



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
2024



* 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

Mr. Liu Fei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanhui
Mr. Gao Lihui
Ms. Chung Yuet Mei

SUPERVISORS

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

COMPANY SECRETARY

Ms. Wong Bing Ni

AUDIT COMMITTEE

Mr. Gao Lihui (Chairman)
Mr. Hu Hanhui
Ms. Chung Yuet Mei

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Hu Hanhui (Chairman)
Mr. Liu Min
Ms. Chung Yuet Mei

STRATEGIC COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Ma Fengkui
Ms. Wong Bing Ni

AUDITOR

WUYIGE Certified
Public Accountants LLP
Room 2206,
Institute International Building,
No. 1 Zhichun Road,
Haidian District, Beijing,
the People's Republic of China

PRINCIPAL BANKERS

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

HONG KONG H SHARES REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

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

REGISTERED OFFICE

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1203, 12/F.,
Wing On Centre,
111 Connaught Road
Central, Hong Kong

STOCK CODE

1708

Chairman's Statement

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 2024 (the “Review Period”) for your review and consideration.

Mr. Sha Min
Chairman

Chairman's Statement

RESULTS

For the year ended 31 December 2024, the total operating income of the Group was RMB439,871,713.59, representing a decrease of approximately 10.87% compared to RMB493,541,069.55 in the same period last year. The net loss attributable to shareholders of the parent company was RMB420,592,151.70, while the net profit attributable to shareholders of the parent company for the same period last year was RMB1,994,964.77.

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 2024.

REVIEW OF BUSINESS AND OPERATIONS

Year 2024, the global economy experienced a slowdown in growth, while external market conditions remained complex and volatile. Trends in digitalization, intelligence, and low-carbon transformation continued to progress, with new-generation digital technologies, including cloud computing, big data, and artificial intelligence, driving significant integration. Amid structural adjustments in industry investments, both challenges and opportunities emerged. For the Group's business development, 2024 was an extremely difficult year. Despite numerous unfavorable impacts, we remained strategically focused, managed operational risks, and demonstrated strong resilience and expansion momentum, striving to maintain steady operations. Our entire team faced challenges head-on, worked pragmatically, and remained committed to business planning and annual operational goals. We continuously optimized our business structure, drove growth in traditional sectors, and accelerated the digital-intelligent transformation process.

In the field of intelligent transportation, the Group has strengthened the development of traditional regional markets while fully leveraging various market resources to actively expand the IoT-based smart application market. We have broadened our customer base across different categories and maintained stable business operations. In the area of smart logistics, the Company continues to enhance the application scenarios of comprehensive management solutions, actively advancing smart customs logistics development. We aim to improve the overall efficiency of infrastructure, meet core management business needs, enhance regulatory efficiency, reduce supervision costs, and facilitate customs clearance convenience, thereby promoting trade circulation. Additionally, the Group continuously utilizes its core competitive advantages and adaptability to achieve refined operations through optimizing workflows, innovating management models, improving work systems, and streamlining processes for greater efficiency. These efforts are complemented by rigorous cost and expense controls to solidify the profitability of traditional businesses, significantly enhancing cost-effectiveness while maintaining healthy cash flow and financial stability.

PROSPECTS

Despite facing numerous challenges, the Group remains confident about the future. We adhere to a development strategy that balances stability with progress, continuously focusing on “improving profitability, improving operational efficiency, and reducing cost. We fortify our core business by reinforcing three strategic pillars “talent, compliance, and internal controls” to maintain a stable operational foundation. Simultaneously, we advance our technological expertise and broaden our market presence to expand market share and drive superior growth. Furthermore, we are committed to leveraging technological research and development, actively integrating into national innovation-driven strategies, and ensuring the spirit of innovation is embedded across the entire life cycle of our technologies, services, and holistic solutions.

Looking ahead, the Group will continue to consolidate its core operational strength, enhance competitive advantages, and further improve process optimization to adapt to the rapidly evolving market and business environment. We aim to provide our brand partners with the most comprehensive and optimal solutions while ensuring long-term profitability and delivering sustainable returns to shareholders, creating lasting value.

Lastly, on behalf of Sample Technology, I sincerely express my gratitude to all shareholders, customers, suppliers, and business partners for their unwavering support over the years. I also extend my appreciation to our management team and employees for their dedication and contributions to the success of the Group.

By Order of the Board

Sha Min
Chairman

Nanjing, China
31 March 2025

Management Discussion and Analysis

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2024 amounted to RMB439,871,713.59, representing a decrease of approximately 10.87% over last year, primarily due to the contraction of market demand, intensified industry competition, and the bids of certain projects being won at low price, which resulted in an overall decline in income. Principal operating income amounted to RMB409,439,659.83 as compared to that of RMB456,611,297.51 for the corresponding period last year, representing a decrease of approximately 10.33%. Of which income from the system integration business was RMB372,093,830.04, representing a decrease of approximately 5.67% as compared to the same period last year; income from the intelligent terminal sales business was RMB18,968,604.62, recording an increase of approximately 40.34% as compared to the same period last year; income from the services business was RMB18,377,225.17, representing a decrease of approximately 62.22% as compared to the same period last year.

Gross Profit Margin

Gross profit margin of the Group for the year ended 31 December 2024 was approximately 14.61% as compared to the gross profit margin for the same period last year of approximately 17.72%, representing a decrease of approximately 3.11% over last year. The decline in gross profit margin was mainly due to shrinking market demand, intensified industry competition, low bidding prices for certain projects and rising procurement costs, leading to an overall reduction in gross profit margin.

Selling Expenses

Selling expenses of the Group for the year ended 31 December 2024 was RMB37,439,448.90, representing a decrease of approximately 0.87% over last year. The decrease was mainly attributable to the rigorous implementation of its expenses budget management mechanism, where no approval granted for over-budget expenses.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2024 was RMB29,841,757.25, representing a decrease of approximately 19.63% over last year. This was primarily attributed to certain property previously used by the Company being leased out from July 2023, with the corresponding fixed assets reclassified as investment property, thereby reducing the provision for depreciation during the reporting period. In addition, the depreciation of certain equipment was fully recognized by the end of 2023, and no further depreciation was required during the Review Period.

Research and Development Expenses

The research and development expenses of the Group for the year ended 31 December 2024 amounted to RMB19,155,472.26, representing a decrease of approximately 17.33% as compared to the previous year. The decrease was mainly attributable to the strategic adjustments corresponding to market changes, cost control and optimization of resource allocation.

Management Discussion and Analysis

Financial Expenses

The finance expenses of the Group for the year ended 31 December 2024 amounted to RMB26,899,765.69, representing a decrease of approximately 17.85% as compared to the previous year. The decrease was mainly due to the repayment of part of the loans using internal funds, resulting in a reduction in interest expenses.

Net Profit/Net Loss Attributable to Shareholders of the Parent Company

For the year ended 31 December 2024, the Group recorded a net loss attributable to shareholders of the parent company of RMB420,592,151.70 as compared to the net profit attributable to shareholders of the parent company of RMB1,994,964.77 for the corresponding period of last year. The reasons for the loss were mainly due to (1) the payment and settlement of engineering projects were below expectations, which led to a significant increase in the proportion of provisions for credit impairment and contract asset impairment, resulting in a substantial increase in provisions compared to the same period last year; (2) market demand contraction and intensified industry competition have resulted in some projects being won with strategically low bids, thereby compressing profit margin. In addition to the rising procurement costs, causing a decline in the Group's overall income and gross profit margin; (3) the Group incurred a loss of approximately RMB150 million as a result of the execution of the litigation case involving the Group's wholly owned subsidiary, Jiangsu Intellitrans Company Ltd.* (江蘇智運科技發展有限公司), ("Jiangsu Intellitrans"), which the Company bore joint liability for debt repayment (the "Litigation"). As disclosed in the Company's announcement dated 29 August 2024 in relation to the unaudited interim results for the six months ended 30 June 2024, and in the announcement dated 6 November 2024, the Litigation was caused by a former vice president of the Company who was suspected of forging the company seal and misappropriating funds, causing Jiangsu Intellitrans to sign a loan agreement with Jiangsu Tongyong Luqiao Engineering Co., Ltd.* (江蘇通用路橋工程有限公司) ("Tongyong Company") and stipulating that the Company would provide joint liability guarantee. In May 2024, the Liyang People's Court in Jiangsu province issued a civil judgement No. (2024) Su 0481 Minchu 750 ((2024) 蘇0481民初750號民事判決書) (the "Civil Judgement"), ordering Jiangsu Intellitrans to repay Tongyong Company the principal loan amount, interest and penalty, the Company is jointly liable for the above debt of Jiangsu Intellitrans. The Civil Judgement was enforced in November 2024.

Credit Impairment Loss

For the year ended 31 December 2024, the Group's credit impairment loss amounted to RMB136,875,673.87, representing an increase of RMB153,907,691.89 compared to the same period last year, which was primarily due to the enforcement action resulting from the Group's defeat in a related lawsuit.

Asset Impairment Loss

For the year ended 31 December 2024, the Group's asset impairment loss amounted to RMB214,720,181.52, representing an increase of RMB209,883,360.30 compared to the same period last year which was primarily influenced by industry and market conditions, the creditworthiness of some customers has deteriorated, which may result in an inability to settle as agreed in contracts, leading to an increase in impairment losses on contract assets.

Management Discussion and Analysis

Pledge of Assets

As at 31 December 2024, the Group had the following assets pledged: (i) the total book value of the Group's assets of RMB460,385,024.80 (including: investment property of RMB422,191,100.00, fixed assets of RMB35,331,266.24, intangible assets of RMB2,862,658.56) were pledged to banks to secure outstanding bank loans of RMB125,020,000.00; (ii) the Group has guaranteed bank deposits of RMB24,045,392.67 (as at 31 December 2023: RMB26,113,063.86) with most of them were used to support the Group's projects bidding/projects in progress and banking facilities.

Gearing Ratio

As at 31 December 2024, the Group's 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) was approximately 0.28 (2023: 0.21).

Debt Ratio

As at 31 December 2024, the Group's debt ratio (being total assets divided by total liabilities) was 48.93%, representing an increase of approximately 5.75% as compared to the debt ratio of 43.18% as at 31 December 2023. Currently, the Group's debt ratio is at a relatively reasonable level, with financial risks remaining within a controllable range.

Financial Resources

The operations of the Group are mainly financed through internally generated cash flow and bank loans. As at 31 December 2024, the Group's bank and other short-term borrowings (including those due within one year) amounted to RMB507,770,267.01, representing a decrease of approximately 15.58% from RMB601,489,799.67 as at 31 December 2023. The annual interest rates on borrowings ranged between 3.75% and 4.80%. The reduction was mainly due to the repayment of part of the loans using internal funds, with no new financing arrangements made. Long-term borrowings and non-current liabilities due within one year totaled RMB78,250,000.00, with an interest rates ranging from 3.96% to 4.06%.

Liquidity

The Group strengthened its accountability for receivables collection and routine financial reconciliation, as at 31 December 2024, accounts receivable and bills receivable were RMB187,805,300.27 and RMB11,505,246.01, respectively, representing a decrease of approximately 26.84% and an increase of approximately 35.97% as compared to RMB256,706,725.95 and RMB8,461,306.31 as at 31 December 2023.

As at 31 December 2024, current assets amounted to RMB1,624,126,419.15 as compared to RMB2,140,827,616.33 as at 31 December 2023; current liabilities were RMB1,061,815,660.82 as compared to RMB1,126,428,190.02 as at 31 December 2023. The current ratio declined from 1.90 as at 31 December 2023 to 1.53. During the Review Period, the Group's overall liquidity remained at a healthy level, however, there is still room for improvement in its debt repayment ability, liquidity, and management capabilities.

Management Discussion and Analysis

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:

	2024 ⁽⁷⁾	2023 ⁽⁸⁾
Net profit ratio ⁽¹⁾	-102.76%	0.38%
Return on net assets ratio ⁽²⁾	-34.53%	0.11%
Return on equity ratio ⁽³⁾	-34.53%	0.11%
Debt ratio ⁽⁴⁾	48.93%	43.18%
Current ratio ⁽⁵⁾	1.53	1.90
Quick ratio ⁽⁶⁾	1.20	1.90

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 2024 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2024
- (8) The 2023 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2023

Significant Investments Held

As of 31 December 2024, there were no other investments held with a value of 5% or more of the Group's total assets.

Substantial Acquisition And Disposal

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

Capital Commitment

As at 31 December 2024, the Group did not have any material capital commitment.

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

Employees And Remuneration Policies

As at 31 December 2024, total employees' remuneration of the Group was RMB45,744,190.43 (2023: RMB48,429,827.93) and the total number of employees was 195 (2023: 215). 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

The year 2024 marked the 75th anniversary of the founding of New China and was a pivotal year for achieving the goals and tasks of the 14th Five-Year Plan. During the year, the global economy underwent cyclical adjustments, protectionist trends intensified, and geopolitical risks remained high. The nation overcame various difficulties and challenges posed by the complex internal and external environment, achieved the key expected goals and tasks, and promoted effective qualitative improvement and reasonable quantitative growth of the economy. This was the result of the joint efforts of the entire nation under the leadership of the Party Central Committee with Comrade Xi Jinping at its core. It reflected the solid economic foundation, numerous advantages, strong resilience, and great potential, laying a solid foundation for the high-quality completion of the goals and tasks of the 14th Five-Year Plan.

Business Development

In terms of business development for the Group, 2024 was also an extremely difficult year. Faced with numerous adverse impacts, the Group confronted the difficulties head-on, maintained firm confidence, and took actions as a priority. It continuously and actively adjusted its business structure and integrated internal resources, converting favorable factors from all aspects into actual performance. While maintaining a good market share in niche markets and professional solution businesses, the Company continuously increased research and development efforts, actively explored the intelligent application market of the Internet of Things (IoT), and maintained stable business operations.

In the field of intelligent transportation business, the Group has been deeply involved in the development and application of highway toll systems, command and dispatch systems, tunnel control systems, and guidance systems for many years, and has completed the national layout of the highway electromechanical engineering business. During the Review Period, the Group effectively progressed the settlement and acceptance of major projects such as the electromechanical engineering project for Lianyungang Airport Interchange Toll Station of Changshen Expressway, the guidance system of safety driving in foggy weather for the Wufengshan River Crossing Channel North-South Highway Connection Project, and the electromechanical engineering project for Jianhu to Xinghua Section of Funing to Liyang Expressway.

Management Discussion and Analysis

In addition, new contracts were signed for projects such as the JD03 section of highway project for the Ruicang Expressway (Longliwen to Yongtaiwen Second Line Connecting Line), the construction project of the Yangkou Port to Nantong Expressway, the reconstruction and expansion project for the Zhenjiang Daijiamen to Gaozi Section of the 312 National Highway 346 National Highway, the monitoring engineering construction for G312-JRJK Section of Zhenjiang Jurong Section Reconstruction and Expansion Project of the 312 National Highway, etc. During the Review Period, the Company won the bid for the electromechanical engineering project of LXJK1 section for the Daliangshan Tunnel of Mabian to Zhaojue Section Control Project of Leshan to Xichang Expressway (Lexi Expressway), which is another important project demonstrating the strong capabilities and profound technical background in the intelligent transportation field. It is a strong testament to past efforts and an energetic driving force for future development.

In the field of smart logistics business, the Group has been committed to providing intelligent solutions such as informatization planning, software products, hardware products, information system integration, and operation and maintenance services for customers in the logistics fields such as customs, special customs supervision areas (including bonded areas, cross-border comprehensive pilot zones, etc.), ports, airports, etc., aiming to improve supervision efficiency, reduce supervision costs, and improve customs clearance convenience, thereby promoting trade circulation. During the Review Period, the Group completed the acceptance of projects such as the informatization system project for Shijiazhuang International Land Port Bonded Logistics Center (Type B), the intelligent gate and CT project for Xinyu Ganxi Logistics Park, the Qidong communication control information system integration project of Zhongdian Hongxin, and the intelligent gate and auxiliary system project for High-tech Zone of Nanchang Comprehensive Bonded Zone.

At the same time, new contracts were signed for projects such as the informatization project of Jiangxi Shangrao Comprehensive Bonded Zone, the supporting facilities project for the Imported Fruit Designated Supervision Site of Multipurpose Terminal of West Port Area of Jiujiang Port, the smart information security intelligent system engineering project for the Customs Supervision Area of Linqing City Bonded Logistics Center, the intelligent gate and CT project of Xinyu Ganxi Logistics Park, and the informatization system integration project of Yuncheng Bonded Logistics Center and Supporting Facilities Construction Project (Phase I), etc. The Company is committed to investment in product technology innovation and, during the Review Period, deeply collaborated with Nanjing Customs District to create a “smart logistics digital supervision platform” model project using artificial intelligence (AI) and 5G technology. This promotes market expansion through research and development innovation of application scenario and was rated as one of the “Top Ten Cases of Jiangsu Network Powerful Province in 2024”.

Management Discussion and Analysis

Research and Development

Leveraging the establishment of “Jiangsu Province Smart Highway Engineering Technology Research Center” and “Nanjing Cross-Border Logistics Informatization Engineering Technology Research Center” by the Group, significant technological achievements have been made in the fields of intelligent transportation and smart logistics, effectively solidifying the Company’s market advantage in related fields. During the Review Period, the Group cooperated with universities such as Beijing Jiaotong University, Southeast University, and Jilin University in industry-university-research collaboration, held project kick-off meetings and annual work meetings organized by the Ministry of Science and Technology as scheduled, and continued to promote the research work of the key specialized topic of “Major Accident Risk Prevention and Emergency Avoidance Technology for Road Transport Vehicles” under “Major Natural Disaster Prevention and Control and Public Safety” of 2023 National Key R&D Program. Through constructing a comprehensive multi-level risk prevention and control methodology system for vehicle accidents of major road transport, the project aims to elucidate the evolution and mechanisms of accident risks, enhance real-time risk perception during transit and proactively prevent accidents in the transport process, overcoming challenges such as unclear formation mechanisms, inaccurate dynamic identification, and lack of quantitative characterization of transport vehicle accident risks, providing possibilities for road transport risk identification, thus achieving proactive prevention and control goals, and significantly improving the safety emergency management level of the road transport system. The Company organized collective learning activities on topics such as “low-altitude economy,” “smart highways,” and “AI technology and industry,” to enhance the R&D personnel’s understanding of new technologies and industries.

During the Review Period, the Group, in collaboration with Southeast University, undertook the 2021 Jiangsu Province Intellectual Property Strategy Promotion Plan – High-Value Patent Cultivation Plan Project (Upgrade Project), jointly constructing the provincial “High-Value Patent Cultivation Demonstration Center,” which passed the acceptance by the Intellectual Property Office of Jiangsu Province. The Group continued to strengthen the application and protection of intellectual property, newly applying for 3 invention patents, with 1 approved; applying for 6 software copyrights, with 3 approved; and applying for and getting approval for 31 software products.

BUSINESS OUTLOOK

Future Business Development Plan

Looking ahead to 2025, the global economy is expected to maintain a weak recovery trend, with uncertainties and complexities in growth persisting. The current economic operation of our country still faces many difficulties and challenges, but our economic foundation is stable with many advantages, strong resilience, and substantial potential. The long-term support conditions and basic trends for positive growth remain unchanged. The Group will continue to adapt to local conditions, strengthen its core competitiveness, and focus on the two core industries of intelligent transportation and smart logistics. We will adhere to a customer-centric approach, oriented by customer and market demands, and improve the efficiency of the transportation and customs logistics industries through comprehensive solution planning and design, utilizing the latest industry technology products to achieve the goal of cost reduction and efficiency enhancement in operation management.

Management Discussion and Analysis

In the field of intelligent transportation, the Group will adjust marketing strategies, optimize market networks, expand business, and recruit professional talents to boost the order securing rates, thereby consolidating advantageous markets and breaking through disadvantaged markets. The Company will continuously strengthen refined management, strictly implementing precision, accuracy and detail throughout all project lifecycles, emphasizing standardization and normalization, strictly controlling costs, and pursuing continuous improvement. We will continue to enhance technological innovation levels around industry needs, digitally transforming the safety monitoring, operation control, and emergency command and dispatch systems of passageway infrastructure based on existing software products, adhering to the path of digital transformation.

In the field of smart logistics, the Group will continue to advance the delivery and acceptance of key projects such as Ganzhou Comprehensive Bonded Zone, Shangrao Comprehensive Bonded Zone, and Suqian Bonded Logistics Center, steadily capturing the market. We will continue to promote the research and development and market promotion of domestic products, taking the lead in market layout; continuously iterate and innovate AI intelligent identification series products, developing new AI algorithms for “line scan” cameras, promoting market expansion through application scenario research and development innovation, and cultivating customer demand through industry solution experts, establishing competitive barriers through multiple measures, and maintaining industry leadership.

Meanwhile, “Green” has become the “new coordinate” for high-quality development of Chinese enterprises. The Group will implement the development concept of “green transportation,” continuing to focus on the three major business areas of smart highways, smart ports, and smart vehicles.

Research and Development Plan

The Group is dedicated to leveraging technological capabilities to create customer benefits, focusing on research and development in the fields of radio frequency identification, video recognition, the internet, big data, and artificial intelligence. We provide intelligent system integration solutions for information collection, processing, and management control in the Internet of Things for customers in the intelligent transportation and smart logistics fields, becoming a leading IoT solutions provider.

In the field of intelligent transportation, the Group has established the “Jiangsu Province Smart Highway Engineering Technology Research Center,” which develops smart highway management systems based on data. By fully utilizing cloud computing, artificial intelligence, big data, and other technologies, we analyze data on vehicles, human flow, and infrastructure to achieve smart decision-making in vehicle trajectory tracking, flow control of people and vehicles, and traffic safety warnings, realizing intelligent management of vehicles and traffic. Through the construction of smart highway demonstration projects, we strive to create technologically leading, standardized, and replicable smart highways. By summarizing the experiences of demonstration projects, we propose suggestions for the revision of highway engineering standards and specifications under new technological environments, forming technical solutions that can be implemented and promoted nationwide. These solutions provide road administrators with applications for efficient management and road users with applications for traffic safety and convenient travel.

Management Discussion and Analysis

In the field of smart logistics, the Group relies on the “Nanjing City Cross-border Logistics Information Technology Engineering Research Center” to provide intelligent solutions including information planning, software products, hardware products, information system integration, and operation and maintenance services for customers in customs, special customs supervision areas, cross-border comprehensive pilot zones, ports, terminals, airports, and other logistics fields. This improves regulatory efficiency, reduces regulatory costs, and increases customs clearance convenience, thus promoting trade circulation. Currently, we have developed over 40 mature industry products with a high domestic industry standing.

