Other movements				
Closing balance	<u>1,004,678,094.67</u>		<u>36,795,127.81</u>	<u>1,041,473,222.48</u>

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (Continued)

Other receivables (Continued)

(4) Provision, recovery or reversal of provision for bad debt in the current period

Classifications	Closing balance at preceding year	Changes in the current period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Provision of bad debt on individual basis	33,939,258.72	2,855,869.09			36,795,127.81
Provision for bad debts on credit risk characteristics portfolio	26,542,415.38	-9,481,382.13			17,061,033.25
Including: Aging portfolio	26,528,018.93	-9,481,382.13			17,046,636.80
Portfolio of related party outside the scope of consolidation	14,396.45				14,396.45
Total	<u>60,481,674.10</u>	<u>-6,625,513.04</u>			<u>53,856,161.06</u>

(5) Disclosed based on natures of receivables

Nature	Closing book balance	Closing book balance at preceding year
Current accounts of related parties	511,541,171.90	77,561,790.90
Security and retention monies	5,235,590.06	9,129,647.77
Current accounts	40,694,966.86	368,215,541.16
Reserve funds	338,874.66	1,108,717.46
Others		1,366,283.76
Equity transfer receivable (Note)	483,662,619.00	20,000,000.00
Total	<u>1,041,473,222.48</u>	<u>477,381,981.05</u>

Note: Details was set out in Note V(VI)(5).

Notes to the Financial Statements

For the year ended 31 December 2023
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(III) Long-term equity investments

Items	Closing balance			Closing balance at preceding year		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Investment in subsidiaries	484,307,688.00		484,307,688.00	484,307,688.00		484,307,688.00
Investment in associates and joint ventures	8,893,471.62		8,893,471.62	14,358,452.59		14,358,452.59
Total	493,201,159.62		493,201,159.62	498,666,140.59		498,666,140.59

1. Investment in subsidiaries

Investee	Closing balance at preceding year	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	250,000,000.00			250,000,000.00		
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	98,400,000.00			98,400,000.00		
Nanjing Intelligent Urban Constructive Investment Co., Ltd. (南京數字城市投資建設有限公司)	35,830,000.00			35,830,000.00		
Nanjing IOT Research Institute Development Co., Ltd. (南京物聯網研究院發展有限公司)	100,000,000.00			100,000,000.00		
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	77,688.00			77,688.00		
Total	484,307,688.00			484,307,688.00		

Notes to the Financial Statements

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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(III) 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 in the current period					Closing balance	Closing balance of impairment provision	
				Investment gains and losses recognized using equity method	Other comprehensive income adjustment	Changes in other equity	Cash dividend declared or profits	Impairment provision			Others
Associates											
Nanjing Sample Intelligent Technology Co., Ltd. (南京三贊智能科技有限公司)	106,312.95			-18,463.39						87,849.56	
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd. (台州交投數智科技發展有限公司)	10,026,144.05			7,703.94						10,033,847.99	
Nanjing City Intelligent Transportation Co., Ltd.* (南京城市智能交通股份有限公司)	4,225,985.59			-5,454,221.52						-1,228,225.93	
Total	14,358,452.59			-5,464,980.97						8,893,471.62	

(IV) Operating income and operating cost

1. Particulars of operating income and operating cost

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	192,838,359.60	139,549,234.42	157,623,429.28	125,748,072.05
Other operation	38,498,054.74	15,266,904.94	32,370,736.82	11,001,553.95
Total	231,336,414.34	154,816,139.36	189,994,166.10	136,749,626.00

2. Details of operating income

Items	Current period	Previous period
Income generated from customer contracts	217,331,788.20	177,597,168.02
Rental income	14,004,626.14	12,396,998.08
Total	231,336,414.34	189,994,166.10

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(IV) Operating income and operating cost (Continued)

3. Operating income and operating cost (by project)

Items	Current period		Previous period	
	Income	Cost	Income	Cost
System integration	177,004,060.96	126,049,776.96	144,715,101.84	115,201,938.02
Intelligent terminal sales	301,746.03	142,616.53		
Service income	15,532,552.61	13,356,840.93	12,908,327.44	10,546,134.03
Other businesses	38,498,054.74	15,266,904.94	32,370,736.82	11,001,553.95
Total	<u>231,336,414.34</u>	<u>154,816,139.36</u>	<u>189,994,166.10</u>	<u>136,749,626.00</u>

4. Operating income and operating cost (by region)

Region	Current period		Previous period	
	Income	Cost	Income	Cost
Mainland China	231,336,414.34	154,816,139.36	189,994,166.10	136,749,626.00
Hong Kong, PRC				
Total	<u>231,336,414.34</u>	<u>154,816,139.36</u>	<u>189,994,166.10</u>	<u>136,749,626.00</u>

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(IV) Operating income and operating cost (Continued)

5. Analysis of operating income and operating cost

Income generated from customer contracts in the current period is classified according to the time of commodity transfer as follows

Classifications	Current period	Previous period
Recognized at a point of time	54,332,353.38	45,279,064.26
Recognized within a period of time	177,004,060.96	144,715,101.84
Total	231,336,414.34	189,994,166.10

6. Explanation 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.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(IV) Operating income and operating cost (Continued)

7. Transaction prices apportioned to remaining performance obligations

The amount of transaction prices corresponding to performance obligations that have been contracted for but not yet performed or completed as at 31 December 2023 was RMB185,613,618.91 (as at 31 December 2022 was RMB170,695,773.24), of which RMB118,411,666.05 is expected to be recognized as income in 2024 and the remaining RMB67,201,952.86 is expected to be recognized as income in 2025.

(V) Investment income

Sources generating gain on fair value change	Current period	Previous period
Investment income from long-term equity investment under equity method	-5,464,980.97	-21,139,538.41
Investment income from disposal of long-term equity investments		-681,598.47
Investment income on other non-current financial assets during the holding period		675,165.71
Investment income from disposal of other non-current financial assets	-15,479,535.17	-863,300.00
Total	-20,944,516.14	-22,009,271.17

Five-Year Financial Summary

RESULTS

	2023 RMB'000	Year ended 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total operating income	493,541	512,665	914,014	945,958	1,487,129
Total profit	1,741	-304,999	-54,707	-170,935	108,187
Net profit	1,723	-300,862	-55,912	-152,161	82,187
Net profit attributable to shareholders of the parent Company	1,995	-273,526	-59,245	-139,375	107,023
Minority profit and loss	-272	-27,336	3,333	-12,786	-24,836
Basic earnings per share (Renminbi Yuan)	0.003	-0.345	-0.07	-0.18	0.14

ASSETS AND LIABILITIES

	2023 RMB'000	At 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Current assets	2,140,828	1,853,671	2,856,236	3,175,733	2,975,609
Non-current assets	733,625	1,144,624	695,021	1,003,479	1,484,009
Current liabilities	1,126,428	1,328,025	1,553,357	1,980,423	2,167,921
Net current assets	1,014,399	525,645	1,302,878	1,195,310	807,688
Total owners' equity attributable to the parent Company	1,624,339	1,548,945	1,837,364	1,894,571	2,039,315
Total owners' equity	1,633,165	1,558,592	1,877,459	1,977,109	2,115,590