The year 2025 heralds the end of the national ‘14th Five-Year Plan’ and the onset of the ‘15th Five-Year Plan’ layout. We are confident in our future development, determined to shape a technology-innovative enterprise, continuously improve service capabilities and optimize product functions, consolidate the transformation of scientific research results and business foundations, strengthen market expansion, and solidify technical and product innovation capabilities. We believe that by consistently prioritizing our core product technology and sincerely delivering products and services that offer essential value and solve core pain points for users, we can gain a competitive advantage in today’s complex market environment.

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 60, 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 board, 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 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"), Zhong Jian Zhi Kang Supply Chain Service Company Ltd.* (中健之康供應鏈服務有限責任公司), Zhongjian Sample Life Science (Nanjing) Co., Ltd.* (中健三寶生命科技(南京)有限公司), and Yingtan Copper Industry Development Investment Co., Ltd.* (鷹潭銅產業發展投資股份有限公司), 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 Group Ltd.* (江蘇三寶控股集團有限公司).

Mr. Ma Fengkui (馬風奎), aged 51, 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 計算機科技(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 Crossborder 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 was nominated as an executive Director of the board and a member of the strategic committee and remuneration committee of the Company on 10 August 2020. He was later appointed as a vice president of the Company on 3 March 2023. 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”), the chairman of 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 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 serves as a director of Sample Group, the controlling shareholder of the Company, and holds positions in several subsidiaries of the Sample Group, including the chairman of Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司) (“Jiangsu Yudao Company”), a director of Jiangsu Cross-border Company and a supervisor of Xinyirun Supply Chain Company.

Mr. Liu Min (劉民), aged 50, 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) (“Nanjing Urban Constructive”), 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 was appointed as the executive Director of the board and a member of the strategic committee and nomination committee of the Company on 27 April 2023. He was appointed as a vice president of the Company on 7 July 2020. In addition, Mr. Liu currently serves as the chairman of Nanjing Urban Constructive, a subsidiary of the Company.

Biographical Details of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Liu Fei (劉飛), aged 43, graduated from Shantou University (汕頭大學) with a postgraduate degree in business administration. Mr. Liu held positions as board secretary and vice president of the group at Shantou Dongfeng Printing Co., Ltd.* (汕頭東風印刷股份有限公司) (now renamed Guangdong DFP New Material Group Co., Ltd.* (廣東東峰新材料集團股份有限公司), a company listed on the main board of the Shanghai Stock Exchange with stock code 601515) from July 2004 to June 2020. From July 2020 to November 2021, he worked at Shandong Fengyuan Chemical Co., Ltd.* (山東豐元化學股份有限公司) (a company listed on the main board of the Shenzhen Stock Exchange with stock code 002805) as a director, deputy general manager and board secretary. Since December 2021, he has been serving as deputy director of capital operation center at Qingdao Haifa State Owned Capital Investment and Operation Group Co., Ltd.* (青島海發國有資本投資運營集團有限公司), a parent company of the Company's controlling shareholder, Sample Group.

Mr. Liu currently serves as a director of Sample Group and holds positions in the several 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), Nanjing Tongrentang Pharmaceutical Co., Ltd.* (南京同仁堂藥業有限責任公司), Nanjing Tongrentang Medical Marketing Co., Ltd.* (南京同仁堂醫藥營銷有限公司), and 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), Nanjing Tongrentang Leijia Laopu Investment Co., Ltd.* (南京同仁堂樂家老鋪投資股份有限公司). He also holds the position of chairman of Nanjing Tongrentang Kangpu Biotechnology Co., Ltd.* (南京同仁堂康普生物技術有限公司) and Nanjing Lianhua Tang Health Technology Co., Ltd.* (南京市蓮華堂健康科技有限公司) as well as the chairman and general manager of Nanjing Tongrentang Health Industry Co., Ltd.* (南京同仁堂健康產業有限公司). Mr. Liu was appointed as a non-executive Director of the board of the Company on 30 September 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanhui (胡漢輝), aged 68, 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 in Southeast University (東南大學). Mr. Hu currently serves as the deputy director 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 has been appointed as an independent non-executive Director of the Company, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company since May 2016.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Gao Lihui (高立輝), aged 61, 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 managing detailed accounts of foreign exchange finance in Japanese yen, overseeing the general ledger accounting for yen, and handling foreign exchange financial management. 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 has been appointed as an independent non-executive director of the Company, the chairman of the audit committee and a member of the remuneration committee of the Company since May 2017.

Ms. Chung Yuet Mei (鍾月媚), aged 55, holds a bachelor's degree of social sciences with honours in economics from The University of Hong Kong (香港大學) and a master's degree in finance from City University of Hong Kong (香港城市大學). Ms. Chung has held senior positions in various local and international banks, with over 25 years of professional experience in the financial sector. From 1993 to 1996, she worked at Jardine Fleming Bank (Hong Kong) (怡富銀行(香港)) as a credit analyst. From 1996 to 2004, she worked at Société Générale (Hong Kong) (法國興業銀行(香港)) as a credit analyst. From February 2005 to April 2019, she served as an executive director of DBS Bank, Hong Kong Branch (星展銀行香港分行). From March 2021 to December 2023, she was the managing director of China CITIC Bank International Limited (中信銀行(國際)有限公司). Since 2024, she has been serving as the managing director of Brilliant Access Capital Limited (億進資本有限公司).

Ms. Chung was appointed as an independent non-executive Director as well as a member of the audit committee and the nomination committee of the Company on 30 September 2024.

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 69, 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).

Mr. Qiu has been appointed as the chairman of the supervisory committee of the Company since August 2007.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Dai Jian Jun (戴建軍), aged 55, 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 has been appointed as a supervisor of the Company since August 2003.

Mr. Zou Tao (鄒濤), aged 55, 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 has been appointed as a supervisor of the Company since May 2016.

SENIOR MANAGEMENT

Ms. Xu Yonghui (徐永慧), aged 56, 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 1999 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. In addition, Ms. Xu currently serves as a director of Jiangsu Intellitrans Company and Nanjing IOT Company.

Report of the Directors

The Board present the annual report and audited financial statements for the year ended 31 December 2024.

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 2024 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 4 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 2024 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 200. In addition, the risks in relation to financial instruments of the Group can be referred in note X to the financial statements on pages 166 to 171.

KEY RISKS AND UNCERTAINTIES AFFECTING THE COMPANY

1. Policy risk

The industry of intelligent transportation and smart 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 focus 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 subdepartments 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 2024 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 Stock Exchange of Hong Kong Limited (the “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.

Report of the Directors

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2024 are set out on pages 55 to 199 of this annual report.

The Board decided not to propose distribution of a final dividend for the year ended 31 December 2024 (2023: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the note V(XIII) 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 46,242 square meters are classified as investment property for rental purpose. The remaining part is self-use by the Company.

BORROWINGS

The details of the Group's short-term and long-term borrowings are set out in Notes V(XVII) and (XXVI) to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

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

Executive Directors

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

Mr. Ma Fengkui

Mr. Liu Min

Non-executive Directors

Ms. Cai Lijuan (*Resigned on 30 September 2024*)

Mr. Liu Fei (*Appointed on 30 September 2024*)

Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie (*Resigned on 31 May 2024*)

Ms. Chung Yuet Mei (*Appointed on 30 September 2024*)

Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Zou Tao

Report of the Directors

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The details of the biographies of directors, supervisors and senior management are set out on pages 15 to 19 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All Directors and Supervisors have entered into service contracts with the Company. The service contracts were expired on 31 December 2024 and the further renewal of a term of 3 years shall be subject to the shareholders' approval at the forthcoming 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 2024, 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 (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 2)	3,375,000	Beneficial owner	0.43%
	Domestic Shares (L)		
	397,821,000	Interest of controlled	50.77%
	Domestic Shares (L)	corporation	
	4,310,000		
	H Shares (L)		

Report of the Directors

Note: (1) "L" refers to a long position in shares. As at 31 December 2024, the total number of issued H shares of the Company was 229,500,000, while the total number of issued domestic shares was 562,558,500. The percentage of equity was calculated based on a total of 792,058,500 shares.

- (2) 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 Group Limited* (江蘇三寶控股集團有限公司) (formerly known as Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司), name changed on 27 February 2025) ("**Jiangsu Sample**") which in turn owns 49% of the equity interest in Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) ("**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.

Sample Group directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares, representing approximately 50.77% 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 100% by Mr. Sha. 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 2024, 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 2)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Beneficial owner Interest of controlled corporation	50.77%
Qingdao Haifa State Owned Capital Investment and Operation Group Co., Ltd. ("Haifa Group") (Note 2)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Interest of controlled corporation	50.77%
State-owned Assets Supervision and Administration Commission of the People's Government of Qingdao ("SASAC of Qingdao") (Note 2)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Interest of controlled corporation	50.77%
Jiangsu Sample Holding Group Limited* ("Jiangsu Sample") (Note 3, Note 4)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	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 3)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Interest of controlled corporation	50.77%
Shanghai Lianqi Enterprise Management Center (limited partnership)* (Note 3)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Interest of controlled corporation	50.77%
Chang Yong (Note 4)	397,821,000 Domestic Shares (L) 4,310,000 H Shares (L)	Interest of controlled corporation	50.77%
Active Gold Holding Limited (Note 5)	123,862,500 Domestic Shares (L)	Beneficial owner	15.64%
Ferdinand Holdings Limited (Note 5)	123,862,500 Domestic Shares (L)	Interest of controlled corporation	15.64%
Yin Yunhua (Note 5)	123,862,500 Domestic Shares (L)	Interest of controlled corporation	15.64%
Season International Pte. Ltd. (Note 6)	53,855,500 H Shares (L)	Beneficial owner	6.79%
Season Holdco Pte. Ltd. (Note 6)	53,855,500 H Shares (L)	Interest of controlled corporation	6.79%

Notes:

- (1) "L" refers to a long position in shares. As at 31 December 2024, the total number of issued H shares of the Company was 229,500,000, while the total number of issued domestic shares was 562,558,500. The percentage of equity was calculated based on a total of 792,058,500 shares.
- (2) 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.
- (3) Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 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.

Report of the Directors

- (4) Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares, representing approximately 50.77% 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. Under the SFO, Mr. Chang is deemed to be interested in all 397,821,000 Domestic Shares and 4,310,000 H Shares.
- (5) Active Gold Holding Limited is wholly owned by Ferdinand Holdings Limited, and Yin Ehua holds 100% equity interests in Ferdinand Holdings Limited.
- (6) 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 2024, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2024, 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 13 December 2024, the Company (as the lessor) and Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) ("Sample Group") (as the lessee) had renewed the property leasing framework agreement for a term of three years commencing from 1 January 2025 and ending on 31 December 2027. Pursuant to the property leasing framework agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules) and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

As Mr. Sha Min ("Mr. Sha"), the Chairman and executive Director of the Company, is interested in 60.40% of equity interest in Jiangsu Sample Holding Group Limited* (江蘇三寶控股集團有限公司) (formerly known as 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 and Mr. Liu Fei ("Mr. Liu"), the non-executive Director of the Company, is currently a director of Sample Group, therefore, each of Mr. Sha and Mr. Liu was considered to have a material interest in the property leasing framework agreement.

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

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Group. At no time during the year ended 31 December 2024 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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 45.50% (2023: 22.47%) of the total sales for the year and sales to the largest customer included therein amounted to 25.86% (2023: 6.03%). 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 30.75% (2023: 16.14%) of the total purchase for the year and purchase from the largest supplier included therein amounted to 11.23% (2023: 5.76%). 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 are set out on page 200 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(XXVIII) to the financial statements. As at 31 December 2024, 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 70 to 73 in the consolidated statement of changes in owners' equity.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Group's reserves available for distribution amounted to RMB119,155,929.90 (2023: RMB539,748,081.60).

INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

According to the "Individual Income Tax Law of the People's Republic of China" 《中華人民共和國個人所得稅法》, the "Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China" 《中華人民共和國個人所得稅法實施條例》, and other relevant regulations, when the company distributes cash dividends to non-resident enterprise shareholders listed on the H-share register, the company is required to withhold and pay enterprise income tax at a rate of 10% on their behalf.

If individual H shareholders are residents of Hong Kong or Macau, or residents of other countries that have signed a tax treaty with the PRC for a 10% tax rate on dividends, the company will withhold and pay individual income tax at a rate of 10% on their behalf. If individual H shareholders are residents of countries that have signed a tax treaty with the PRC for dividend at a tax rate below 10%, the company will still withhold and pay individual income tax at a rate of 10% on their behalf. In such cases, if the relevant individual H shareholders wish to apply for a refund of the excess tax withheld ("Excess Amount"), the company can apply for a preferential tax rate under the tax treaty on their behalf. However, the relevant shareholders must submit the proof required by the tax treaty notification to the company's H-share registrar within the specified deadline. Once approved by the competent tax authorities, the company will assist in refunding the Excess Amount. If individual H shareholders are residents of countries that have signed a tax treaty with the PRC for dividend at a tax rate above 10% but below 20%, the company will withhold and pay individual income tax at the actual tax rate specified in the relevant tax treaty. If individual H shareholders are residents of countries that have signed a tax treaty with the PRC for dividend at a tax rate of 20%, residents of countries that have not signed any tax treaty with the PRC, or in any other situations, the company will ultimately withhold and pay individual income tax at a rate of 20% on their behalf.

For the year ended 31 December 2024, the Company has not distributed any dividends.

Save as disclosed above, the Directors are not aware of any tax exemptions enjoyed by shareholders by reason of their holding of the Company's securities.

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 2024.

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.

Report of the Directors

EQUITY-LINKED AGREEMENTS

As at 31 December 2024, 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.

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 2024 are set out below:

- On 3 February 2024, Mr. Qiu Xiangyang was appointed as an independent director of Hongbaoli Group Corporation, Ltd.* (紅寶麗集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002165).
- On 26 February 2024, Mr. Sha Min served as the chairman of Yingtan Copper Industry Development Investment Co., Ltd.* (鷹潭銅產業發展投資股份有限公司), a subsidiary of Sample Group.
- On 31 May 2024, Mr. Niu Zhongjie resigned as an independent non-executive director of the Company and as a member of the audit committee and nomination committee.
- On 29 September 2024, Mr. Liu Min ceased to act as 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, due to its deregistration.
- On 29 September 2024, Mr. Liu Min ceased to act as 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, due to its deregistration.
- On 30 September 2024, Ms. Chung Yuet Mei was appointed as an independent non-executive director of the Company and as a member of the audit committee and nomination committee.
- On 30 September 2024, Ms. Cai Lijuan resigned as a non-executive director of the Company.
- On 30 September 2024, Mr. Liu Fei was appointed as a non-executive director of the Company.
- On 27 December 2024, Mr. Sha Min resigned as a director of the Company's subsidiary, Nanjing IOT Research Institute Development Co., Ltd.* (南京物聯網研究院發展有限公司).
- On 27 December 2024, Mr. Ma Fengkui was appointed as chairman of the company's subsidiary, Nanjing IOT Research Institute Development Co., Ltd.* (南京物聯網研究院發展有限公司).

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 2024.

RETIREMENT FUND OBLIGATION

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

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 (the “2022 Framework Agreement”) for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. Pursuant to the 2022 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 was RMB8,000,000.00. Details have been disclosed in the announcement of the Company dated 30 December 2021. The rental amount incurred between the Company and Sample Group and its associates for the year ended 31 December 2024 was RMB3,901,047.65. 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.

Since the 2022 Framework Agreement expired on 31 December 2024, on 13 December 2024, the Company (as the lessor) and Sample Group (as the lessee) had renewed the property leasing framework agreement (the “2025 Framework Agreement”) for a term of three years commencing from 1 January 2025 and ending on 31 December 2027. Pursuant to the 2025 Framework Agreement, 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 2025 to 2027 is RMB8,000,000.00. Details have been disclosed in the announcement of the Company dated 13 December 2024.

Report of the Directors

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2024 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 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Listing Rules, the Company published its 2024 Environmental, Social and Governance Report (“ESG Report”) which is in compliance with the provisions set out in the “Environmental, Social and Governance Reporting Code” 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 Stock Exchange (www.hkexnews.hk) together with this annual report.

AUDITORS

At the extraordinary general meeting of the Company held on 12 March 2021, resolution was passed to terminate Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company and to appoint BDO China Shu Lun Pan Certified Public Accounts LLP (“BDO China”) as the auditor of the Company. At the extraordinary general meeting of the Company held on 17 January 2025, a resolution was passed to terminate BDO China as the Company’s auditor and to appoint WUYIGE Certified Public Accountants LLP (“WUYIGE”) as the Company’s auditor. 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 2024 has been audited by WUYIGE. A resolution will be proposed at the forthcoming annual general meeting to re-appoint WUYIGE as the auditor of the Company and to authorise the Directors to fix their remuneration.

On behalf of the Board

Sha Min
Chairman

Nanjing, the PRC
31 March 2025

Corporate Governance Report

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.

The details and reasons for the deviation from code provision C.2.1 of the CG Code are explained in the section of "Chairman and Chief Executive Officer" of this report.

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

MECHANISM FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

The Company has established mechanisms, which have been incorporated into the Company's Articles of Association, the terms of reference of each committee, and various parts of the governance structure, to ensure that the Board can obtain independent views and opinions. Such mechanisms include, but are not limited to, procedures and criteria for the election and selection of Directors (including independent non-executive Directors), the number of independent non-executive Directors, assessment of the independence of the Company's independent non-executive Directors, channels for Directors to seek legal and other independent professional advice in the discharge of their duties, and the right of Directors to request additional information and documents from management regarding matters discussed at Board meetings.

The Board has reviewed the implementation and effectiveness of these mechanisms during the year and considers that they are sufficient to ensure the Board in obtaining independent views and opinions effectively.

COMPOSITION OF THE BOARD

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

Non-executive Directors

Ms. Cai Lijuan (*Resigned on 30 September 2024*)

Mr. Liu Fei (*Appointed on 30 September 2024*)

Independent Non-executive Directors

Mr. Hu Hanhui

Mr. Gao Lihui

Mr. Niu Zhongjie (*Resigned on 31 May 2024*)

Ms. Chung Yuet Mei (*Appointed on 30 September 2024*)

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.

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 2024.

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 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.10(1) of the Listing Rules, the board of a listed issuer must include at least three independent non-executive directors ("INEDs"). Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members and the majority of the audit committee members must be INEDs. Pursuant to Rule 3.27A of the Listing Rules, a listed issuer must establish a nomination committee with a majority of INEDs. Following the resignation of Mr. Niu Zhongjie with effect from 31 May 2024, the number of INEDs and the composition of the audit committee and the nomination Committee of the Company have failed to meet the relevant requirements under the Listing Rules. Ms. Chung Yuet Mei has been appointed as an independent non-executive Director and members of the audit committee and the nomination committee of the Company with effect from 30 September 2024, therefore the Company has fully complied with the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules accordingly.

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. Gao Lihui, an independent non-executive Director, has financial management experience.

The Company has received from each independent non-executive Director an annual confirmation of his/her 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.

Corporate Governance Report

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. Chung Yuet Mei, on 30 September 2024. Following the appointment of Ms. Chung, the Company's Board has six male directors and one female director. The objective of the Board is to at least maintain the current level of female representation. Board members have varied lengths of service with the Group and possess diverse industry experiences, expertise, and educational backgrounds. The Board considers that it complies with the board diversity policy.

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 2024 Environmental, Social and 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 three 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. During the Review Period, newly appointed non-executive Director, Mr. Liu Fei, and Independent non-executive Director, Ms. Chung Yuet Mei attended legal training in compliance with the Listing Rules on 28 September 2024. Mr. Liu and Ms. Chung confirmed their understanding of their responsibilities as Directors of the Company. All Directors have participated in appropriate continuing professional development and have provided the Company with a record of their participation in training in 2024 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. Liu Min		√	√

Corporate Governance Report

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
Non-executive Directors		
Ms. Cai Lijuan (<i>Resigned on 30 September 2024</i>)	√	√
Mr. Liu Fei (<i>Appointed on 30 September 2024</i>)	√	√
Independent Non-executive Directors		
Mr. Hu Hanhui	√	√
Mr. Gao Lihui	√	√
Mr. Niu Zhongjie (<i>Resigned on 31 May 2024</i>)	√	√
Ms. Chung Yuet Mei (<i>Appointed on 30 September 2024</i>)	√	√

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.

Corporate Governance Report

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.

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. 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 2023 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 eight meetings, of which two regular meetings approved the audited consolidated results of the Group for the year ended 31 December 2023 and the unaudited consolidated results of the Group for the six months ended 30 June 2024 and the remaining six 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.

Corporate Governance Report

The Attendance of the Board Meetings and Shareholders' General Meetings

The Board has convened eight plenary Board meetings and two shareholders' general meetings for the year ended 31 December 2024. The attendance of the Directors at the meetings are as follows:

Name of Directors	Number of meetings attended/ held during the term	
	Board meeting	General meeting
Executive Directors		
Mr. Sha Min (<i>Chairman & Chief Executive Officer</i>)	8/8	1/2
Mr. Ma Fengkui	8/8	2/2
Mr. Liu Min	8/8	2/2
Non-executive Directors		
Ms. Cai Lijuan (<i>Resigned on 30 September 2024</i>)	5/5	2/2
Mr. Liu Fei (<i>Appointed on 30 September 2024</i>)	3/3	0/0
Independent Non-executive Directors		
Mr. Hu Hanhui	8/8	2/2
Mr. Gao Lihui	8/8	2/2
Mr. Niu Zhongjie (<i>Resigned on 31 May 2024</i>)	3/3	0/0
Ms. Chung Yuet Mei (<i>Appointed on 30 September 2024</i>)	3/3	0/0

Mr. Sha Min, an executive Director and the Chairman, was unable to attend the Company's extraordinary general meeting ("EGM") held on 30 September 2024, due to his other business commitments. Apart from the 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.

Corporate Governance Report

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.

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

	Number of meetings attended/ held during the term
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), Ms. Chung Yuet Mei, who was appointed on 30 September 2024 to fill the vacancy arising from the resignation of Mr. Niu Zhongjie on 31 May 2024, and one executive Director, namely Mr. Liu Min. 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.

Corporate Governance Report

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

	Number of meetings attended/ held during the term
Mr. Hu Hanhui	2/2
Mr. Liu Min	2/2
Mr. Niu Zhongjie (<i>Resigned on 31 May 2024</i>)	1/1
Ms. Chung Yuet Mei (<i>Appointed on 30 September 2024</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. Gao Lihui 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 Ms. Chung Yuet Mei (who was appointed on 30 September 2024 to fill the vacancy resulting from the resignation of Mr. Niu Zhongjie on 31 May 2024). During the Review Period, the audit committee held four meetings, at which it reviewed the Group's audited consolidated results for the year ended 31 December 2023 and the unaudited consolidated results of the Group for the six months ended 30 June 2024. It also reviewed and confirmed the accounting principles and practices adopted by the Group, and discussed and reviewed the internal control, risk management and financial reporting matters.

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

	Number of meetings attended/ held during the term
Mr. Hu Hanhui	4/4
Mr. Gao Lihui	4/4
Mr. Niu Zhongjie (<i>Resigned on 31 May 2024</i>)	2/2
Ms. Chung Yuet Mei (<i>Appointed on 30 September 2024</i>)	1/1

Corporate Governance Report

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.

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. 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 2024.

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

	Number of meetings attended/ held during the term
Mr. Sha Min	1/1
Mr. Ma Fengkui	1/1
Mr. Liu Min	1/1

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.

Corporate Governance Report

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);
- 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, 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 which constituted a non-compliance with Rule 13.49(1) of the Listing Rules. In accordance with Rule 13.50 of the Listing Rules, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on Tuesday, 2 April 2024. After the close co-ordination and joint efforts made with the auditor, the 2023 Annual Results was published on 25 April 2024. The trading in the shares of the Company on the Stock Exchange was resumed with effect from 9:00 a.m. on 26 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 which shall be taken to improve the internal processes and systems.

Corporate Governance Report

In accordance with code provision D.2.1 of the CG Code, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2024, including financial, operational and compliance controls, and considers the systems to be effective and adequate.

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 49 to 54 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

WHISTLEBLOWING POLICY

The Board has adopted a whistleblowing policy (the “Whistleblowing Policy”). The objectives of the Whistleblowing Policy are to (i) foster a culture of compliance, ethical behavior and good corporate governance throughout the Group, and (ii) promote the importance of ethical behavior and encourage reporting of misconduct, illegal activities, and unethical behavior. Depending on their nature, circumstances and outcomes of complaints received, it must be reported to the audit committee or the Group’s human resources director under the Whistleblowing Policy. For the year ended 31 December 2024, there were no incidents of fraud or misconduct identified that materially impacted the Group’s financial statements or overall operations. The audit committee reviews the Whistleblowing Policy annually to ensure its effectiveness.

ANTI-CORRUPTION POLICY

The Board has adopted an anti-corruption policy (the “Anti-Corruption Policy”). The Group is committed to maintaining the highest standards of integrity and ethical conduct in conducting its business operations. The Anti-Corruption Policy forms an integral part of the Group’s corporate governance framework. It outlines specific guidelines for employees and business partners to follow in combating corruption. This demonstrates the Group’s commitment to ethical business practices and compliance with anti-corruption laws and regulations applicable to all its operations. To implement this commitment and ensure transparency in its practices, the Group has established the Anti-Corruption Policy as guidance for all employees and third parties doing business with the Group. The Group periodically reviews and updates the Anti-Corruption Policy to align with applicable laws, regulations and industry best practices.

AUDITOR’S REMUNERATION

The audit works of the Group for the year ended 31 December 2024 were performed by WUYIGE 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 2024 are set out below:

	2024 RMB'000	2023 RMB'000
Services rendered		
Audit services	1,000	1,000
Non-audit services	—	—
	<u>1,000</u>	<u>1,000</u>

COMPANY SECRETARY

For the year ended 31 December 2024, 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 Lai Yuk has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

Corporate Governance Report

On 20 March 2025, Ms. Wong Lai Yuk resigned as the company secretary of the Company and from her related positions within the Company. On the same day, Ms. Wong Bing Ni was appointed as the company secretary, and an authorized representative of the Company, and the agent for accepting service of process and notice on behalf of the Company in Hong Kong. Ms. Wong Bing Ni is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.

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

In order to protect the rights and interests of shareholders, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. According to the Company's articles of association, shareholders individually or jointly holding at least 10% of the shares shall have right requiring the Board to convene an extraordinary general meeting, and shall make such request to the Board in writing. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within ten days after receipt of the request, shareholders individually or jointly holding at least 10% of the shares shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting which shall be submitted a written request to the Supervisory Committee. If the Supervisory Committee fails to give the notice of a shareholders' meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the shareholders' meeting, shareholders who individually or jointly holding at least 10% of the shares for 90 consecutive days or more may convene and preside over the meeting themselves. Besides, shareholders individually or jointly holding at least 1% of the Company's shares may submit a provisional motion in writing to the convener ten days before the shareholders' meeting is convened; the convener shall issue a supplementary notice of the shareholders' meeting to announce the content of the provisional motion within two days after receipt of the motion.

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.

Corporate Governance Report

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.

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.

During the year, the Board reviewed the implementation and effectiveness of the shareholder communication policy and concluded that the policy facilitates open and continuous communication with shareholders on the basis of fair disclosure.

CHANGE IN CONSTITUTIONAL DOCUMENT

On 28 June 2024, the shareholders of the Company approved the amendments of the Company's articles of association in order to allow the Company to (i) comply with the latest amendments in the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "PRC Company Law"); (ii) disseminate corporate communications electronically; and (iii) align the Company's business scope as stated in the articles of association of the Company with the existing business license. Details of the amendments were disclosed in the Company's circular dated 30 May 2024.

On 17 January 2025, the shareholders of the Company approved certain amendments to the Company's articles of association to (i) change the Company's business scope in alignment with the business development of the Group; and (ii) further comply with the relevant provisions of the PRC Company Law effective from 1 July 2024. At the same time, based on the Company's actual situation, other minor amendments and corresponding changes to the articles of association were made. Details of the amendments were disclosed in the Company's circular dated 27 December 2024.

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 2024 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 WUYIGE Certified Public Accountants LLP to be proposed by the Board and agreed that it truly and fully reflects the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, Chief Executive Officer and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, Chief Executive Officer, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee

Qiu Xiang Yang

Chairman

Nanjing, the PRC

31 March 2025

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 "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2024, the consolidated and the Company's income statements, the consolidated and the Company's statements of cash flows, and the consolidated and the Company's statements of changes in shareholders' 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 the Company's financial position as at 31 December 2024 and the consolidated and the 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 the Company 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.

(I) Recognition of system integration income

1. Description of the matter

For detailed disclosure on system integration income, please refer to "note (XXII) Income" of "III. Significant accounting policies and accounting estimates" and "note (XXXIII) operating income and operating cost" of "V. Notes to the main items of consolidated financial statements" under the notes to the consolidated financial statements.

In 2024, the Company's consolidated operating income was RMB439,871,713.59, of which system integration income accounted for RMB372,093,830.04, representing 84.59% of the total income.

The Company's system integration business primarily involves performance obligations that are fulfilled within a certain period of time. Income is recognized based on the input method in accordance with the performance progress during the contract period. At the commencement of the business, management estimates the total expected income and the total expected costs of the contract and continuously evaluates factors such as the contract workload, unit price, and costs for work not yet completed during the execution of the contract. Due to the significant influence on income recognition arising from complex accounting estimates and judgments by management regarding the impacts of contract modifications on total income and the determination of performance progress based on incurred costs, therefore, we have identified income recognition from the system integration business as a key audit matter.

2. Audit response

For income recognition related to the system integration business, the main audit procedures we performed were as follows:

- (1) Understanding the internal controls related to the income recognition process, assessing whether these controls have been implemented, and testing their operational effectiveness, including key internal controls over the preparation of estimated total contract income and estimated total contract costs, the determination of performance progress, and the calculation of income based on performance progress;
- (2) Obtaining project ledgers and verifying their consistency with financial accounting records;
- (3) Selecting project samples and performing the following tests:
 - ① Reviewing supporting documents for estimated total income and estimated total cost, including project contracts, cost budget data, budget adjustments, contract modifications, claims, and incentives. We assessed whether management's estimates were reasonable and sufficiently supported;
 - ② Sampling contract performance costs incurred in the current year, verifying the supporting documents, and ensuring that such costs have been recorded in the appropriate accounting periods;
 - ③ Selecting contract projects and re-calculating the performance progress. Based on estimated total income and performance progress, we re-calculated the income recognized in the current period to test its accuracy;
 - ④ Selecting project samples and discussing with engineering management departments to confirm physical progress of projects; obtaining project measurement sheets jointly confirmed by the client, supervisors, and the Company, comparing these with the performance progress recorded in accounting records, and performing further investigation procedures for any abnormal discrepancies;

- ⑤ Performing analytical review procedures on gross margins of significant projects;
- (4) Performing confirmation procedures, including maintaining personal control over the entire confirmation process.

We also focused on whether income have been properly presented in the financial statements.

(II) Expected credit losses for accounts receivable and contract assets

1. Description of the matter

For detailed disclosure on expected credit losses related to accounts receivable and contract assets, please refer to “note (XII) Methods of determination and accounting treatment for expected credit losses” of “III. Significant accounting policies and accounting estimates” and “note (III) Accounts Receivable and (IV) Contract Assets.” of “V. Notes to the main items of consolidated financial statements” under the notes to the consolidated financial statements.

As at 31 December 2024, the book value of the Company's accounts receivable was RMB465,052,527.31, with a bad debt provision of RMB277,247,227.04. The book value of contract assets was RMB605,637,382.30, with an impairment provision of RMB263,737,337.40.

When determining the amount of expected credit losses for accounts receivable and contract assets, the Company must consider historical default conditions, current credit risk status, and forecasts of future economic conditions. This involves significant management estimates and judgments. Given the materiality of the balances of the Company's accounts receivable and contract asset, their recoverability has a major impact on the financial statements. Therefore, expected credit losses for accounts receivable and contract assets have been identified as a key audit matter.

2. Audit response

The main audit procedures performed in relation to the recognition of expected credit losses on accounts receivable and contract assets include:

- (1) understanding the key internal controls related to the daily management and impairment testing of accounts receivable and contract assets, and evaluating and testing the effectiveness of those controls;
- (2) reviewing management's considerations and objective evidence used in the credit risk assessment of accounts receivable and contract assets, and evaluating whether management has adequately identified the credit risk characteristics of each account receivable and contract asset;

Auditor's Report

- (3) for accounts receivable and contract assets for which expected credit losses are assessed on an individual basis, understanding the basis used by management for assessing expected credit losses, such as the customer's financial condition and creditworthiness, historical repayment and settlement records, and forecasts of future economic conditions; selecting samples to examine the basis of management's estimates of expected recoverable amounts, including customer credit records, status of collateral or pledged assets, records of default or late payments, and actual repayments after the reporting period, to evaluate the reasonableness of the expected credit loss provisions made by management;
- (4) for accounts receivable and contract assets assessed on a group basis, evaluating the reasonableness of the groupings and expected credit loss rates estimated for different groups by referencing historical collection, settlement, and aging data, as well as current conditions and future economic forecasts; selecting samples to test the accuracy of group classifications and aging of accounts receivable and contract assets, and re-calculating the expected credit losses;
- (5) selecting samples to examine subsequent collections of accounts receivable and subsequent settlements of contract assets.

We also focus on whether the impairment provisions for accounts receivable and contract assets have been appropriately presented in the financial statements.

IV. OTHER INFORMATION

Management of the Company (the "Management") is responsible for the other information. The other information comprises all of the information included in the 2024 annual report of the Company, 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 the Company'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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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:

- (I) 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.
- (II) 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 the internal control.
- (III) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- (IV) 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 the Company'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 the Company to cease to continue as a going concern.

Auditor's Report

- (V) evaluate the overall presentation, 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.
- (VI) obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

WUYIGE Certified Public Accountants LLP

Certified Public Accountant of China:
Wang Minkang
(Project partner)

Certified Public Accountant of China: Di Xiangyu

Beijing, China

31 March 2025

Consolidated Balance Sheet

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Current assets:			
Cash at bank and on hand	V(I)	272,556,248.94	367,102,242.55
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable	V(II)	11,505,246.01	8,461,306.31
Accounts receivable	V(III)	187,805,300.27	256,706,725.95
Receivables financing			
Prepayments	V(V)	15,256,505.82	23,317,070.38
Other receivables	V(VI)	733,720,454.41	862,555,910.98
Including: Interest receivable			
Dividend receivable			
Inventories	V(VII)	5,607,358.59	50,343,051.37
Contract assets	V(IV)	341,900,044.90	509,152,962.69
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	V(VIII)	55,775,260.21	63,188,346.10
Total current assets		1,624,126,419.15	2,140,827,616.33

Consolidated Balance Sheet

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	V(IX)	10,154,577.39	10,121,697.55
Other equity instruments investment	V(X)	42,712,749.75	47,702,656.62
Other non-current financial assets	V(XI)	102,818,638.40	110,105,741.25
Investment property	V(XII)	422,191,100.00	432,018,591.53
Fixed assets	V(XIII)	52,793,095.73	50,520,450.88
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	V(XIV)	4,949,358.26	4,519,828.31
Development expenditures			
Goodwill			
Long-term deferred expenses		98,371.15	
Deferred income tax assets	V(XV)	125,448,113.68	78,636,072.28
Other non-current assets		1,000,000.00	
Total non-current assets		762,166,004.38	733,625,038.42
TOTAL ASSETS		2,386,292,423.53	2,874,452,654.75

Consolidated Balance Sheet

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Current liabilities:			
Short-term borrowings	V(XVII)	507,770,267.01	601,489,799.67
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	V(XVIII)		100,000.00
Accounts payable	V(XIX)	379,523,727.48	400,356,578.17
Advances from customers			
Contract liabilities	V(XX)	97,114,746.88	43,275,025.51
Employees benefits payable	V(XXI)	13,808,023.59	14,528,169.74
Taxes payable	V(XXII)	2,536,498.38	4,121,296.98
Other payables	V(XXIII)	50,838,355.76	52,968,356.17
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within 1 year	V(XXIV)	7,505,441.88	6,000,000.00
Other current liabilities	V(XXV)	2,718,599.84	3,588,963.78
Total current liabilities		1,061,815,660.82	1,126,428,190.02
Non-current liabilities:			
Long-term borrowings	V(XXVI)	70,850,000.00	78,250,000.00
Bonds payables			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	V(XXVII)	1,021,907.98	126,451.87
Deferred income tax liabilities	V(XV)	34,000,185.55	36,482,759.62
Other non-current liabilities			
Total non-current liabilities		105,872,093.53	114,859,211.49
TOTAL LIABILITIES		1,167,687,754.34	1,241,287,401.51

Consolidated Balance Sheet

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Shareholders' equity:			
Share capital	V(XXVIII)	792,058,500.00	792,058,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	V(XXIX)	80,999,419.73	80,999,419.73
Less: Treasury stocks			
Other comprehensive income	V(XXX)	109,584,952.77	103,396,141.60
Special reserves			
Surplus reserves	V(XXXI)	108,136,584.74	108,136,584.74
Undistributed profits	V(XXXII)	119,155,929.90	539,748,081.60
Total equity attributable			
to shareholders of the parent company		1,209,935,387.14	1,624,338,727.67
Minority interest		8,669,282.04	8,826,525.57
Total shareholders' equity		1,218,604,669.18	1,633,165,253.24
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,386,292,423.52	2,874,452,654.75

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

Page 55 to page 199 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

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Current assets:			
Cash at bank and on hand		132,757,970.65	148,404,349.30
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable		11,505,246.01	8,125,306.31
Accounts receivable	XVI(I)	96,711,957.39	108,315,941.02
Receivable financing			
Prepayments		796,989.13	859,557.98
Other receivables	XVI(II)	745,951,589.58	987,617,061.42
Including: Interest receivable			
Dividend receivable			
Inventories		2,716,081.22	2,236,596.06
Contract assets		117,676,238.42	134,358,535.21
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		156,300.45	122,021.78
Total current assets		1,108,272,372.85	1,390,039,369.08
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XVI(III)	493,234,039.46	493,201,159.62
Other equity instruments investment		42,712,749.75	47,702,656.62
Other non-current financial assets		86,433,252.84	94,230,256.89
Investment property		422,191,100.00	432,018,591.53
Fixed assets		37,597,824.79	32,209,159.41
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		6,003,812.81	6,127,474.07
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		40,906,066.73	37,606,262.86
Other non-current assets		1,000,000.00	
Total non-current assets		1,130,078,846.38	1,143,095,561.00
TOTAL ASSETS		2,238,351,219.23	2,533,134,930.08

Balance Sheet of the Parent Company

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Current liabilities:			
Short-term borrowings		272,240,814.23	332,171,202.05
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		107,965,777.34	107,492,473.34
Advances from customers			
Contract liabilities		27,792,431.49	26,431,697.43
Employees benefits payable		9,211,058.20	9,738,601.54
Taxes payable		1,801,349.07	2,378,808.83
Other payables		645,977,692.82	814,025,377.13
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		7,505,441.88	6,000,000.00
Other current liabilities		2,171,303.82	2,909,117.22
Total current liabilities		1,074,665,868.85	1,301,147,277.54
Non-current liabilities:			
Long-term borrowings		70,850,000.00	78,250,000.00
Bonds payables			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employees benefits payable			
Estimated liabilities			
Deferred income		914,456.10	
Deferred income tax liabilities		33,932,264.18	36,395,999.26
Other non-current liabilities			
Total non-current liabilities		105,696,720.28	114,645,999.26
Total liabilities		1,180,362,589.13	1,415,793,276.80

Balance Sheet of the Parent Company

At 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
Shareholders' 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		114,064,415.30	108,732,816.34
Special reserves			
Surplus reserves		108,136,584.74	108,136,584.74
Undistributed profits		-56,920,569.62	7,764,052.52
Total Shareholders' equity		1,057,988,630.10	1,117,341,653.28
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,238,351,219.23	2,533,134,930.08

Consolidated Income Statement

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
I. Operating income	V(XXXIII)	439,871,713.59	493,541,069.55
Less: Operating costs	V(XXXIII)	375,625,654.92	406,102,733.27
Tax and surcharges	V(XXXIV)	3,826,249.15	4,421,795.59
Selling expenses	V(XXXV)	37,439,448.90	37,769,640.78
Administrative expenses	V(XXXVI)	29,841,757.25	37,130,078.64
Research and development expenses	V(XXXVII)	19,155,472.26	23,171,313.59
Financial expenses	V(XXXVIII)	26,899,765.69	32,743,730.27
Including: Interest expense		27,069,007.64	34,053,010.53
Interest income		-693,054.57	-1,249,797.61
Add: Other income	V(XXXIX)	507,412.98	8,962,808.58
Investment income (loss is represented by "-")	V(XL)	1,296,627.18	-15,295,752.78
Including: Investment income from associates and joint ventures		32,879.84	-10,759.45
Gains arising from derecognition of financial assets at amortised cost			
Net income from hedging exposure (loss is represented by "-")			
Gains arising from changes in fair value (loss is represented by "-")	V(XLI)	-7,237,889.85	51,302,228.34
Credit impairment loss (loss is represented by "-")	V(XLII)	-136,875,673.87	17,032,018.02
Asset impairment loss (loss is represented by "-")	V(XLIII)	-214,720,181.52	-4,836,821.22
Gains on disposal of assets (loss is represented by "-")			
II. Operating profit (loss is represented by "-")		-409,946,339.66	9,366,258.35
Add: Non-operating income	V(XLIV)	16,763.84	1,398,551.19
Less: Non-operating expenses	V(XLV)	55,067,766.99	9,023,995.14
III. Total profit (total loss is represented by "-")		-464,997,342.81	1,740,814.40
Less: Income tax expense	V(XLVI)	-44,247,947.58	18,211.34
IV. Net profit (net loss is represented by "-")		-420,749,395.23	1,722,603.06
(I) Classified by business continuity			
1. Net profit from continuing operations (net loss is represented by "-")		-420,749,395.23	1,722,603.06
2. Net profit from discontinued operations (net loss is represented by "-")			
(II) Classified by the attribution of the ownership			
1. Net profit attributable to shareholders of the parent company (net loss is represented by "-")		-420,592,151.70	1,994,964.77
2. Profit or loss attributable to minority shareholders (net loss is represented by "-")		-157,243.53	-272,361.71

Consolidated Income Statement

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
V. Net other comprehensive income after tax		6,188,811.17	73,398,429.72
(I) Net other comprehensive income after tax attributable to shareholders of the parent company		6,188,811.17	73,398,429.72
1. Other comprehensive income which cannot be reclassified subsequently to profit and loss		5,331,598.96	929,198.59
(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		5,331,598.96	929,198.59
(4) Changes in fair value of the enterprise's own credit risk			
2. Other comprehensive income which can be reclassified to profit and loss		857,212.21	72,469,231.13
(1) Other comprehensive income that can be reclassified to profit and 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 investments			
(5) Cash flow hedging reserve (Effective portion of gain or loss arising from cash flow hedging)			
(6) Translation difference of financial statements in foreign currencies		857,212.21	180,179.84
(7) Others			72,289,051.29
(II) Net other comprehensive income after tax attributable to minority shareholders			
VI. Total comprehensive income		-414,560,584.06	75,121,032.78
(I) Total comprehensive income attributable to shareholders of the parent company		-414,403,340.53	75,393,394.49
(II) Total comprehensive income attributable to minority shareholders		-157,243.53	-272,361.71
VII. Earnings/loss per share:			
(I) Basic earnings/loss per share		-0.531	0.003
(II) Diluted earnings/loss per share		-0.531	0.003

Income Statement of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
I. Operating income	XVI(IV)	208,010,512.05	231,336,414.34
Less: Operating cost	XVI(IV)	157,451,211.41	154,816,139.36
Taxes and surcharges		3,135,138.74	3,825,168.06
Selling expenses		22,369,972.60	22,412,914.93
Administrative expenses		20,030,013.85	23,178,121.73
Research & development expenses		12,051,416.83	12,163,303.91
Financial expenses		15,512,623.45	18,942,129.21
Including: Interest expenses		15,732,268.29	18,950,762.23
Interest income		-275,222.37	-102,929.94
Add: Other income		480,428.62	7,754,160.95
Investment income			
(loss is represented by "-")	XVI(V)	1,296,627.18	-20,944,516.14
Including: Investment income from			
associates and joint ventures		32,879.84	-5,464,980.97
Gain on derecognition of financial			
assets measured at amortized			
cost			
Net income from hedging exposure (loss is			
represented by "-")			
Gain on fair value change			
(loss is represented by "-")		-7,237,889.85	51,407,945.32
Credit impairment loss			
(loss is represented by "-")		-7,584,343.12	19,253,326.78
Asset impairment loss			
(loss is represented by "-")		-34,937,623.62	-3,332,877.22
Gain from disposal of assets			
(loss is represented by "-")			
II. Operating profit (loss is represented		-70,522,665.62	50,136,676.83
by "-")		4,215.93	48,188.34
Add: Non-operating income		863,785.07	
Less: Non-operating expenses			
III. Total profit (total loss is represented by "-")		-71,382,234.76	50,184,865.17
Less: Income tax expenses		-6,697,612.62	10,099,259.23
IV. Net profit (net loss is represented by "-")		-64,684,622.14	40,085,605.94
(I) Net profit from the continuing operations (net			
loss is represented by "-")		-64,684,622.14	40,085,605.94
(II) Net profit from the discontinued operations (net			
loss is represented by "-")			

Income Statement of the Parent Company

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
V. Net other comprehensive income, net of tax		5,331,598.96	73,218,249.88
(I) Other comprehensive income that will not be reclassified to profit or loss		5,331,598.96	929,198.59
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		5,331,598.96	929,198.59
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 (Effective portion of gain or loss arising from cash flow hedging)			
6. Translation difference of financial statements in foreign currencies			
7. Others			72,289,051.29
VI. Total comprehensive income		-59,353,023.18	113,303,855.82
VII. Earnings per share			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		640,005,267.75	655,891,413.30
Refund of taxes and surcharges		405,101.73	1,892,839.01
Cash received relating to other operating activities	V(XLVII)	833,778,573.28	658,721,988.81
Sub-total of cash inflows from operating activities		1,474,188,942.76	1,316,506,241.12
Cash paid on purchase of goods and services received		470,596,030.48	465,841,123.03
Cash paid to and on behalf of employees		44,982,413.00	49,915,616.81
Payments of tax charges		9,739,858.89	15,985,310.01
Cash paid relating to other operating activities	V(XLVII)	925,916,524.36	603,607,589.61
Sub-total of cash outflows from operating activities		1,451,234,826.72	1,135,349,639.46
Net cash flows from operating activities		22,954,116.04	181,156,601.66
II. Cash flows from investing activities:			
Cash received from return on investments		11,825,881.97	26,029,000.00
Cash received from income from investments		1,263,747.34	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			687.95
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		13,089,629.31	26,029,687.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets		741,716.70	3,305,633.67
Cash paid for investments		1,000,000.00	
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		1,741,716.70	3,305,633.67
Net cash flows from investing activities		11,347,912.61	22,724,054.28

Consolidated Cash Flow Statement

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
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		452,270,000.00	656,720,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		452,270,000.00	656,720,000.00
Cash paid on repayment of borrowings		552,220,000.00	793,940,594.93
Cash paid for dividends, profit distribution or interest expenses		26,834,890.89	34,232,857.57
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid relating to other financing activities			353,545.41
Sub-total of cash outflows from financing activities		579,054,890.89	828,526,997.91
Net cash flows from financing activities		-126,784,890.89	-171,806,997.91
IV. Effect of change in foreign exchange rate on cash and cash equivalents		4,539.83	-307.49
V. Net increase in cash and cash equivalents		-92,478,322.42	32,073,350.54
Add: Cash and cash equivalents at beginning of period		340,989,178.69	308,915,828.15
VI. Cash and cash equivalent at end of period		248,510,856.27	340,989,178.69

Cash Flow Statement of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		205,013,048.49	226,752,582.82
Refund of taxes and surcharges		405,101.73	1,411,863.80
Cash received relating to other operating activities		1,087,060,931.96	609,423,681.64
Sub-total of cash inflows from operating activities		1,292,479,082.18	837,588,128.26
Cash paid on purchase of goods and services received		162,625,106.56	155,710,355.30
Cash paid to and on behalf of employees		29,146,973.81	25,584,532.33
Payments of taxes and surcharges		6,105,196.55	11,467,505.71
Cash paid relating to other operating activities		1,039,622,655.36	478,419,616.84
Sub-total of cash outflows from operating activities		1,237,499,932.28	671,182,010.18
Net cash flows from operating activities		54,979,149.90	166,406,118.08
II. Cash flows from investing activities:			
Cash received from return on investments		11,825,881.97	26,029,000.00
Cash received from income from investments		1,263,747.34	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			487.18
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		13,089,629.31	26,029,487.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets		741,716.70	32,562.82
Cash paid for investments		1,000,000.00	
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		1,741,716.70	32,562.82
Net cash flows from investing activities		11,347,912.61	25,996,924.36

Cash Flow Statement of the Parent Company

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note	2024	2023
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Cash received from borrowings obtained		197,270,000.00	381,770,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		197,270,000.00	381,770,000.00
Cash paid on repayment of borrowings		263,270,000.00	422,770,000.00
Cash paid for dividends, profit distribution or interest expenses		15,307,066.05	19,024,549.36
Cash paid relating to other financing activities			
Sub-total of cash outflows from financing activities		278,577,066.05	441,794,549.36
Net cash flows from financing activities		-81,307,066.05	-60,024,549.36
IV. Effect of change in foreign exchange rate on cash and cash equivalents			-307.49
V. Net increase in cash and cash equivalents		-14,980,003.54	132,378,185.59
Add: Cash and cash equivalents at beginning of period		145,147,975.19	12,769,789.60
VI. Cash and cash equivalent at end of period		130,167,971.65	145,147,975.19

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period												
	Equity attributable to the shareholders of parent company												
	Other equity instruments					Less:							
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interest	Total shareholders' equity
(IV) Internal transfer of shareholders' equity													
1. Capitalization of capital reserves													
2. Capitalization of surplus reserves													
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	792,053,500.00				80,939,419.73		109,534,932.77		108,103,534.74	119,155,929.90	1,209,695,337.14	8,669,282.04	1,218,604,669.18

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period												
	Equity attributable to the owners of parent company											Total shareholders' equity	
	Other equity instruments				Less:			Other					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interest	
I. Closing balance of prior year	792,056,500.00				80,939,419.73		34,739,511.88		104,128,024.15	536,999,877.42	1,548,945,333.18	9,646,974.53	1,558,592,307.71
Add: Change of accounting policy													
Correction of accounting errors for prior period													
Others													
II. Opening balance of current year	792,056,500.00				80,939,419.73		34,739,511.88		104,128,024.15	536,999,877.42	1,548,945,333.18	9,646,974.53	1,558,592,307.71
III. Changes during the period (Decreases are represented by "-")													
(I) Total comprehensive income							68,636,620.72		4,008,560.59	2,748,204.18	75,393,394.49	-820,448.96	74,572,945.53
(II) Shareholders' contribution and capital reduction							73,388,420.72			1,994,964.77	75,393,394.49	-272,361.71	75,121,032.78
1. Ordinary shares												-646,087.25	-646,087.25
contribution by shareholders													
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		-646,087.25	-646,087.25
2. Distribution to shareholders									4,008,560.59	-4,008,560.59			
3. Others													

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period												
	Equity attributable to the owners of parent company												
	Other equity instruments					Less:							
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interest	Total shareholders' equity
(IV) Internal transfer of shareholders' equity													
1. Capitalization of capital reserves										4,761,800.00			
2. Capitalization of surplus reserves													
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										4,761,800.00			
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				80,939,119.73		103,395,141.60		108,168,584.74	539,748,081.60	1,624,339,727.67	8,826,825.57	1,633,165,253.24

Statement of Changes in Owners' Equity of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period						
	Other equity instruments			Less:			
	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Total shareholders' equity
I. Closing balance of prior year	792,058,500.00			100,649,889.68		108,732,816.34	1,117,341,653.28
Add: Change of accounting policy							
Correction of accounting errors for prior period							
Others							
II. Opening balance of current year	792,058,500.00			100,649,889.68		108,732,816.34	1,117,341,653.28
III. Changes during the period							
(Decreases are represented by "-")							
(i) Total comprehensive income						5,331,598.96	-59,353,023.18
(ii) Shareholders' contribution and capital reduction						5,331,598.96	-59,353,023.18
1. Ordinary shares contribution by shareholders							
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 shareholders							
3. Others							

Statement of Changes in Owners' Equity of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period										
	Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
(IV) Internal transfer of shareholders' equity											
1. Capitalization of capital reserves											
2. Capitalization of surplus reserves											
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	792,059,500.00				100,649,699.68		114,064,415.30		108,136,584.74	-56,920,569.62	1,057,988,630.10

Statement of Changes in Owners' Equity of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period							
	Other equity instruments					Less: Treasury stock	Other comprehensive income	Total shareholders' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve			
I. Closing balance of prior year	792,058,500.00				100,649,689.68		40,276,366.46	
Add: Change of accounting policy								
Correction of accounting errors for prior period								
Others								
II. Opening balance of current year	792,058,500.00				100,649,689.68		40,276,366.46	
III. Changes during the period (Decreases are represented by "-")								
(I) Total comprehensive income							68,456,449.88	113,303,855.82
(II) Shareholders' contribution and capital reduction							73,218,249.88	113,303,855.82
1. Ordinary shares contribution by shareholders								
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
2. Distribution to shareholders								
3. Others							4,008,560.59	-4,008,560.59

Statement of Changes in Owners' Equity of the Parent Company

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										
	Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
(IV) Internal transfer of shareholders' equity											
1. Capitalization of capital reserves										4,761,800.00	
2. Capitalization of surplus reserves											
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										4,761,800.00	
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	792,059,500.00				100,649,699.68		108,732,816.34		108,136,584.74	7,764,052.52	1,117,341,652.28

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION OF THE COMPANY

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*) (the “Company” or “the Company”) was established in Nanjing, Jiangsu Province, the People’s Republic of China and was approved to be reorganized 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.

After years of issuing bonus share, placing new shares, share capitalisation and issuing new shares, as of 31 December 2024, the Company had issued an aggregate of 792,058,500 shares, with a registered capital of RMB792,058,500.

The unified social credit code of the Company is 91320100726074332B and the legal representative of the Company is Sha Min. The registered address 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 31 March 2025.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

The Company’s financial statements have been prepared on a going concern basis, recognized and measured based on the actual transactions and matters incurred, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance, as well as specific accounting standards and related regulations (collectively the “Accounting Standards for Business Enterprises”). The preparation was also based on significant accounting policies and accounting estimates.

(II) Going concern

The Company has the ability to continue as a going concern for at least 12 months from the end of this reporting period, and there are no major events that would impact its ability to continue as a going concern.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the financial position as of 31 December 2024 and its operating results, cash flows and other relevant information for the year 2024.

(II) Accounting period

The financial year of the Company is from 1 January to 31 December of each calendar year.

(III) Operating cycle

The Company's operating cycle is 12 months in each calendar year and it classifies the liquidity of assets and liabilities based on the operating cycle.

(IV) Reporting currency

The reporting currency used by the Company is Renminbi ("RMB").

(V) Methods and selection basis for materiality criteria

1. Materiality of the items in the financial statements

The Company determines the materiality of the items in the financial statements based on the principle of whether they affect the economic decisions made by the users of the financial statements, and considers both the nature and the amount. The importance of the amount of items in the financial statements is based on a certain proportion of the relevant items in the total assets, total liabilities, total owners' equity, operating income and net profit, and the importance of the nature of the items in the financial statements is based on factors that have a greater impact on the financial position and operating results, such as whether they belong to daily business activities, whether they lead to changes in profit and loss, and whether they affect regulatory indicators.

2. The importance of the detailed items in the financial statements

The Company determines the importance of the items in the financial statements with the detailed items, and on the basis of the materiality of the items in the financial statements, the specific items are determined by a certain proportion of the items in the items, or in combination with the amount, while considering the nature of the specific items. Certain items that are not material to the financial statements but may be material to the notes and still need to be disclosed separately in the notes. The relevant materiality criteria for the notes to the financial statements are:

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(V) Methods and selection basis for materiality criteria *(Continued)*

2. The importance of the detailed items in the financial statements *(Continued)*

Item	Materiality criteria
Significant individual provisions for bad debts on accounts receivable/contract assets/other receivables	Above RMB10,000,000
Write-off, recovery or reversal of significant bills receivable/accounts receivable/accounts receivable financing/interest receivable/dividend receivable/other receivables/debt investments due within one year/other debt investments due within one year/debt investments/other debt investments/long-term receivables	Above RMB5,000,000
Significant construction in process	Above RMB5,000,000
Significant other payables with an aging of over one year or overdue	Above RMB5,000,000
Cash received related to significant 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
Cash paid related to significant 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
Significant non-wholly owned subsidiaries	Net assets of non-wholly owned subsidiary/total assets exceed the latest audited net assets of the group attributable to the parent company/non-wholly owned subsidiary accounting for 5% of the total assets
Significant joint ventures or associates	The balance of long-term equity investment is above RMB20,000,000
Significant commitment matters/contingent matters/significant post-balance sheet events	Above RMB10,000,000

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Business combination

1. Business combination under common control

In case the consideration for the long-term equity investments formed in the business combination under common control is paid by way of cash, transfer of non-cash assets or assumption of debts, the initial investment cost of the long-term equity investment as at the date of combination is determined based on the proportion of the equity of the merged party's owners' equity recorded in the consolidated financial statements of the ultimate controlling party. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of consideration (or aggregate nominal value of shares issued) for the combination shall be adjusted against capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

2. Business combination not under common control

For business combination not under common control, the combination cost is the sum of the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer on the acquisition date to gain control of the acquiree. The identifiable assets, liabilities, and contingent liabilities of the acquiree that meet the recognition criteria in such combination is measured at their fair value on the acquisition date. If the combination cost exceeds the share of the fair value of the identifiable net assets of the acquiree obtained through the combination, the excess is recognized as goodwill. If the combination cost is less than the share of the fair value of the identifiable net assets of the acquiree obtained through the combination, and after review, the combination cost still remains less than this share, the difference is recognized in the current period as non-operating income.

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

1. Judgment criteria for control

The scope of consolidation in the consolidated financial statements is determined on a control basis. An investee that has the following three elements is deemed to have control over it: having power over the investee, enjoying variable returns due to participating in the relevant activities of the investee, and having the ability to use the power over the investee to influence the amount of returns.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Preparation method of consolidated financial statements

- (1) To unify the accounting policies, date of balance sheets and accounting periods of the parent company and subsidiaries

When preparing consolidated financial statements, adjustments are made if the subsidiaries' accounting policies and accounting periods are different from that of the Company, in accordance with the Company's accounting policies and accounting periods.

- (2) Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the parent company and subsidiaries, which offset the internal transactions incurred between the parent company and subsidiaries and within subsidiaries. The owners' equity of the subsidiaries not attributable to the Company shall be presented as "minority interests" under the shareholders' equity item in the consolidated balance sheet. The long-term equity investment of the parent company held by the subsidiaries, deemed as treasury stock of the parent company as well as the reduction of shareholders' equity, shall be presented as "Less: Treasury stock" under the shareholders' equity item in the consolidated balance sheet.

- (3) Accounting treatment of subsidiaries acquired through business combination

For subsidiaries acquired through business combination under common control, it is treated as if the business combination occurred at the date when control was first obtained by the ultimate controlling party. From the beginning of the current period of combination, the assets, liabilities, operating results, and cash flows of the subsidiary are included in the consolidated financial statements. For subsidiaries acquired through business combination not under common control, the individual financial statements of the subsidiary are adjusted based on the fair value of identifiable net assets as of the acquisition date when preparing the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Preparation method of consolidated financial statements *(Continued)*

(4) Accounting treatment for the disposal of subsidiaries

When partially disposing of a long-term equity investment in a subsidiary without losing control, in the consolidated financial statements, the difference between the disposal proceeds and the portion of the subsidiary's net assets attributable to the disposed equity investment, calculated continuously from the acquisition or combination date, is adjusted to the capital reserve. If the capital reserve is insufficient, the difference is adjusted to retained earnings. If the disposal of part of the equity investment leads to the loss of control over the investee, the remaining equity is remeasured at its fair value on the date control is lost when preparing the consolidated financial statements. The sum of the consideration received for the equity disposal and the fair value of the remaining equity, less the share of the original subsidiary's net assets calculated based on the original ownership proportion continuously from the acquisition or combination date, is recognized as investment income for the period when control is lost. At the same time, goodwill is written off. Other comprehensive income related to the equity investment in the original subsidiary is reclassified to current investment income upon loss of control.

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

1. Classification of joint arrangements

Joint arrangements are classified into joint operations and joint ventures. Joint arrangements achieved not through separate entities are classified as joint operations. Separate entities refer to the entities with distinguishable financial structure, including separate legal entities or entities recognized by law without legal entity qualifications. Joint arrangements achieved through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties of joint venture under a joint arrangement due to the changes in relevant facts and circumstances, the parties of joint arrangements will re-assess the classification of joint arrangements.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(VIII) Classification of joint arrangements and accounting treatment for joint operations *(Continued)*

2. Accounting treatment for joint operations

As a party in joint operations, the Company should recognize the following items in relation to the share of interest in joint operation, and proceed with accounting in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: to recognize assets or liabilities held individually, and recognize jointly held assets or liabilities based on the proportion of shares; to recognize the income from the disposal of the output share under joint operation; to recognize the income from the disposal of output under joint operation based on the proportion of shares; to recognize the expenses incurred individually, and recognize the expenses incurred under joint operation based on the proportion of shares.

As a party in joint operations not under common control, if the Company are entitled to relevant assets and undertake relevant liabilities of the joint operations, accounting treatment will be carried out with reference to the provisions for the parties of the joint operations; otherwise, it should be subject to relevant provisions under the Accounting Standards for Business Enterprises.

3. Accounting treatment for joint ventures

If the Company is a party in a joint venture, it applies accounting treatment for the investment in the joint venture in accordance with the “Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments.” If the Company is a non-participant in the joint venture, the accounting treatment is determined based on the extent of its influence on the joint venture.

(IX) Recognition standard for cash and cash equivalents

Cash presented in the cash flow statements represents the cash on hand and deposits available for payment at any time. Cash equivalents presented in the cash flow statements refer to short-term, highly liquid investments held that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Translation of foreign currency transactions and financial statements denominated in foreign currency

1. Translation of foreign currency transactions

Foreign currency transactions of the Company are recorded in the functional currency translated at the spot exchange rates on the transaction date. Monetary items denominated in foreign currency on the balance sheet date are translated at the spot exchange rate on that date. Any exchange differences arising due to changes in the spot exchange rate compared to the rate at initial recognition or the previous balance sheet date are accounted for in the current period's profit or loss, except for exchange differences related to foreign currency-specific borrowings that meet capitalization criteria. These exchange differences are capitalized and included in the cost of the related asset during the capitalization period. Non-monetary items denominated in foreign currency measured at historical cost shall continue to be translated using the spot exchange rate at the date of transaction. Non-monetary items denominated in foreign currency measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The exchange difference arising therefrom shall be treated as the change in fair value (including the change in exchange rate), and included in profit or loss for the current period or recognized as other comprehensive income.

2. Translation of financial statements denominated in foreign currency

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates of the Company are different from that of the Company, their financial statements denominated in foreign currencies shall be translated to perform accounting and prepare the consolidated financial statements. The assets and liabilities in the balance sheet are translated into functional currency at the spot exchange rates at the balance sheet date. Owners' equity items, except for the 'undistributed profits' item, are translated into functional currency at the spot exchange rate at the time of occurrence. The income and expenses items in the income statement are translated into functional currency at the spot exchange rates at the transaction dates. The resulting exchange differences of the financial statements denominated in foreign currencies are presented under other comprehensive income of owner's equity item in the balance sheet. Cash flows in foreign currency should be translated at the spot exchange rate on the cash flow occurrence date. The impact of exchange rate changes on cash is presented separately in the cash flow statement. When disposing of foreign operations, the exchange differences related to the foreign currency statements of the disposed operations are transferred in whole or proportionally to the profit or loss for the disposal period.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XI) Financial instruments

1. Classification, recognition and measurement of financial instruments

(1) Financial assets

Based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Company classifies financial assets into the following three categories:

- ① Financial assets measured at amortized cost: The business model for managing these financial assets is aimed at collecting contractual cash flows, and the characteristics of the contractual cash flows align with basic lending arrangements, i.e., the cash flows generated on specific dates consist solely of payments of principal and interest based on the outstanding principal amount. These financial assets subsequently recognize interest income using the effective interest method.
- ② Financial assets measured at fair value through other comprehensive income: The business model for managing these financial assets aims both at collecting contractual cash flows and selling the financial assets. The contractual cash flow characteristics align with basic lending arrangements. These financial assets are subsequently measured at fair value, with changes recognized in other comprehensive income. However, interest income calculated using the effective interest method, impairment losses or gains, and exchange gains or losses are recognized in the current profit or loss.

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For the year ended 31 December 2024
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XI) Financial instruments *(Continued)*

1. Classification, recognition and measurement of financial instruments *(Continued)*

(1) Financial assets *(Continued)*

- ③ Financial assets measured at fair value through current profit or loss: Financial assets that are not classified as either measurement at amortized cost or at fair value through other comprehensive income are measured at fair value. Gains or losses (including interest and dividend income) are recognized in current profit or loss. At the time of initial recognition, if it eliminates or reduces an accounting mismatch, financial assets can be irrevocably designated to be measured at fair value through profit or loss. Once designated, it cannot be revoked.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets measured at fair value through other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment and the underlying investment meets the definition of an equity instrument from the issuer's perspective. These financial assets are subsequently measured at fair value. Except for dividends (excluding those considered as a recovery of investment costs), which are recognized in current profit or loss, all other related gains and losses are recognized in other comprehensive income and are not reclassified into current profit or loss in subsequent periods.

(2) Financial liabilities

Classification of financial liabilities at initial recognition:

- ① Financial liabilities measured at fair value through profit or loss: These liabilities are subsequently measured at fair value, with gains or losses recognized in current profit or loss.
- ② Financial liabilities formed when the transfer of financial assets does not satisfy derecognition conditions or when there is continuing involvement in the transferred financial assets.
- ③ Financial liabilities measured at amortized cost. These liabilities are measured at amortized cost using the effective interest method.

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For the year ended 31 December 2024

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

(XI) Financial instruments *(Continued)*

2. Determination of fair value for financial instruments

Financial instruments with active markets have their fair value determined by quoted prices from these active markets. If no active market exists, valuation techniques are applied to determine their fair value. In limited circumstances, if recent information used to determine fair value is insufficient, or if the range of possible estimates for fair value is broad and cost represents the best estimate within this range, cost may appropriately reflect fair value within that range. The company uses all available information regarding the investee's performance and operations obtained after initial recognition to evaluate whether cost can represent fair value.

3. Derecognition of financial instruments

Financial assets are derecognized if one of the following conditions is met: (1) The contractual rights to receive cash flows from the financial asset have expired; (2) The financial asset has been transferred, and the transfer meets the conditions for derecognition.

Financial liabilities are derecognized to the portion that is discharged when their present obligations are discharged in full or in part. If an existing financial liability is replaced by another financial liability to the same creditor with substantially different terms, or the terms of the existing liability are substantially modified, the existing financial liability is derecognized and the new financial liability is recognized simultaneously. Purchases and sales of financial assets under regular transactions are recognized and derecognized on the transaction date.

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

(XII) Methods of determination and accounting treatment for expected credit losses

1. Scope of expected credit losses

The Company applies impairment accounting treatment and recognizes allowance for bad debts based on expected credit losses for financial assets measured at amortized cost (including accounts receivable, such as bills receivable and accounts receivable), receivables financing, lease receivables, and other receivables.

2. Methods for determining expected credit losses

The general approach for determining expected credit losses involves evaluating, at each balance sheet date, whether the credit risk of relevant financial instruments has increased significantly since initial recognition. The process of credit impairment of financial instruments is divided into three stages, and different accounting treatment methods are applied to financial instrument impairments at different stages: (1) Stage One: If the credit risk of a financial instrument has not significantly increased since initial recognition, the Company measures loss allowances based on the expected credit losses over the next 12 months of such financial instrument. Interest income is calculated based on the carrying amount (before deducting impairment provision) and the effective interest rate; (2) Stage Two: If the credit risk of a financial instrument has significantly increased since initial recognition but no credit impairment has yet occurred, the Company measures loss allowances based on expected credit losses over the entire lifetime of the instrument. Interest income is calculated based on the carrying amount and the effective interest rate; (3) Stage Three: If credit impairment has occurred after initial recognition, the Company measures loss allowances based on the expected credit losses over the entire lifetime of the instrument. Interest income is calculated based on the amortized cost (the carrying amount minus the impairment provision) and the effective interest rate.

The simplified approach for expected credit losses involves always measuring the loss allowance at an amount equivalent to the expected credit losses over the entire lifetime of the instrument.

3. Accounting treatment for expected credit losses

Expected credit losses are remeasured at each balance sheet date to reflect changes in the credit risk of financial instruments since their initial recognition. The increase or reversal of the resulting loss allowance shall be recognized as an impairment gain or loss in the current profit or loss. Depending on the type of financial instrument, it shall either reduce the carrying amount of the financial asset presented on the balance sheet or be included in estimated liabilities (in the case of loan commitments or financial guarantee contracts).

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Methods of determination and accounting treatment for expected credit losses (Continued)

4. Methods for measuring bad debt provisions for accounts receivable and lease receivables

For receivables arising from transactions governed by “Accounting Standard for Business Enterprises No. 14 – Income” (regardless of whether they contain significant financing components), as well as lease receivables governed by “Accounting Standard for Business Enterprises No. 21 – Leases”, the Company applies the simplified approach, i.e., loss allowances are always measured based on expected credit losses over the entire lifetime of the asset.

- ① Categories and determination basis of impairment provision groups based on credit risk characteristics

The Company determines groups based on credit risk characteristics and calculates expected credit losses on a group basis for bills receivable and accounts receivable. The categories of groups and determination basis for expected credit losses on bills receivable, accounts receivable, receivables financing, contract assets, etc., are as follows:

Items	Group 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
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 group	Similar credit risk characteristics, the aging of accounts is calculated from the date of entry into the accounts
	Group of related party within the scope of consolidation	Customer type
	Group of related party outside the scope of consolidation	Customer type
	Low risk group	There is objective evidence indicating that no expected credit loss exists

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For the year ended 31 December 2024
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XII) Methods of determination and accounting treatment for expected credit losses *(Continued)*

4. Methods for measuring bad debt provisions for accounts receivable and lease receivables *(Continued)*

- ② Aging calculation method for credit risk characteristics group based on aging

For the aging calculation method based on aging to confirm credit risk characteristics group, the calculation starts from the date of occurrence of the accounts receivable for each customer. For customers with multiple transactions, the aging is calculated separately for each transaction based on its respective occurrence date, and the final recovery time is calculated accordingly.

- ③ Judgment criteria for bad debt provision on individual basis

For receivables with distinct risk characteristics, based on similar credit risk features (such as the debtor's ability to repay according to contract terms), the expected losses are estimated by considering historical loss data and the debtor's economic status, factoring in the default risk exposure and the expected credit loss rate over the entire term.

5. Method for measuring loss allowances for other financial assets

For financial assets other than those mentioned above, such as: debt investments, other debt investments, other receivables, and long-term receivables excluding lease receivables, the Company measures loss allowances using the general method, i.e., the "three-stage" model.

When assessing credit impairment of financial instruments, the Company evaluates whether credit risk has significantly increased based on the following factors:

- ① Whether contractual payments are more than 30 days past due. If overdue for more than 30 days, the Company considers that the credit risk of the financial instrument has significantly increased, unless it can obtain reasonable and supportable information without undue cost or effort to prove that, despite being more than 30 days overdue, the credit risk has not significantly increased since initial recognition.
- ② Whether there have been changes in the Company's credit management approach to the financial instrument.
- ③ Whether there have been significant changes in the debtor's expected performance and repayment behavior.
- ④ Whether there have been actual or expected significant changes in the debtor's operating results.

Notes to the Financial Statements

For the year ended 31 December 2024

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

(XII) Methods of determination and accounting treatment for expected credit losses *(Continued)*

5. Method for measuring loss allowances for other financial assets *(Continued)*

- ⑤ Whether there have been significant adverse changes in the regulatory, economic, or technological environment the debtor operates in.
- ⑥ Whether there are expected adverse changes in the debtor's business, financial, or economic condition that may significantly affect its ability to meet debt obligations.
- ⑦ Whether internal pricing indicators have changed significantly due to changes in credit risk.
- ⑧ If the financial instrument were newly originated or issued on the reporting date, whether the interest rate or other terms would have changed significantly.
- ⑨ Whether external market indicators of credit risk for the same or similar financial instruments with the same expected life have changed significantly. These indicators include: credit spreads, credit default swap (CDS) prices on the borrower, the duration and extent of the financial asset's fair value being below its amortized cost, and other market information related to the borrower (such as changes in the prices of the borrower's debt or equity instruments).
- ⑩ Whether the external credit rating of the financial instrument has changed significantly, either actually or expected.
- ⑪ Whether the internal credit rating of the debtor has been downgraded, either actually or expected.
- ⑫ Whether there has been a significant increase in credit risk of other financial instruments issued by the same debtor.
- ⑬ Whether there have been significant changes in the value of collateral or the quality of third-party guarantees or credit enhancements securing the debt.
- ⑭ Whether there have been significant changes in the economic incentives expected to reduce the borrower's motivation to repay on time as per the contract.
- ⑮ Whether there are expected modifications to the loan agreement, including the likelihood of breaches of contract that may lead to waiver or amendment of obligations, granting of grace periods, interest rate step-ups, demands for additional collateral or guarantees, or other changes to the contractual framework of the financial instrument.

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

(XII) Methods of determination and accounting treatment for expected credit losses *(Continued)*

5. Method for measuring loss allowances for other financial assets *(Continued)*

- (1) Categories and determination basis of impairment provision groups based on credit risk characteristics

The company classifies other receivables into several groups based on credit risk characteristics according to the nature of the receivables. Expected credit losses are calculated based on these groups. The basis for determining the groups is as follows:

Item	Group Category	Basis for Determination
Other Receivables	Aging Group	Similar credit risk characteristics; aging calculated from the date of recognition
	Low-Risk Group	Historically very low credit loss risk
	Group of related party within the scope of consolidation	Type of customer
	Group of related party outside the scope of consolidation	Type of customer

- (2) Judgment criteria for bad debt provisions on individual basis

For other receivables with clear individual risk characteristics, based on similar credit risk characteristics of other receivables (the debtor's ability to repay debts according to contract terms), expected credit losses are calculated through the default risk exposure and expected credit loss rate over the entire lifetime, considering historical loss situations and the debtor's financial condition.

(XIII) Inventories

1. Classification of Inventories

Inventories refer to finished goods or merchandise held for sale in the ordinary course of business activities, products in the production process, materials and supplies consumed during production or provision of service, primarily including commodity stock.

2. Method for pricing of inventory delivered

Upon delivery of inventories, the monthly weighted average method is used to determine the actual cost of the inventory delivered.

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For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(XIII) Inventories *(Continued)*

3. Inventory System

The inventory system is a perpetual inventory system.

4. Recognition criteria and methods for provision for diminution in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value for the current period is lower than the cost, provision for diminution in value of inventories shall be made. Net realizable value refers to the estimated selling price of inventories in the ordinary course of business, minus the estimated costs upon completion, the estimated selling expenses, and the related taxes.

In normal production and operation processes, the net realizable value is determined by deducting the estimated selling expenses and the related taxes from the estimated selling price of the relevant commodity stock. For inventories held to execute sales contracts or labor contracts, the net realizable value is calculated based on the contract price. If the inventory quantity held exceeds the quantity ordered under the sales contract, the net realizable value for the excess part is calculated based on general selling prices.

Provision for diminution in value of inventories is made based on inventory groups, with the group categories and basis of determination, as well as the basis for determining the net realizable value of different types of inventories, are as follows:

Inventory group category	Basis for determination of group	Basis for determination of net realizable value
Inventory aging group	Similar credit risk characteristics	Estimated selling price minus estimated costs to complete, estimated selling expenses, and related taxes

After the provision for diminution in value of inventories has been made, if the factors resulting in the previously recorded inventory impairment disappeared, as a result of which the net realizable value of the inventories became higher than its carrying amount, it would be written back to the extent of the original provision for diminution in value of inventories made, and such written-back amounts would be included in the current profit or loss.

Notes to the Financial Statements

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

(XIV) Contract assets and contract liabilities

1. Contract assets

The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods or services transferred to customers is presented as contract assets. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The unconditional (only depending on the passage of time) right owned by the Company to receive consideration from the customers is individually presented as accounts receivable. Provision for impairment for contract assets refers to the method for determining expected credit losses as outlined in the notes.

2. Contract liabilities

The Company's obligations to transfer goods or provide services to customers, for which consideration has been received or is receivable from customers, is presented as contract liabilities. Contract assets and contract liabilities under the same contract shall be shown on a net basis.

(XV) Long-term equity investments

1. Criteria for judging joint control and significant influence

Joint control refers to activities that significantly affect the returns of a specific arrangement. These activities must be decided unanimously by participants sharing control rights, including the sale and purchase of goods or services, management of financial assets, asset acquisition and disposal, research and development activities, and financing activities. Significant influence exists when an investor holds 20% to 50% of the voting shares of the investee, or even if the shareholding is less than 20%, significant influence may be established under any of the following conditions: having a representative on the board of directors or equivalent authority body of the investee; participating in the policy-making process of the investee; assigning management personnel to the investee; the investee relies on the investor's technology or technical resources; having substantial transactions with the investee.

Notes to the Financial Statements

For the year ended 31 December 2024

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

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

2. Determination of initial investment cost

For long-term equity investments acquired through business combinations, if the business combination is under common control, the initial investment cost of long-term equity investment shall be determined on the combination date based on the proportion of the acquiree's owners' equity reflected in the consolidated financial statements of the ultimate controlling party, at its carrying amount. If business combination is not under common control, the initial investment cost of long-term equity investment shall be the purchase cost determined on the acquisition date. For long-term equity investments acquired by cash, the initial investment cost shall be the actual purchase price paid. For long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued. For long-term equity investments acquired through debt restructuring, the initial investment cost shall be determined based on the relevant provisions of debt restructuring standards. For long-term equity investments acquired through the exchange of non-monetary assets, the initial investment cost shall be determined based on the relevant provisions of non-monetary asset exchange standards.

3. Subsequent measurement and profit and loss recognition method

The Company accounts for long-term equity investments in investee entities under its control using the cost method. For long-term equity investments in associates and joint ventures, the equity method is applied. For equity investments in associates, a portion of which may be indirectly held through venture capital institutions, mutual funds, trust companies, or similar entities, including unit-linked insurance funds. Regardless of whether the entity exerts significant influence over the portion it holds, such investments is accounted for according to the relevant provisions of Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments. The remaining portion is accounted for using the equity method.

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

(XVI) Investment property

The categories of the Company's investment properties include leased land use rights, leased buildings, and land use rights held for appreciation and subsequent transfer. Investment properties are initially measured at cost and subsequently measured using the fair value model. Their carrying amounts are adjusted based on the fair value of the investment properties on the balance sheet date, and any differences between the fair value and the original carrying amount are recognized in the current profit or loss.

The basis for the subsequent measurement of investment properties using the fair value model is as follows: ① There is an active real estate market where the investment property is located. ② The Company is able to obtain market prices and other relevant information for comparable or similar properties from the real estate market, enabling a reasonable estimation of the fair value of the investment property. When determining the fair value of investment properties, the Company refers to the current market prices of comparable or similar properties in active markets. If current market prices of comparable or similar properties are not available, the Company refers to the most recent transaction prices of comparable or similar properties in active markets, taking into account factors such as the asset's condition, location, transaction circumstances, and transaction date, to make a reasonable estimate of fair value of the investment property. The fair value may also be determined based on the present value of expected future rental income and related cash flows. If there is conclusive evidence that the use of the property has changed and the investment property is converted to self-use property, the fair value on the date of conversion is used as the carrying amount of the self-use property. The difference between the fair value and the original carrying amount is recognized in the current profit or loss. When self-use property or inventory is converted into an investment property measured at fair value, the investment property is measured at its fair value on the date of conversion. If the fair value on the conversion date is less than the original carrying amount, the difference is recognized in the current profit or loss. If the fair value is greater than the original carrying amount, the difference is recognized in other comprehensive income. An investment property is derecognized when it is disposed of, or permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of disposal proceeds from the sale, transfer, scrapping, or destruction of an investment property, after deducting its carrying amount and related taxes and fees, is recognized in the current profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XVII) Fixed assets

1. Recognition criteria for 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: economic benefits related to such fixed assets are likely to flow into the enterprise; costs of such fixed assets can be reliably measured.

2. Depreciation method for fixed assets

The company's fixed assets are primarily categorized as follows: property and buildings, machinery and equipment, transportation equipment, electronic equipment, and office equipment. The depreciation method adopted is the straight-line method. The useful life and estimated residual value of fixed assets are determined based on the nature and usage of each category of asset. At the end of each year, the useful life, estimated residual value, and depreciation method of fixed assets are reviewed. If there are discrepancies compared to previous estimates, corresponding adjustments are made. Except for fully depreciated assets that are still in use and land that is accounted for separately, all fixed assets are subject to depreciation.

Category of assets	Depreciation method	Year of depreciation (year)	Residual rate (%)	Annual depreciation rate (%)
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

Notes to the Financial Statements

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

(XVIII) Construction in progress

Construction in progress is measured based on the actual costs incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalization, and other necessary expenditures incurred to bring the construction in progress to its intended usable condition. Once the construction in progress reaches its intended usable condition, it is transferred to fixed assets and depreciation begins to be accrued from the following month.

The criteria and timing for transferring construction in progress to fixed assets are based on whether it has reached its intended usable condition. The determination of the intended usable condition should satisfy one of the following conditions: the physical construction (including installation) of the fixed asset has been fully or substantially completed; trial production or trial operation has been conducted, with results showing that the asset operates normally or can reliably produce qualified products, or the trial operation demonstrates that it can function or operate as intended; the amount of expenditure for the construction of the fixed asset is minimal or nearly no further expenditure occurs; or the purchased or constructed fixed asset has met the design or contractual requirements, or is substantially in line with them.

(XIX) Intangible Assets

1. Valuation method for intangible assets

The Company's intangible assets are initially measured at cost. Purchased intangible assets are recorded at the actual amount paid and related expenditures as their actual cost. Intangible assets contributed by investors are measured based on the value agreed in the investment contract or agreement; however, if the agreed value is not fair, the fair value shall be used to determine the actual cost. For self-developed intangible assets, the cost is the total expenditure incurred before they reach their intended use.

2. Useful life and its determination basis, estimation, amortization method, or review procedures

Intangible assets with finite useful lives are amortized according to the methods listed in the table below. At the end of each year, the useful life and amortization method of the intangible assets are reviewed. If there are differences from previous estimates, appropriate adjustments are made. Intangible assets with indefinite useful lives are not amortized, but their useful lives are reviewed annually. When there is clear evidence indicating that the useful life is finite, an estimate is made accordingly.

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

(XIX) Intangible Assets *(Continued)*

2. Useful life and its determination basis, estimation, amortization method, or review procedures *(Continued)*

The useful life, determination basis, and amortization method for intangible assets with finite lives are as follows:

Category of assets	Useful life (years)	Determination basis for useful life	Amortization method
Land use rights	50	Land grant period	straight-line method
Software	8	Benefit period	straight-line method
Proprietary technology	5-8	Benefit period	straight-line method

During the reporting period, the Company had no intangible assets with indefinite useful lives.

3. Scope of R&D expenditures and relevant accounting treatment method

The scope of the Company's R&D expenditures is determined based on the actual research and development projects undertaken. It mainly includes: salaries of R&D personnel, direct input costs, depreciation expenses and long-term deferred expenses, design costs, amortization of intangible assets, externally commissioned R&D expenses, and other related costs. Salaries of R&D personnel are allocated to R&D expenditures based on project working hours.

Expenditures incurred in the research stage of internal R&D projects are recognized in current profit or loss when incurred. Expenditures in the development stage are transferred to intangible assets accounting if they meet the criteria for recognition as intangible assets.

Notes to the Financial Statements

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

(XIX) Intangible Assets *(Continued)*

3. Scope of R&D expenditures and relevant accounting treatment method *(Continued)*

Development stage expenditures that meet all of the following criteria are recognized as intangible assets; expenditures that do not meet these criteria are recognized in the current profit or loss:

- (1) Technological feasibility of completing the intangible asset for use or sale;
- (2) Intention to complete and use or sell the intangible asset;
- (3) The ability to generate economic benefits from the intangible asset, including proof that a market exists for the products produced using the intangible asset or for the intangible asset itself; or, if it is to be used internally, its usefulness can be demonstrated.

(XX) Impairment of long-term assets

Long-term equity investments, fixed assets, construction in progress, intangible assets, and other long-term assets are tested for impairment when indications of impairment exist as of the balance sheet date. If impairment testing reveals that the recoverable amount of an asset is lower than its carrying amount, an impairment provision is recognized for the difference, which is recorded as an impairment loss.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of expected future cash flows generated by the asset. Impairment provisions are calculated and recognized based on individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the asset group to which the asset belongs. An asset group is the smallest identifiable group of assets that generates independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

Notes to the Financial Statements

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

(XXI) Employee benefits

Employee benefits refers to various forms of remuneration or compensation provided by the Company in exchange for services rendered by employees or for terminating employment relationships. Employee benefits mainly includes short-term remuneration, post-employment benefits, termination benefits, and other long-term employee benefits.

1. Accounting treatment for short-term remuneration

During the accounting period in which employees provide services to the Company, the actual amount of short-term remuneration incurred is recognized as a liability and recorded in the current profit or loss, except where the accounting standards require or permit it to be included in the cost of assets. Employee welfare expenses incurred by the company are recorded in the current period's profit or loss or included in the cost of relevant assets based on the actual amounts incurred. Non-monetary employee benefits are measured at fair value. Social insurance contributions made by the company on behalf of employees, including medical insurance, work-related injury insurance, maternity insurance, and housing provident funds, as well as trade union funds and employee education funds drawn according to regulations, are calculated during the accounting period in which the employee provides services, based on the stipulated bases and contribution rates. The corresponding amount is recognized as employee benefits and accounted for as a liability, and is included in the current period's profit or loss or relevant asset costs.

2. Accounting treatment for post-employment benefits

During the accounting period in which employees provide services, the Company recognizes the amount payable calculated according to the defined contribution plan as a liability, and includes it in the current profit or loss or the cost of related assets. For defined benefit plans, the benefit obligations are attributed to the periods in which the employees provide services based on the projected cumulative unit credit method and are included in the profit or loss for the current period or the cost of related assets.

3. Accounting treatment for termination benefits

When providing termination benefits to employees, the Company recognizes a liability for employee compensation arising from termination benefits and includes it in the current period's profit or loss at the earlier of the following dates: when the Company can no longer unilaterally withdraw the offer of termination benefits as a result of a termination plan or redundancy proposal; when the Company recognizes the costs or expenses associated with a restructuring involving the payment of termination benefits.

Notes to the Financial Statements

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

(XXI) Employee benefits *(Continued)*

4. Accounting treatment for other long-term employee benefits

Other long-term employee benefits provided by the Company that meet the conditions of a defined contribution plan should be handled according to the relevant provisions for defined contribution plans. Otherwise, they should be recognized and measured as a net liability or net asset according to the relevant provisions for defined benefit plans.

(XXII) Estimated liabilities

When an obligation related to a contingent matter is a present obligation undertaken by the Company, and fulfilling this obligation is likely to result in an outflow of economic benefits, with an amount that can be reliably measured, the obligation is recognized as estimated liabilities. The Company initially measures the estimated liabilities based on the best estimate of the expenditure required to fulfill the relevant present obligation. If the required expenditure falls within a continuous range and the probability of various outcomes within this range is the same, the best estimate is determined as the midpoint of the range. If multiple items are involved, the best estimate is calculated based on the possible outcomes and their associated probabilities.

On the balance sheet date, the carrying amount of the estimated liabilities should be reviewed. If there is conclusive evidence indicating that the carrying amount does not accurately reflect the current best estimate, an adjustment should be made to reflect the latest best estimate.

(XXIII) Income

The Company recognizes income upon fulfilling its contractual performance obligations, which occurs when the customer gains control over the relevant goods or services. Income is recognized based on the transaction price allocated to that specific performance obligation. Gaining control of the goods means having the ability to direct their use and derive substantially all economic benefits. A performance obligation refers to the Company's contractual commitment to transfer distinctly identifiable goods to the customer. The transaction price represents the amount the Company expects to receive for transferring the goods, excluding amounts collected on behalf of third parties and amounts the Company expects to refund to the customer.

Whether a performance obligation is fulfilled within a certain period of time or at a certain point in time depends on the contract terms and relevant legal regulations. If it is fulfilled within a certain period of time, the Company recognizes income based on the progress of performance. Otherwise, income is recognized at a certain point in time when the customer obtains control of the related asset.

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For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIII) Income *(Continued)*

The Company determines whether it acts as the principal or an agent in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Company has control over the goods or services before the transfer, the Company acts as the principal and recognizes income based on the total amount received or receivable. Otherwise, the Company acts as an agent and recognizes income based on the commission or service fees it is entitled to receive. This amount is calculated as either the net amount after deducting payments to other relevant parties from the total received or receivable, or based on a predetermined commission rate or fixed fee.

The company determines specific principles and measurement methods for income recognition based on the type of business operations:

(1) Income recognition of the system integration contract

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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(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIV) Contract costs

Contract costs include both incremental costs incurred to obtain a contract and costs incurred to fulfill a contract. Incremental costs to obtain a contract (“contract acquisition costs”) refer to costs that would not have been incurred if the contract had not been obtained. If these costs are expected to be recoverable, the Company recognizes them as an asset.

Costs incurred to fulfill a contract are recognized as contract fulfillment costs and classified as assets if they are not within the scope of inventory or other accounting standards and meet the following conditions: the costs are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar costs), costs explicitly borne by the customer, and other costs incurred solely due to the contract. The costs contribute to resources that will be used to fulfill the performance obligation in the future. The costs are expected to be recoverable.

Contract fulfillment costs recognized as assets are classified as follows in the balance sheet: if the amortization period at initial recognition does not exceed one year or a normal operating cycle, they are presented as “inventory” in the balance sheet; if the amortization period exceeds one year or a normal operating cycle, they are presented as “other non-current assets” in the balance sheet.

The Company classifies contract acquisition costs recognized as assets in the balance sheet based on the amortization period at initial recognition: if the amortization period does not exceed one year or a normal operating cycle, the cost is presented as “other current assets” in the balance sheet; if the amortization period exceeds one year or a normal operating cycle, it is presented as “other non-current assets” in the balance sheet.

The Company amortizes contract acquisition costs and contract fulfillment costs using the same basis as income recognition for the related goods or services, recording them in the profit and loss for the current period. If the amortization period for assets formed by the incremental costs of obtaining a contract does not exceed one year, the Company first recognizes them as assets and amortizes them using the same basis as income recognition for the related goods or services.

When the carrying amount of assets related to contract costs exceeds the difference between the following two amounts, the Company will recognize the excess portion as an impairment provision and record it as an asset impairment loss: the remaining consideration expected to be received from transferring the goods related to the asset; the estimated costs to be incurred for transferring those related goods.

If impairment factors change in subsequent periods, and the difference between the above two amounts exceeding the carrying amount of the asset, the previously recognized impairment provision should be reversed and recorded in the profit and loss for the current period. However, the carrying amount of the asset should not exceed the hypothetical carrying value assuming no impairment provision had been applied at the time of reversal.

Notes to the Financial Statements

For the year ended 31 December 2024

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

(XXV) Government grants

1. Types of government grants and accounting treatment

Government grants refer to monetary or non-monetary assets received by the Company from the government without compensation (excluding capital investments made by the government as an owner). If a government grant is in the form of monetary assets, it should be measured based on the amount received or receivable. If a government grant is in the form of non-monetary assets, it should be measured at fair value. If fair value cannot be reliably determined, it should be measured at nominal value.

Government documents explicitly stipulating that a grant is intended for the purchase or formation of long-term assets classify it as an asset-related government grant. Asset-related government grants either reduce the carrying amount of the related asset or are recognized as deferred income. If it is recognized as deferred income, it should be allocated to current profit or loss systematically over the useful life of the related asset (if related to the Company's ordinary activities, it is included in other income; if unrelated to the Company's ordinary activities, it is recorded as non-operating income);

Government grants other than those related to assets are recognized as income-related government grants. If the government documentation does not clearly specify the recipient of the grant, the Company classifies it as an income-related government grant. For income-related government grants used to compensate for relevant costs, expenses, or losses of future periods, they are recognized as deferred income and included in the current profit or loss during the period in which the related costs, expenses, or losses are recognized (if related to the Company's ordinary activities, they are included in other income; if not related to the Company's ordinary activities, they are included in non-operating income) or used to offset the related costs, expenses, or losses. For income-related government grants used to compensate for relevant costs, expenses, or losses already incurred, they are directly included in the current profit or loss (if related to the Company's ordinary activities, they are included in other income; if not related to the Company's ordinary activities, they are included in non-operating income) or used to offset the related costs, expenses, or losses.

2. The recognition timing for government grants

Government grants are recognized when the attached conditions are met and the grant is receivable. Government grants measured based on receivable amounts are recognized at the end of the period when there is conclusive evidence showing that the relevant conditions of the financial support policy are met and the financial support funds are expected to be received. Other government grants, except those measured based on receivable amounts, are recognized upon actual receipt of the grant funds.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

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

1. Recognition of deferred income tax

Deferred income tax assets or deferred income tax liabilities are recognized based on differences between the carrying amounts of assets and liabilities and their tax basis (for items not recognized as assets and liabilities but whose tax basis can be determined according to tax regulations, such tax basis is used to calculate the differences). The deferred tax assets or deferred tax liabilities are recognized based on applicable tax rates that are expected to apply in the period when the assets are recovered or liabilities settled.

2. Measurement of deferred income tax

Deferred income tax assets are recognized to the extent that taxable income is likely to be available to offset against deductible temporary differences. On the balance sheet date, deferred income tax assets not recognized in prior period are recognized if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset against deductible temporary differences. If it is likely that sufficient taxable income will not be available to utilize against deferred income tax assets in the future period, the carrying amount of the deferred income tax assets is written down.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries and associates, unless the Company can control the timing of reversal of temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences related to investments in subsidiaries and associates when the temporary differences are likely to be reversed in the foreseeable future and taxable income is likely to be available in future to offset against the deductible temporary differences.

3. Basis for netting of deferred income taxes

The Company presents deferred income tax assets and deferred income tax liabilities on a net basis if the following conditions are simultaneously met: the Company has a legally enforceable right to settle current income tax assets and current income tax liabilities on a net basis; the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities, provided that, in each future period during which significant deferred income tax assets and liabilities are expected to reverse, the involved taxable entities intend to settle current income tax assets and liabilities on a net basis, or simultaneously realize the assets and settle the liabilities.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXVII) Lease

At the inception date of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

1. Accounting treatment by the lessee

On the commencement date of the lease, the Company recognizes right-of-use assets and lease liabilities for all leases except for short-term leases and leases of low-value assets, and separately recognizes depreciation expense and interest expense over the lease term.

(1) Right-of-use Assets

At the lease commencement date, right-of-use assets are initially measured at cost. This cost includes the initial measurement of the lease liabilities, lease payments made on or before the lease commencement date (net of lease incentives received), initial direct costs, and other relevant costs.

If it is reasonably certain that ownership of the leased asset will be obtained by the end of the lease term, depreciation is provided over the asset's remaining useful life. If ownership transfer cannot be reasonably determined, depreciation is provided over the shorter of the lease term or the asset's remaining useful life. If the recoverable amount is lower than the carrying amount of the right-of-use asset, its carrying amount is reduced to the recoverable amount.

(2) Lease liabilities

Lease liabilities are initially measured at the present value of lease payments that have not been paid at the lease commencement date. Lease payments include fixed payments and amounts payable when it is reasonably certain that purchase or termination options will be exercised. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss in the period in which they occur.

The Company uses the implicit interest rate in the lease as the discount rate. If the implicit interest rate in the lease cannot be readily determined, the Company uses its incremental borrowing rate as the discount rate. Interest expenses for each period during the lease term are calculated using a fixed periodic interest rate, which is either the original or revised discount rate adopted by the Company, and are included in finance expenses.

Notes to the Financial Statements

For the year ended 31 December 2024
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXVII) Lease *(Continued)*

2. Basis of adopting simplified methods and relevant accounting treatment for short-term leases and leases of low-value assets as lessee

For short-term leases with a lease term of not more than 12 months and leases of individual assets with a relatively low market value when new, the Company chooses not to recognize right-of-use assets and lease liabilities. Instead, the relevant rental expenses will be included in profit or loss or the cost of related assets on a straight-line basis for each period of the lease term.

3. Classification criteria and accounting treatment method for leases as lessor

On the lease commencement date, the Company classifies leases that substantially transfer almost all risks and rewards related to the ownership of leased assets as finance leases, while all other leases are classified as operating leases.

(1) Accounting treatment for operating leases

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs are capitalized and amortized over the lease term on the same basis as rental income recognition. Variable lease payments not included in the lease receivables are recognized as rental income when incurred.

(2) Accounting treatment for finance leases

On the lease commencement date, the sum of finance lease receivables and unguaranteed residual values, less their present value, is recognized as unearned finance income. Unearned finance income is recognized as lease income over the lease term when lease payments are received, and finance lease assets are derecognized. Initial direct costs are included in the initial carrying amount of finance lease receivables.

Notes to the Financial Statements

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

(XXVIII) Other significant accounting policies and accounting estimates

1. Key judgment in adopting of 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 group 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

For the year ended 31 December 2024
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXVIII) Other significant accounting policies and accounting estimates *(Continued)*

2. Significant 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. The provision for impairment may not be equal to the actual amount of impairment loss 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 realization of deferred income tax assets depends on the probability of realization 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. The Company continuously monitors the payment progress of owners based on contract terms and regularly evaluates their creditworthiness. If there are indications that an owner is likely to default on payment for all or part of the contract amount or is unable to fulfill the contractual obligations, the Company will reassess the impact of this matter on the consolidated financial statements and may adjust the estimated contract loss amount accordingly. This adjustment will be reflected in the financial statements of the period in which the reassessment and modification of the estimated contract loss occur.

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XXVIII) Other significant accounting policies and accounting estimates *(Continued)*

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

(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 amortization charges for its fixed assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of fixed assets and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations. Management will re-estimate the useful lives if the useful lives have changed significantly from the useful lives estimated previously.

(6) Estimate of net realizable value of inventories

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

Notes to the Financial Statements

For the year ended 31 December 2024
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(XXIX) Changes in significant accounting policies and changes in accounting estimates

1. Changes in significant accounting policies

- (1) On 25 October 2023, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 17 (Cai Kuai [2023] No. 21 (“Interpretation No. 17”)), which came into effect from 1 January 2024. The Company has implemented the provisions of Interpretation No. 17 starting from 1 January 2024, and its implementation did not have a significant impact on the Company’s financial statements during the reporting period.
- (2) On 6 December 2024, the Ministry of Finance issued the Notice on Publication of Interpretation of Accounting Standards for Business Enterprises No. 18 (Cai Kuai [2024] No. 24), which clarifies that quality assurance in the form of guarantee deposits that do not constitute individual performance obligations should be accounted for in accordance with Accounting Standards for Business Enterprises No. 13 – Contingencies. The relevant amounts should be recognized as provisions and included in operating costs, while recognizing the estimated liability and present the estimated liability on the basis of liquidity. The implementation of this regulation did not have a significant impact on the Company’s financial statements during the reporting period.

2. Change in significant accounting estimates

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

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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 allowed 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 income	15%, 16.50%, 25%

There are taxpayers subject to different corporate income tax rates, and should be disclosed separately by taxpayers.

Name of taxpaying entities	Income tax rate
Nanjing Sample Technology Co., Ltd.	15%
Sample Technology (H.K.) Co., Limited (Note 2)	16.5%
Federal International Enterprise Limited (Note 2)	16.5%
Other subsidiaries	25%

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

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

Notes to the Financial Statements

For the year ended 31 December 2024
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IV. TAXATION *(Continued)*

(II) Significant tax incentives and approval documents

1. Value-added tax

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 (Gofa [2011] No. 4), pursuant to which, the preferential VAT policies for software industry shall continue.

2. Enterprise income tax

Nanjing Sample Technology Co., Ltd. passed the re-evaluation of high-tech enterprises on 2 December 2023, and was awarded the High-Tech Enterprise Certificate approved by the Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, and Jiangsu Provincial Tax Service of the State Taxation Administration. The certificate number is GR202332010529, valid for three years. During the validity period, the Company enjoys a preferential corporate income tax rate of 15%, and the corporate income tax will be accrued and paid at a rate of 15% for the year 2023 to 2025.

Notes to the Financial Statements

For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash at bank and on hand

Items	Closing balance	Opening balance
Digital Renminbi	1,084,796.00	3,860,182.33
Bank deposits	259,429,791.43	349,322,990.42
Other monetary funds	12,041,661.51	13,919,069.80
Total	272,556,248.94	367,102,242.55
Including: the total balance deposited overseas	194,065.45	231,648.22

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

Items	Closing balance	Opening balance
Deposits for loan and bank acceptance bills		50,000.00
Deposits for guarantee letter	10,230,098.79	13,869,069.80
Bid deposit		1,958,369.60
Wage guarantee fund for migrant workers	1,811,562.72	
Litigation frozen funds	12,003,731.16	10,235,624.46
Total	24,045,392.67	26,113,063.86

Note: The restricted funds mentioned above have been excluded from the cash and cash equivalents at the end of the period when preparing the cash flow statement.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(II) Bills receivable

1. Classification of bills receivable

Items	Closing balance	Opening balance
Bank acceptance bills	3,780,673.40	1,963,860.74
Commercial acceptance bills	8,203,957.86	6,850,000.00
Subtotal	11,984,631.26	8,813,860.74
Less: Bad debt provision	479,385.25	352,554.43
Total	11,505,246.01	8,461,306.31

2. Bills receivable that have been endorsed or discounted at the end of the period but have not expired at the balance sheet date

Items	Derecognized amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bills	2,025,628.50	641,173.40
Total	2,025,628.50	641,173.40

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(II) Bills receivable (Continued)

3. Disclosure classified by bad debt provision method

Types	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Provision proportion (%)	
Bad debt provision based on credit risk characteristics on group basis	11,984,631.26	100.00	479,385.25	4.00	11,505,246.01
Including: Bank acceptance bills	3,780,673.40	31.55	151,226.94	4.00	3,629,446.46
Commercial acceptance bills	8,203,957.86	68.45	328,158.31	4.00	7,875,799.55
Total	11,984,631.26	100.00	479,385.25		11,505,246.01

Types	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Provision proportion (%)	
Bad debt provision based on credit risk characteristics on group basis	8,813,860.74	100.00	352,554.43	4.00	8,461,306.31
Including: Bank acceptance bills	1,963,860.74	22.28	78,554.43	4.00	1,885,306.31
Commercial acceptance bills	6,850,000.00	77.72	274,000.00	4.00	6,576,000.00
Total	8,813,860.74	100.00	352,554.43		8,461,306.31

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(II) Bills receivable (Continued)

4. Bad debt provision

Types	Opening balance	Provision	Movement during the year		Other movements	Closing balance
			Recovery or reversal	Write off		
Bills receivable tested for provision for expected credit loss on group basis	352,554.43	126,830.82				479,385.25
Including: Bank acceptance bills	78,554.43	72,672.51				151,226.94
Commercial acceptance bills	274,000.00	54,158.31				328,158.31
Total	352,554.43	126,830.82				479,385.25

(III) Accounts receivable

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year (1 year inclusive)	101,626,140.40	140,875,242.40
1-2 years	57,808,869.40	79,294,379.45
2-3 years	32,736,414.02	31,490,369.70
Over 3 years	272,881,103.49	296,202,471.11
Subtotal	465,052,527.31	547,862,462.66
Less: Bad debt provision	277,247,227.04	291,155,736.71
Total	187,805,300.27	256,706,725.95

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(III) Accounts receivable (Continued)

2. Disclosure classified by bad debt provision method

Types	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Provision proportion (%)	
Accounts receivable with bad debt provision					
on individual basis	92,236,299.69	19.83	92,236,299.69	100.00	
Bad debt provision based on credit risk					
characteristics on group basis	372,816,227.62	80.17	185,010,927.35	49.63	187,805,300.27
Including: Aging group	345,823,698.99	74.36	183,661,314.40	53.11	162,162,384.59
Group of related parties outside the scope of consolidation	26,992,528.63	5.81	1,349,612.95	5.00	25,642,915.68
Total	465,052,527.31	100.00	277,247,227.04	59.62	187,805,300.27

Types	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Provision proportion (%)	
Accounts receivable with bad debt provision					
on individual basis	92,236,299.69	16.84	92,236,299.69	100.00	
Bad debt provision based on credit risk					
characteristics on group basis	455,626,162.97	83.16	198,919,437.02	43.66	256,706,725.95
Including: Aging group	383,168,519.12	69.93	197,660,376.59	51.59	185,508,142.53
Group of related parties outside the scope of consolidation	25,181,208.59	4.60	1,259,060.43	5.00	23,922,148.16
Low risk group	47,276,435.26	8.63			47,276,435.26
Total	547,862,462.66	100.00	291,155,736.71	53.14	256,706,725.95

Notes to the Financial Statements

For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Accounts receivable (Continued)

2. Disclosure classified by method of bad debt provision (Continued)

(1) Significant accounts receivable with bad debt provision on individual basis

Name of unit	Carrying balance	Closing balance		Basis
		Bad debt provision	Provision proportion(%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected to be unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected to be unrecoverable
Unit III	21,795,227.09	21,795,227.09	100.00	Expected to be unrecoverable
Total	<u>85,036,299.69</u>	<u>85,036,299.69</u>		

Name of unit	Carrying balance	Opening balance		Basis
		Bad debt provision	Provision proportion(%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected to be unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected to be unrecoverable
Unit III	21,795,227.09	21,795,227.09	100.00	Expected to be unrecoverable
Total	<u>85,036,299.69</u>	<u>85,036,299.69</u>		

Notes to the Financial Statements

For the year ended 31 December 2024

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

(III) Accounts receivable (Continued)

2. Disclosure classified by method of bad debt provision (Continued)

- (2) Accounts receivable with bad debt provision based on credit risk characteristics on group basis

① Group 1: Aging group

Aging	Closing balance			Opening balance		
	Carrying balance	Bad debt provision	Provision proportion (%)	Carrying balance	Bad debt provision	Provision proportion (%)
Within 1 year (1 year inclusive)	97,008,078.39	3,879,545.87	4.00	112,322,713.35	4,492,911.80	4.00
1-2 years	50,528,380.56	4,042,270.42	8.00	63,164,978.48	5,053,198.28	8.00
2-3 years	32,211,059.93	9,663,318.00	30.00	27,952,229.68	8,385,668.90	30.00
Over 3 years	166,076,180.11	166,076,180.11	100.00	179,728,597.61	179,728,597.61	100.00
Total	345,823,698.99	183,661,314.40	53.11	383,168,519.12	197,660,376.59	51.59

② Group 2: Group of related parties outside the scope of consolidation

Items	Closing balance			Opening balance		
	Carrying balance	Bad debt provision	Provision proportion (%)	Carrying balance	Bad debt provision	Provision proportion (%)
Group of related parties outside the scope of consolidation	26,992,528.63	1,349,612.95	5.00	25,181,208.59	1,259,060.43	5.00
Total	26,992,528.63	1,349,612.95	5.00	25,181,208.59	1,259,060.43	5.00

Notes to the Financial Statements

For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Accounts receivable (Continued)

3. Bad debt provision

Types	Opening balance	Provision	Movement during the year			Closing balance
			Recovery or reversal	Write off	Other movements	
Bad debt provision on individual basis	92,236,299.69					92,236,299.69
Bad debt provision based on credit risk characteristics on group basis	198,919,437.02	90,552.52	7,195,288.81	6,803,773.38		185,010,927.35
Including: Aging group	197,660,376.59		7,195,288.81	6,803,773.38		183,661,314.40
Group of related parties outside the scope of consolidation	1,259,060.43	90,552.52				1,349,612.95
Total	291,155,736.71	90,552.52	7,195,288.81	6,803,773.38		277,247,227.04

(IV) Contract assets

1. Classification of contract assets

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Related to project contracting service contract(Note)	605,637,382.30	263,737,337.40	341,900,044.90	558,324,531.12	49,171,568.43	509,152,962.69
Total	605,637,382.30	263,737,337.40	341,900,044.90	558,324,531.12	49,171,568.43	509,152,962.69

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

Notes to the Financial Statements

For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(IV) Contract assets (Continued)

2. Disclosure classified by method of provision for impairment

Types	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Contract assets with provision for impairment on individual basis	160,855,212.19	26.56	160,855,212.19	100.00	
Provision for impairment based on credit risk characteristics on group basis	444,782,170.11	73.44	102,882,125.21	23.13	341,900,044.90
Including: Aging group	444,782,170.11	73.44	102,882,125.21	23.13	341,900,044.90
Total	605,637,382.30	100.00	263,737,337.40	43.55	341,900,044.90

Types	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Contract assets with provision for impairment on individual basis	7,362,221.88	1.32	7,362,221.88	100.00	
Provision for impairment based on credit risk characteristics on group basis	550,962,309.24	98.68	41,809,346.55	7.59	509,152,962.69
Including: Aging group	550,962,309.24	98.68	41,809,346.55	7.59	509,152,962.69
Total	558,324,531.12	100.00	49,171,568.43	8.81	509,152,962.69

Notes to the Financial Statements

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

(IV) Contract assets (Continued)

2. Disclosure classified by method of provision for impairment (Continued)

(1) Significant contract assets with provision for impairment on individual basis

Name of units	Carrying balance	Closing balance		Basis
		Provision for impairment	Provision proportion (%)	
Gansu Road and Bridge Highway Investment Co., Ltd. (G1816 Wuhai to Maqin National Expressway Jingtai to Zhongchuan Airport Section Highway Construction Project Electromechanical Engineering Construction JZJD01 Section) (甘肅路橋公路投資有限公司 (G1816 烏海至瑪沁國家高速公路景泰至中川機場段公路建設項目機電工程施工JZJD01標段))	18,075,791.24	18,075,791.24	100.00	Expected to be unrecoverable due to long aging
Sichuan Pan-Da Expressway Development Co., Ltd. (Panzhihua to Dali Expressway (Sichuan section) Electromechanical Engineering Construction JD1 Section)(四川攀大高速公路開發有限責任公司(攀枝花至大理高速公路(四川境)項目機電工程施工 JD1標段))	15,534,969.01	15,534,969.01	100.00	Expected to be unrecoverable due to long aging
Qinghai Transportation Investment Co., Ltd. (Qinghai Province Huashixia to Jiuzhi (Provincial Border) Highway Electromechanical Engineering Construction HD-JD1 Section) (青海交通投資有限公司(青海省花石峽至久治(省界)公路機電工程施工第 HD-JD1標段))	14,555,158.05	14,555,158.05	100.00	Expected to be unrecoverable due to long aging
Guizhou Expressway Group Co., Ltd. (Guizhou Province Huishui to Luodian Highway Electromechanical Engineering (including Tunnel Electromechanical) Construction Section 24) (貴州高速公路集團有限公司(貴州省惠水至羅甸公路機電工程(含隧道機電)施工24標))	12,731,500.22	12,731,500.22	100.00	Expected to be unrecoverable due to long aging
Guangzhou Expressway Co., Ltd. (Huadu to Dongguan Expressway Project Electromechanical Engineering Construction SJD02 Contract Section) (廣州市高速公路有限公司(花都至東莞高速公路項目機電工程施工 SJD02合同標段))	12,403,320.50	12,403,320.50	100.00	Expected to be unrecoverable due to long aging
Total	73,300,739.02	73,300,739.02	100.00	

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For the year ended 31 December 2024

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

(IV) Contract assets (Continued)

2. Disclosure classified by method of provision for impairment (Continued)

- (2) Contract assets with provision for impairment based on credit risk characteristics on group basis

Aging group

Aging	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Provision proportion(%)	Carrying balance	Provision for impairment	Provision proportion(%)
Within 1 year (1 year inclusive)	100,565,532.37	4,022,621.29	4.00	316,436,941.14	12,657,477.70	4.00
1-2 years	124,182,560.93	9,934,604.87	8.00	187,298,825.37	14,983,906.03	8.00
2-3 years	187,298,825.37	56,189,647.61	30.00	47,226,542.73	14,167,962.82	30.00
Over 3 years	32,735,251.44	32,735,251.44	100.00			
Total	444,782,170.11	102,882,125.21	23.13	550,962,309.24	41,809,346.55	7.59

3. Provision for impairment for contract assets

Items	Opening balance	Provision	Movement during the year			Closing balance
			Recovery or reversal	Charge off/write off	Other movements	
Provision for impairment on individual basis	7,362,221.88	153,492,990.31				160,855,212.19
Provision for impairment on group basis	41,809,346.55	61,072,778.66				102,882,125.21
Total	49,171,568.43	214,565,768.97				263,737,337.40

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For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(V) Prepayments

Aging analysis of prepayments

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (1 year inclusive)	9,093,178.93	59.60	2,831,561.88	12.14
1-2 years	608,644.72	3.99	9,319,578.23	39.97
2-3 years	460,144.15	3.02	6,894,054.22	29.57
Over 3 years	5,094,538.02	33.39	4,271,876.05	18.32
Total	15,256,505.82	100.00	23,317,070.38	100.00

(VI) Other receivables

Item	Closing balance	Opening balance
Other receivables	733,720,454.41	862,555,910.98
Total	733,720,454.41	862,555,910.98

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year (1 year inclusive)	232,819,887.66	866,843,573.16
1-2 years	697,124,478.68	59,084,274.08
2-3 years	18,252,471.49	21,985,855.34
Over 3 years	62,762,502.56	48,027,515.04
Subtotal	1,010,959,340.39	995,941,217.62
Less: Bad debt provision	277,238,885.98	133,385,306.64
Total	733,720,454.41	862,555,910.98

Notes to the Financial Statements

For the year ended 31 December 2024

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

(VI) Other receivables (Continued)

2. Disclosure classified by method of provision for impairment

Types	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Accounts receivable with bad debt provision on individual basis	207,518,845.33	20.53	207,518,845.33	100.00	
Bad debt provision based on credit risk characteristics on group basis	803,440,495.06	79.47	69,720,040.65	8.68	733,720,454.41
Including: Aging group	346,977,260.23	34.32	69,697,369.95	20.09	277,279,890.28
Group of related parties outside the scope of consolidation	453,413.89	0.04	22,670.70	5.00	430,743.19
Low risk group	456,009,820.94	45.11			456,009,820.94
Total	1,010,959,340.39	100.00	277,238,885.98	27.42	733,720,454.41

Types	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Accounts receivable with bad debt provision on individual basis	71,795,127.81	7.21	71,795,127.81	100.00	
Bad debt provision based on credit risk characteristics on group basis	924,146,089.81	92.79	61,590,178.83	6.66	862,555,910.98
Including: Aging group	468,179,817.10	47.01	61,575,299.70	13.15	406,604,517.40
Group of related parties outside the scope of consolidation	297,582.50	0.03	14,879.13	5.00	282,703.37
Low risk group	455,668,690.21	45.75			455,668,690.21
Total	995,941,217.62	100.00	133,385,306.64	13.39	862,555,910.98

Notes to the Financial Statements

For the year ended 31 December 2024
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V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(VI) Other receivables (Continued)

3. Bad debt provision

	Stage I Expected credit losses in the future 12 months	Stage II Expected credit losses for the entire lifetime (no credit impairment occurred)	Stage III Expected credit losses for the entire lifetime (credit impairment occurred)	Total
Bad debt provision				
Balance as at 1/1/2024	61,590,178.83		71,795,127.81	133,385,306.64
Balance as at 1/1/2024 during the year	61,590,178.83		71,795,127.81	133,385,306.64
– Transfer to stage II				
– Transfer to stage III				
– Reversal to stage II				
– Reversal to stage I				
Provision during the year	8,129,861.82		157,723,717.52	165,853,579.34
Reversal during the year			22,000,000.00	22,000,000.00
Charge off during the year				
Write-off during the year				
Balance as at 31/12/2024	69,720,040.65		207,518,845.33	277,238,885.98

4. Bad debt provision

Types	Opening balance	Provision	Movement during the year			Closing balance
			Recovery or reversal	Charge off or write off	Other movements	
Bad debt provision on individual basis	71,795,127.81	157,723,717.52	22,000,000.00			207,518,845.33
Bad debt provision based on credit risk characteristics on group basis	61,590,178.83	8,129,861.82				69,720,040.65
Including: Aging group	61,575,299.70	8,122,070.25				69,697,369.95
Related parties outside the scope of consolidation	14,879.13	7,791.57				22,670.70
Total	133,385,306.64	165,853,579.34	22,000,000.00			277,238,885.98

Notes to the Financial Statements

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

(VI) Other receivables (Continued)

5. Disclosure by the nature of funds

Nature of fund	Closing balance	Opening balance
Equity transfer receivables (Note 1)	505,131,713.50	512,690,813.50
Withholding monies (Note 2)	157,723,717.52	22,000,000.00
Current accounts	323,719,052.86	433,859,720.48
Deposit and retention monies	23,237,288.38	26,042,247.94
Petty cash	902,485.01	515,421.54
Others	245,083.12	833,014.16
Subtotal	1,010,959,340.39	995,941,217.62
Less: Bad debt provision	277,238,885.98	133,385,306.64
Total	733,720,454.41	862,555,910.98

Note 1: The closing balance of equity transfer funds was RMB505,131,713.50, mainly consisting of RMB454,761,800.00 of investment funds receivable 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"). The main details are as follows:

On 18 September 2019, the Company acquired 52% equity interests in Nanjing Dongbang Equipment Co., Ltd.* (南京動邦裝備有限公司) ("Nanjing Dongbang") (the "Acquisition"), through which it indirectly held Jianan Investment and its underlying assets. On 19 March 2020, Jianan Investment (as the fund manager), Nanjing Dongbang (as the transferor), and the company (as the transferee) signed a fund share transfer agreement. During the fund's term, the Company acquired fund shares and enjoyed the shareholders' rights of the fund, including the matured earnings since the establishment of the fund in October 2017.

In November 2023, the term of the fund ended. In December 2023, the Company and Jianan Investment signed a debt assignment agreement. In January 2024, the Company notarized the relevant debt, and the Nanjing Zhongshan Notary Office in Jiangsu Province issued a notarized document of creditor rights (2024) Su Ning Zhongshan Notary Certificate No. 540) (2024) 蘇寧鍾山證字第540號) with enforceable legal effect.

In March 2024, the Company submitted an enforcement application against Jianan Investment to the Yangzhou Intermediate People's Court. The application was approved by the court, which issued the enforcement document (2024) Su 10 Zhi No. 54 ((2024) 蘇10執54號). On 3 September 2024, the Yangzhou Intermediate People's Court issued Auction Ruling No. (2024) Su 10 Zhi No. 54 ((2024) 蘇10執54號), ordering the auction and sale of the underlying asset held by judgement debtor, Jianan Investment, i.e. 89.9266% equity interests 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").

Sizhou Port Company is the special purpose vehicle (SPV) company for the Xuyi County port, industrial park, and road construction PPP project in Jiangsu Province, and it is the only underlying asset that invested by Jianan Investment. In the future, the economic development direction of Xuyi County in Jiangsu Province will continue to integrate into national development strategies, focusing on accelerating the upgrading of ports and waterways. Considering Xuyi County's development prospects, the Company will actively maintain close cooperation with the local government, vigorously promote the resumption of project construction and operation, negotiate repayment plans with Jianan Investment, and assist in finding strategic investors to achieve investment returns or minimize losses. As of the date of this report, there has been no substantial progress on the related matters.

On 27 December 2024, the Yangzhou Intermediate People's Court issued an Execution Ruling (2024) Su 10 Zhi No. 54 ((2024) 蘇10執54號)), thus concluding the enforcement proceedings.

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

(VI) Other receivables *(Continued)*

5. Disclosure by the nature of funds *(Continued)*

Note 2: The closing balance of withholding monies of RMB157,723,717.52, which were funds withheld by the court. The main details are as follows:

On 1 November 2024, the Intermediate People's Court of Changzhou City, Jiangsu Province (hereinafter referred to as "Changzhou Intermediate Court"), issued a second-instance judgment in a civil loan dispute between Jiangsu Tongyong Luqiao Engineering Co., Ltd.* (江蘇通用路橋工程有限公司) (hereinafter referred to as "Tongyong Luqiao") and the Company together with the subsidiary, Jiangsu Intellitrans Company Ltd.* (江蘇智運科技發展有限公司) (hereinafter referred to as "Jiangsu Intellitrans").

On 19 November 2024, Tongyong Luqiao applied for compulsory enforcement at the People's Court of Liyang City, Jiangsu Province (hereinafter "Liyang Court"), requesting enforcement in the amount of RMB157,498,818.7. On 19 November 2024, Liyang Court issued an "Enforcement Ruling" ((2024) Su Zhi 0481 Enforcement No. 6208) ((2024) 蘇執0481執行6208號), ordering that funds of totaling RMB157,498,818.7 from the deposits in 16 accounts of Jiangsu Intellitrans and the Company plus a compulsory enforcement fee of RMB224,898.82 be fully transferred to the Liyang Court's account. The total seized amount thereby was RMB157,723,717.52. The bank accounts of Jiangsu Intellitrans and the Company have since been unfrozen.

On 20 November 2024, both Jiangsu Intellitrans and the Company submitted an "Application for Objection to Enforcement" to Liyang Court. The main points raised were to suspend the enforcement proceedings under ((2024) Su Zhi 0481 Enforcement No. 6208) ((2024) 蘇執0481執行6208號) and oppose the allocation of enforcement funds to Tongyong Luqiao; to halt the accrual of interest and the additional penalty interest for delayed performance from 11 November 2024 as the inability to perform was not caused by our fault; and to insist that we should not be liable for the enforcement fee of RMB224,898.82. Liyang Court has accepted the objection under case number ((2025) Su 0481 Enforcement Objection No. 49) ((2025) 蘇0481執異49號).

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

(VII) Inventories

1. Classification of inventories

Item	Closing balance			Opening balance		
	Carrying balance	Provision for diminution in value	Book value	Carrying balance	Provision for diminution in value	Book value
Commodity stock	6,979,557.45	1,372,198.86	5,607,358.59	58,442,744.37	8,099,693.00	50,343,051.37
Total	6,979,557.45	1,372,198.86	5,607,358.59	58,442,744.37	8,099,693.00	50,343,051.37

2. Changes in provision for diminution in value of inventories and impairment provision for contract performance costs

Item	Opening balance	Increase during the year		Decrease during the year		Closing balance
		Provision	Others	Reversal or charge off	Others	
Commodity stock	8,099,693.00	154,412.55		6,881,906.69		1,372,198.86
Total	8,099,693.00	154,412.55		6,881,906.69		1,372,198.86

(VIII) Other current assets

Items	Closing balance	Opening balance
Deductible and pending for verification input VAT	38,237,638.46	39,799,554.21
Prepaid enterprise income tax	498,485.75	6,682,639.36
Prepayment of other taxes		31,704.53
Debt investments	17,039,136.00	16,674,448.00
Total	55,775,260.21	63,188,346.10

Notes to the Financial Statements

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

(IX) Long-term equity investments

Particulars of long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Investment gains and losses recognized under equity method	Increase/decrease during the year		Cash dividend or profit Announced to be issued	Impairment provision	Others	Closing balance	Closing balance of impairment provision
					Adjustment of other comprehensive income	Changes of other equity					
Associates											
Nanjing Sample Intelligent Technology Co., Ltd.* (南京三翼智能科技有限公司)	87,849.56			-34,475.45						53,374.11	
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd.* (台州艾投数智科技发展有限公司)	10,033,847.99			67,355.29						10,101,203.28	
Total	10,121,697.55			32,879.84						10,154,577.39	

Notes to the Financial Statements

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

(X) Other equity instrument investment

Particulars of other equity instrument investment

Items	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year		Others	Closing balance
				Gains included in other comprehensive income in the year	Losses included in other comprehensive income in the year		
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		11,262,376.24	6,272,469.37			42,712,749.75
Total	47,702,656.62		11,262,376.24	6,272,469.37			42,712,749.75

(Continued)

Items	Dividend income recognized in the current year	Accumulated gains recognized in other comprehensive income	Accumulated losses recognized in other comprehensive income	Reason for designated as 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))	1,263,747.34	7,573,325.99		Strategic investment
Total	1,263,747.34	7,573,325.99		

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

(XI) Other non-current financial assets

Types	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	86,433,252.84	94,230,256.89
Including: Equity instrument investment	86,433,252.84	94,230,256.89
Financial assets designated at fair value through profit or loss	16,385,385.56	15,875,484.36
Including: Debt instrument investment	16,385,385.56	15,875,484.36
Total	102,818,638.40	110,105,741.25

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

(XII) Investment property

1. Investment property measured at fair value

Items	Property and buildings	Total
I. Opening balance	432,018,591.53	432,018,591.53
II. Movement during the year	-9,827,491.53	-9,827,491.53
Less: Disposal	9,823,100.00	9,823,100.00
Add: Changes in fair value	-4,391.53	-4,391.53
III. Closing balance	422,191,100.00	422,191,100.00

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

(XII) Investment property (Continued)

2. Major investment property in the year

Items	Geographical location	Construction area (m ²)	Rental income in the reporting period	Fair value at the end of year	Fair value at the beginning of year
Office	No. 10 Maqun Avenue, Nanjing	46,242.72	5,809,048.12	422,191,100.00	422,174,397.86
Office	Additional structure of building no. 2/3 at No. 10 Maqun Avenue, Nanjing(Note)	1,063.03			9,844,193.66

Note: The additional structure of Building No. 2/3 at No. 10 Maqun Avenue in Nanjing was converted into self-use real estate in December 2024. On the conversion date, its fair value was RMB9,823,100.00, of which RMB9,157,503.24 was transferred to fixed assets and RMB665,596.76 was transferred to intangible assets.

3. Particulars of the property title certificates have not been completed

Items	Book value	Reason for property title certificates not obtained
Additional structure of building no. 1/7/8 at No. 10 Maqun Avenue, Nanjing	144,777,000.00	Under processing
Total	144,777,000.00	

(XIII) Fixed assets

Types	Closing balance	Opening balance
Fixed assets	52,793,095.73	50,520,450.88
Disposal of fixed assets		
Total	52,793,095.73	50,520,450.88

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

(XIII) Fixed assets (Continued)

1. Particulars of fixed assets

Items	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
I. Original book value					
1. Opening balance	46,481,826.58	169,010,346.80	3,254,954.53	110,288,052.23	329,035,180.14
2. Increase during the year	9,157,503.24			607,802.39	9,765,305.63
(1) Acquisition				607,802.39	607,802.39
(2) Others	9,157,503.24				9,157,503.24
3. Decrease during the year				22,012,837.70	22,012,837.70
Disposals or scrap				22,012,837.70	22,012,837.70
4. Closing balance	55,639,329.82	169,010,346.80	3,254,954.53	88,883,016.92	316,787,648.07
II. Accumulated depreciation					
1. Opening balance	17,800,858.30	148,328,123.98	2,958,302.44	91,860,623.41	260,947,908.13
2. Increase during the year	2,507,205.28	2,755,761.69	26,149.92	1,149,361.56	6,438,478.45
Provision	2,507,205.28	2,755,761.69	26,149.92	1,149,361.56	6,438,478.45
3. Decrease during the year				20,168,685.48	20,168,685.48
Disposals or scrap				20,168,685.48	20,168,685.48
4. Closing balance	20,308,063.58	151,083,885.67	2,984,452.36	72,841,299.49	247,217,701.10
III. Provision for impairment					
1. Opening balance		16,776,851.24		789,969.89	17,566,821.13
2. Increase during the year					
3. Decrease during the year				789,969.89	789,969.89
Disposals or scrap				789,969.89	789,969.89
4. Closing balance		16,776,851.24			16,776,851.24
IV. Book value					
1. Book value at the end of the year	<u>35,331,266.24</u>	<u>1,149,609.89</u>	<u>270,502.17</u>	<u>16,041,717.43</u>	<u>52,793,095.73</u>
2. Book value at the beginning of the year	<u>28,680,968.28</u>	<u>3,905,371.58</u>	<u>296,652.09</u>	<u>17,637,458.93</u>	<u>50,520,450.88</u>

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

(XIII) Fixed assets (Continued)

2. Particulars of the property title certificates have not been completed

Items	Book value	Reason for property title certificates not obtained
Additional structure of building no. 2/3 at No. 10 Maqun Avenue, Nanjing	9,157,503.24	Under processing
Total	9,157,503.24	

(XIV) Intangible assets

Particulars of intangible assets

Items	Land use right	Software	Patented technology	Total
I. Original book value				
1. Opening balance	3,583,409.39	7,684,474.27	21,334,076.22	32,601,959.88
2. Increase during the year	665,596.76			665,596.76
3. Decrease during the year		377,592.56		377,592.56
Disposals		377,592.56		377,592.56
4. Closing balance	4,249,006.15	7,306,881.71	21,334,076.22	32,889,964.08
II. Accumulated depreciation				
1. Opening balance	1,300,177.22	7,569,736.27	19,212,218.08	28,082,131.57
2. Increase during the year	86,170.37	70,318.93	35,158.44	191,647.74
Provision	86,170.37	70,318.93	35,158.44	191,647.74
3. Decrease during the year		333,173.49		333,173.49
Disposals		333,173.49		333,173.49
4. Closing balance	1,386,347.59	7,306,881.71	19,247,376.52	27,940,605.82
III. Provision for impairment				
IV. Book value				
1. Book value at the end of the year	2,862,658.56		2,086,699.70	4,949,358.26
2. Book value at the beginning of the year	2,283,232.17	114,738.00	2,121,858.14	4,519,828.31

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

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

1. Deferred income tax assets and deferred income tax liabilities before offsetting

Items	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible or taxable temporary differences	Deferred income tax assets/liabilities	Deductible or taxable temporary differences
Deferred income tax assets:				
Provision for asset impairment	125,448,113.68	610,875,299.34	78,636,072.28	414,827,656.73
Subtotal	125,448,113.68	610,875,299.34	78,636,072.28	414,827,656.73
Deferred income tax liabilities:				
Fair value change of other non-current financial assets	880,868.79	5,872,458.57	4,284,815.55	28,565,436.99
Fair value change of other equity instruments investment	1,135,998.90	7,573,325.99	195,128.50	1,300,856.62
Fair value change of investment property	19,161,669.13	127,744,460.87	19,159,163.81	127,727,758.74
Fair value change of investment property on conversion date	11,843,866.63	78,959,110.86	12,756,891.40	85,045,942.69
Fair value change from reclassification of investment property to self-use property	909,860.73	6,065,738.17		
Asset revaluation gain from business combination not under common control	67,921.37	452,809.11	86,760.36	578,402.40
Subtotal	34,000,185.55	226,667,903.57	36,482,759.62	243,218,397.44

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

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

2. Details of unrecognized deferred income tax assets

Items	Closing balance	Opening balance	Remark
Deductible temporary difference	209,199,735.19	121,739,900.17	
Losses that can be offset by future pre-tax profits	610,022,273.80	503,707,960.12	
Total	819,222,008.99	625,447,860.29	

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

Year	Closing balance	Opening balance	Remark
2027	321,814.02	321,814.02	
2028	8,119,272.01	8,119,272.01	
2029	34,386,008.22	34,386,008.22	
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	158,873,411.20	
2034	106,314,313.68		
Total	610,022,273.80	503,707,960.12	

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

(XVI) Ownership or using rights of assets subject to restriction

Items	At the end of the year			
	Carrying balance	Book value	Type of restriction	Restricted status
Cash at bank and on hand	24,045,392.67	24,045,392.67	Retention monies, frozen due to litigation	Retention monies, frozen due to litigation
Investment property	422,191,100.00	422,191,100.00	Pledge	Loan collateral
Fixed assets	55,639,329.82	35,331,266.24	Pledge	Loan collateral
Intangible assets	4,249,006.15	2,862,658.56	Pledge	Loan collateral
Total	506,124,828.64	484,430,417.47		

Items	At the beginning of the year			
	Carrying balance	Book value	Type of restriction	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
Investment property	432,018,591.53	432,018,591.53	Pledge	Loan collateral
Fixed assets	46,481,826.58	28,680,968.28	Pledge	Loan collateral
Intangible assets	3,583,409.39	2,283,232.17	Pledge	Loan collateral
Total	508,196,891.36	489,095,855.84		—

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

(XVII) Short-term borrowings

1. Classification of short-term borrowings

Conditions of borrowings	Closing balance	Opening balance
Pledge with guarantee borrowings	370,000,000.00	384,000,000.00
Mortgage with guarantee borrowings	46,770,000.00	46,770,000.00
Guarantee borrowings	90,000,000.00	169,950,000.00
Interest payable	1,000,267.01	769,799.67
Total	507,770,267.01	601,489,799.67

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

(XVIII) Bills payable

Items	Closing balance	Opening balance
Bank acceptance bills		100,000.00
Total		100,000.00

(XIX) Accounts payable

1. Classification by aging

Items	Closing balance	Opening balance
Within 1 year (1 year inclusive)	196,049,831.62	223,367,408.42
1-2 years	44,287,882.43	64,047,657.07
2-3 years	40,389,358.59	43,331,516.27
Over 3 years	98,796,654.84	69,609,996.41
Total	379,523,727.48	400,356,578.17

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

(XIX) Accounts payable (Continued)

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

Name of creditor entity	Closing balance	Reason for outstanding or not carry 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
Total	31,368,789.16	

(XX) Contract liabilities

Items	Closing balance	Opening balance
Related to engineering contracts	97,114,746.88	43,275,025.51
Total	97,114,746.88	43,275,025.51

Note: As of 31 December 2024, 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.

(XXI) Employee benefits payable

1. Classification of employee benefits payable

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term employee benefits	14,508,684.74	40,815,015.74	41,963,318.89	13,360,381.59
Post-employment benefits – defined contribution plan		3,435,101.37	3,435,101.37	
Termination benefits	19,485.00	1,494,073.32	1,065,916.32	447,642.00
Total	14,528,169.74	45,744,190.43	46,464,336.58	13,808,023.59

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

(XXI) Employee benefits payable (Continued)

2. Particulars of short-term employee benefits

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	14,306,565.89	36,306,405.26	37,328,932.98	13,284,038.17
Employee welfare		408,719.36	408,719.36	
Social insurance		1,696,219.81	1,696,219.81	
Including: Medical insurance		1,479,112.62	1,479,112.62	
Work injury insurance		57,240.95	57,240.95	
Maternity insurance		159,866.24	159,866.24	
Housing funds	116,977.06	2,393,726.00	2,510,703.06	
Union funds and staff education costs	85,141.79	9,945.31	18,743.68	76,343.42
Total	14,508,684.74	40,815,015.74	41,963,318.89	13,360,381.59

3. Particulars of defined contribution plan

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension contribution		3,330,291.67	3,330,291.67	
Unemployment insurance		104,809.70	104,809.70	
Total		3,435,101.37	3,435,101.37	

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

(XXII) Taxes payable

Items	Closing balance	Opening balance
VAT	1,035,683.99	2,033,327.34
Enterprise income tax	478,906.60	802,569.90
Property tax	577,079.17	810,064.68
Land use tax	98,413.75	98,413.75
Individual income tax	96,750.56	107,125.27
City maintenance and construction tax	32,906.34	56,889.05
Education surcharge	14,102.72	24,381.05
Local education surcharge	9,401.81	16,254.03
Stamp duty	57,756.19	39,674.71
Profit tax	135,497.25	132,597.20
Total	2,536,498.38	4,121,296.98

(XXIII) Other payables

Items	Closing balance	Opening balance
Interests payable		101,792.47
Other payables	50,838,355.76	52,866,563.70
Total	50,838,355.76	52,968,356.17

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

(XXIII) Other payables (Continued)

1. Interests payable

Classification of interests payable

Items	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by instalment and principal repayment at maturity		101,792.47
Total		101,792.47

2. Other payables

Classification by nature

Items	Closing balance	Opening balance
Current accounts	39,327,016.30	31,475,176.28
Retention monies	11,333,161.92	14,485,529.30
Collection and payment on behalf	178,177.54	156,001.56
Others		6,749,856.56
Total	50,838,355.76	52,866,563.70

(XXIV) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	7,400,000.00	6,000,000.00
Interests payable	105,441.88	
Total	7,505,441.88	6,000,000.00

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

(XXV) Other current liabilities

Items	Closing balance	Opening balance
Output VAT pending for transfer	2,077,426.44	1,888,963.78
Liabilities not derecognized by bill endorsement	641,173.40	1,700,000.00
Total	2,718,599.84	3,588,963.78

(XXVI) Long-term borrowings

Items	Closing balance	Opening balance	Interest rate range
Mortgage with pledge and guarantee borrowings	78,250,000.00	84,250,000.00	3.96%-4.06%
Less: Long-term borrowings due within one year	7,400,000.00	6,000,000.00	
Total	70,850,000.00	78,250,000.00	

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

Items	Closing balance
1-2 years	7,400,000.00
2-3 years	7,400,000.00
3-4 years	8,000,000.00
4-5 years	8,000,000.00
Over 5 years	40,050,000.00
Total	70,850,000.00

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

(XXVII) Deferred income

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	126,451.87	926,568.10	31,111.99	1,021,907.98
Total	126,451.87	926,568.10	31,111.99	1,021,907.98

(XXVIII) Share capital

Items	Opening balance	Increase or decrease (+/-)					Closing balance
		Issuance of new shares	Bonus share	Capital reserve transfer in	Others	Subtotal	
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

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

(XXIX) Capital reserve

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Capital premium (share premium)	80,999,419.73			80,999,419.73
Total	80,999,419.73			80,999,419.73

(XXX) Other comprehensive income

Items	Current year							Balance as at the end of the year
	Balance as at the beginning of the year	Amount before tax in the current period	Less: Other comprehensive income in prior periods transfer in profit or loss for the current period	Less: Other comprehensive income in prior periods carried forward to retained earnings	Less: Income tax expenses	Amount after tax attributable to parent company	Amount after tax attributable to minority interests	
I. Other comprehensive income which will not be reclassified subsequently to profit or loss	1,048,832.06	6,272,469.37			940,870.41	5,331,598.96		6,380,431.02
Including: Changes of re-measurement of defined benefit plan								
Changes in fair value of other equity instruments investment	1,048,832.06	6,272,469.37			940,870.41	5,331,598.96		6,380,431.02
II. Other comprehensive income which will be reclassified subsequently to profit or loss	102,347,309.54	857,212.21				857,212.21		103,204,521.75
Including: Translation difference in foreign currency statements	-5,284,192.87	857,212.21				857,212.21		-4,426,980.66
Others	107,631,502.41							107,631,502.41
Total other comprehensive income	103,396,141.60	7,129,681.58			940,870.41	6,188,811.17		109,584,952.77

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

(XXXI) Surplus reserve

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	108,136,584.74			108,136,584.74
Total	108,136,584.74			108,136,584.74

(XXXII) Undistributed profits

Items	Current year	Previous year
Undistributed profit before adjustment at the end of preceding year	539,748,081.60	536,999,877.42
Undistributed profit after adjustment at the beginning of the year	539,748,081.60	536,999,877.42
Add: Current net profit attributable to owners' equity of parent company	-420,592,151.70	1,994,964.77
Less: Provision for statutory surplus reserves		4,008,560.59
Other comprehensive income transfer in		-4,761,800.00
Undistributed profit at the end of the year	119,155,929.90	539,748,081.60

(XXXIII) Operating income and operating costs

1. Particulars of operating income and operating costs

Items	Current year		Previous year	
	Income	Costs	Income	Costs
Principal operating business	409,439,659.83	361,462,991.65	456,611,297.51	390,805,849.30
Other operating business	30,432,053.76	14,162,663.27	36,929,772.04	15,296,883.97
Total	439,871,713.59	375,625,654.92	493,541,069.55	406,102,733.27

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

(XXXIII) Operating income and operating costs (Continued)

2. Details of operating income

Items	Current year	Previous year
Income generated from customer contracts	434,062,665.47	480,166,969.31
Rental income	5,809,048.12	13,374,100.24
Total	439,871,713.59	493,541,069.55

3. Breakdown information of operating income and operating costs

Classification of income	Current year		Previous year	
	Operating income	Operating costs	Operating income	Operating costs
Classified by business type	439,871,713.59	375,625,654.92	493,541,069.55	406,102,733.27
System integration	372,093,830.04	330,349,274.17	394,450,069.68	322,672,309.12
Intelligent terminal sales	18,968,604.62	15,864,836.62	13,516,283.21	10,541,833.21
Service income	18,377,225.17	15,248,880.86	48,644,944.62	57,591,706.97
Other business	30,432,053.76	14,162,663.27	36,929,772.04	15,296,883.97
Classified by operating region	439,871,713.59	375,625,654.92	493,541,069.55	406,102,733.27
Mainland China	439,871,713.59	375,625,654.92	493,541,069.55	406,102,733.27
Hong Kong, PRC				
Classified by the time of transfer of goods	439,871,713.59	375,625,654.92	493,541,069.55	406,102,733.27
Recognized at a certain point in time	18,968,604.62	15,864,836.62	99,090,999.87	83,430,424.15
Recognized within a certain period of time	420,903,108.97	359,760,818.30	394,450,069.68	322,672,309.12

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXIII) Operating income and operating costs (Continued)

4. 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.

5. Explanation of allocation to remaining performance obligations

The income corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of this reporting period was RMB685,528,930.74, including RMB457,965,228.23 to be recognized as income in 2025, RMB195,665,708.84 to be recognized as income in 2026, RMB31,897,993.67 to be recognized as income in 2027.

(XXXIV) Taxes and surcharges

Items	Current year	Previous year
Property tax	2,320,505.70	2,409,056.66
Land use tax	393,655.00	393,655.00
City maintenance and construction tax	478,769.88	776,231.80
Education surcharge	255,023.39	355,459.77
Local education surcharge	154,068.31	237,467.73
Vehicle and vessel use tax	6,840.00	3,120.00
Stamp duty	217,386.87	246,804.63
Total	3,826,249.15	4,421,795.59

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXV) Selling expenses

Items	Current year	Previous year
Employee compensation	23,256,683.30	23,732,545.07
Entertainment expenses	3,944,068.88	3,815,853.51
Travelling expenses	2,931,761.29	3,224,789.90
Depreciation of fixed assets	2,628,594.96	2,659,759.80
Bidding fees	1,328,549.33	1,358,495.56
Project maintenance expenses	1,308,164.51	1,327,378.47
Lease expenses	751,125.93	251,585.24
Others	1,290,500.70	1,399,233.23
Total	37,439,448.90	37,769,640.78

(XXXVI) Administrative expenses

Items	Current year	Previous year
Employee compensation	11,414,296.79	12,267,518.16
Agency appointment fee	8,904,449.13	7,121,638.09
Depreciation of fixed assets	3,537,714.01	10,855,313.96
Auditors' remuneration	1,000,000.00	1,000,000.00
Lease expenses	916,613.00	824,328.23
Entertainment expenses	912,353.40	891,826.12
Property management fee	829,925.43	922,969.10
Board fee	578,333.00	455,789.00
Others	1,748,072.49	2,790,695.98
Total	29,841,757.25	37,130,078.64

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXVII) Research & development expenses

Items	Current year	Previous year
Employee compensation	11,063,747.32	12,418,654.70
Direct materials	6,404,790.66	7,747,308.94
Technical services fee	745,137.45	1,750,749.38
Others	941,796.83	1,254,600.57
Total	19,155,472.26	23,171,313.59

(XXXVIII) Financial expenses

Items	Current year	Previous year
Interest expenses	27,069,007.64	34,053,010.53
Less: Interest income	693,054.57	1,249,797.61
Exchange gain and loss	233.57	307.49
Handling fee expenses	523,579.05	
Others		-59,790.14
Total	26,899,765.69	32,743,730.27

(XXXIX) Other income

Items	Current year	Previous year	Assets-related/ income-related
Government grants – tax refund	405,101.73	1,892,766.42	Income-related
Government grants – others	102,311.25	7,031,546.30	Assets-related/ income-related
Handling fee for withholding individual income tax		38,495.86	Income-related
Total	507,412.98	8,962,808.58	

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(XL) Investment income

Items	Current year	Previous year
Investment income from long-term equity investment under equity method	32,879.84	-10,759.45
Investment income of other equity instruments investment during the holding period	1,263,747.34	
Investment income from disposal of long-term equity investments		194,541.84
Investment income from disposal of other non-current financial assets		-15,479,535.17
Total	1,296,627.18	-15,295,752.78

(XLI) Gains arising from changes in fair value

Source of gains from changes in fair value	Current year	Previous year
Other non-current financial assets	-7,233,498.32	268,023.86
Investment property measured at fair value	-4,391.53	51,034,204.48
Total	-7,237,889.85	51,302,228.34

(XLII) Credit impairment losses

Items	Current year	Previous year
Credit impairment loss on bills receivable	-126,830.82	-132,620.53
Credit impairment loss on accounts receivable	7,104,736.29	23,669,835.62
Credit impairment loss on other receivables	-143,853,579.34	-6,505,197.07
Total	-136,875,673.87	17,032,018.02

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLIII) Asset impairment losses

Items	Current year	Previous year
Loss on diminution in value of inventories	-154,412.55	-278,187.44
Impairment loss on contract assets	-214,565,768.97	-4,558,633.78
Total	-214,720,181.52	-4,836,821.22

(XLIV) Non-operating income

Items	Current year	Previous year	Amount included in the current period's non-recurring gains and losses
Government grants unrelated to daily activities		2,500.00	
Liquidated damages and compensation income		90,000.00	
Others	16,763.84	1,306,051.19	16,763.84
Total	16,763.84	1,398,551.19	16,763.84

(XLV) Non-operating expenses

Items	Current year	Previous year	Amount included in the current period's non-recurring gains and losses
Loss from damage or scrapping of non-current assets	1,888,571.29	30.00	1,888,571.29
Penalty	1,108,000.00	9,000,000.00	1,108,000.00
Write off	1,706,618.89		1,706,618.89
Litigation enforcement fund	49,910,165.11		49,910,165.11
Default surcharge	241,840.88	13,904.75	241,840.88
Others	212,570.82	10,060.39	212,570.82
Total	55,067,766.99	9,023,995.14	55,067,766.99

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(XLVI) Income tax expenses

1. Breakdown of income tax expenses

Items	Current year	Previous year
Income tax for the current period	5,987,538.31	-542,794.02
Deferred income tax	-50,235,485.89	561,005.36
Total	-44,247,947.58	18,211.34

2. Reconciliation between income tax expenses and accounting profit

Items	Amount
Total profit	-464,997,342.81
Income tax expense calculated at applicable tax rates	-69,749,601.42
Impact of different tax rates applicable to subsidiaries	-39,262,941.14
Income tax adjustments for prior periods	5,980,741.57
Impact of deductible temporary differences or deductible loss for which deferred income tax assets not recognized in the current period	58,783,853.41
Income tax expense	-44,247,947.58

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLVII) Cash flow statement

Cash related to operating activities

1. Cash received relating to other operating activities

Items	Current year	Previous year
Income from operating lease	6,157,591.01	14,042,805.25
Deposit interest income	693,054.57	1,249,797.61
Government grants	997,767.36	225,285.00
Liquidated damages and compensation income		90,000.00
Retention monies and security deposit	27,974,681.61	28,772,306.47
Petty cash	13,839,118.15	8,740,856.56
Cash received from fund transactions	646,958,275.55	450,919,225.37
Restricted monetary funds recovered in the current period.	137,145,536.66	153,337,165.50
Others	12,548.37	1,344,547.05
Total	833,778,573.28	658,721,988.81

2. Cash paid relating to other operating activities

Items	Current year	Previous year
Operating lease expenses	2,166,244.24	1,713,856.81
Fees and expenses	27,071,104.95	33,728,653.55
Bank handling charges	523,579.05	252,472.36
Penalty disbursements	314,000.00	9,023,965.14
Liquidated damages and compensation expenses	70,700.00	
Funds temporarily withheld or deducted due to litigation	171,511,525.41	
Retention monies and security deposit	29,890,293.42	30,615,603.86
Petty cash	13,815,941.27	7,883,158.64
Cash paid for fund transactions	545,475,270.55	516,440,802.07
Increase in restricted cash during the period	135,077,865.47	3,949,077.18
Total	925,916,524.36	603,607,589.61

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

(XLVIII) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Items	Current year	Previous year
1. Net profit adjusted to cash flows from operating activities		
Net profit	-420,749,395.23	1,722,603.06
Add: Provision for asset impairment	214,720,181.52	4,836,821.22
Credit impairment losses	136,875,673.87	-17,032,018.02
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets and investment property	6,438,478.45	36,760,506.83
Amortization of intangible assets	191,647.74	1,379,147.28
Losses from write-off fixed assets (with “-” for gains)	1,888,571.29	30.00
Losses on change in fair value (with “-” for gains)	7,237,889.85	-51,302,228.34
Financial expenses (with “-” for gains)	27,069,007.64	34,053,318.02
Investment losses (with “-” for gains)	-1,296,627.18	15,295,752.78
Decrease in deferred income tax assets (with “-” for increase)	-46,812,041.40	-7,131,347.45
Increase in deferred income tax liabilities (with “-” for decrease)	-3,423,444.48	7,711,191.80
Decrease in inventories (with “-” for increase)	51,488,291.93	-13,672,165.86
Decrease of operating receivables (with “-” for increase)	27,840,136.25	108,074,450.71
Increase of operating payables (with “-” for decrease)	21,485,745.79	-77,387,924.57
Others		137,848,464.20
Net cash flows from operating activities	22,954,116.04	181,156,601.66
2. Significant investing and financing activities not involving cash inflow and outflow		
3. Net change in cash and cash equivalents		
Cash at the end of the period	248,510,856.27	340,989,178.69
Less: Cash at the beginning of period	340,989,178.69	308,915,828.15
Add: Cash equivalents at end of the period		
Less: Cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	-92,478,322.42	32,073,350.54

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash on hand	248,510,856.27	340,989,178.69
Digital currency readily available	1,084,796.00	3,860,182.33
Bank deposit readily available	247,426,060.27	337,128,996.36
II. Cash equivalents		
Including: Bond investment due in three months		
III. Cash and cash equivalents at end of the period	248,510,856.27	340,989,178.69
Including: Cash and cash equivalents restricted for use in the Company or subsidiaries		

(XLIX) Monetary items denominated in foreign currency

Items	Closing balance of foreign currency	Exchange rate	Closing balance of conversion into RMB
Cash on hand and in banks			
Including: Hong Kong dollar	209,564.87	0.93	194,065.45
Other current assets			
Including: Hong Kong dollar	18,400,000.00	0.93	17,039,136.00

Notes to the Financial Statements

For the year ended 31 December 2024
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VI. RESEARCH AND DEVELOPMENT EXPENDITURE

Disclosure by nature of expenditure

Items	Current year	Previous year (Restated)
Employees remuneration	11,063,747.32	12,418,654.70
Direct material	6,404,790.66	7,747,308.94
Technical service fee	745,137.45	1,750,749.38
Others	941,796.83	1,254,600.57
Total	19,155,472.26	23,171,313.59
Including: Expensed R&D expenditures	19,155,472.26	23,171,313.59

VII. CHANGE OF THE SCOPE OF CONSOLIDATION

Changes in scope of consolidation due to other reasons

The subsidiaries, Nanjing Dingshang Fanxing Technology Co., Ltd. (南京頂尚繁星科技有限公司) and Nanjing Sample Zhihui Technology Development Co., Ltd.* (南京三寶智匯科技發展有限公司), have been deregistered and liquidated in September 2024, and the deregistration was approved by the Administrative Approval Bureau of Qixia District, Nanjing on 29 September 2024. Subsequently, they were no longer be included in the scope of consolidation.

Notes to the Financial Statements

For the year ended 31 December 2024

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VIII. INTERESTS IN OTHER ENTITIES

Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Registered share capital	Place of registration	Business nature	Percentage of shareholding (%)		Way of procurement
					Direct	Indirect	
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	Nanjing, PRC	220,000,000	Nanjing, PRC	Intelligent transportation	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)	Nanjing, PRC	114,000,000	Nanjing, PRC	Computer software	100.00		Established by investment
Nanjing IOT Research Institute Development Co., Ltd.*(南京物聯網研究院發展有限公司)	Nanjing, PRC	157,067,000	Nanjing, PRC	IOT technology	63.67	36.33	Established by investment
Nanjing Xinzhitong Technology Co., Ltd.* (南京欣智通科技有限公司)	Nanjing, PRC	100,000,000	Nanjing, PRC	Information technology	51.00	49.00	Business combination not under common control
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	Hong Kong, PRC	HK\$78,000	Hong Kong, PRC	Consultation and investment	100.00		Established by investment
Federal International Enterprise Limited (永鴻國際企業有限公司)	Hong Kong, PRC	HK\$10,000	Hong Kong, PRC	Electronic products		100.00	Business combination not under common control
Jiangsu Ruifu Intelligent Tech. Co., Limited * (江蘇瑞福智能科技有限公司)	Nanjing, PRC	31,344,700	Nanjing, PRC	Electronic products		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)	Nanjing, PRC	100,000,000	Nanjing, PRC	Municipal investment	70.00		Business combination not under common control

Note: Nanjing Xinzhitong Technology Co., Ltd.* (南京欣智通科技有限公司) which was formerly known as Nanjing City Intelligent Transportation Co., Ltd. (南京城市智能交通股份有限公司), and its change was approved by the Nanjing Market Supervision Administration on 13 December, 2024.

Notes to the Financial Statements

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

Interests in subsidiaries (Continued)

2. Significant non-wholly owned subsidiary

No.	Name of company	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
1	Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司)	30.00%	-157,243.53		8,669,282.04

3. Key financial information of significant non-wholly owned subsidiary (excluding those classified as held for sale)

Name of subsidiary			Closing balance			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司)	29,993,535.31	52,008.56	30,045,543.87	1,147,937.07		1,147,937.07

Name of subsidiary			Opening balance			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total 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

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

Interests in subsidiaries (Continued)

Name of subsidiary	Current year			Previous year					
	Operating income	Net profit	Total comprehensive income	Operating income	Net profit	Total comprehensive income			
			from operating activities			from operating activities			
Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司)		-524,145.10	-524,145.10		-153,399.30		-797,542.78	-797,542.78	95,239.96

(l) Liability items related to government grants

Financial statement items	Opening balance	New grants in the current period	Amount included in non-operating income in the current period	Amount of transfer into other income in the current period	Other movements in the current period	Closing balance	Asset/income related
Deferred income	126,451.87	926,568.10		31,111.99		1,021,907.98	Asset-related
Total	126,451.87	926,568.10		31,111.99		1,021,907.98	

Notes to the Financial Statements

For the year ended 31 December 2024
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IX. GOVERNMENT GRANTS (Continued)

(II) Government grants included in current profit and loss

Type	Current year	Previous year
Asset-related government grants:		
Funding from special fund agreement for Internet of Things Project of Ministry of Industry and Information Technology		440,000.00
Science and Technology Bureau of Nanjing Qixia District	31,111.99	86,186.08
Subtotal	31,111.99	526,186.08
Income-related government grants:		
Special grants of demonstration project of application of comprehensive supervision system based on Internet of things technology for urban intelligent transportation		5,762,575.22
The Provincial Intellectual Property Special Fund distributed by The Market Supervision and Administration Bureau of Qixia District, Nanjing		50,000.00
Job stability grants	71,199.26	72,785.00
VAT refundable on software products	405,101.73	1,892,766.42
Science and Technology Bureau of Nanjing Qixia District		100,000.00
Cooperation fee for co-operation with National Natural Science Foundation		520,000.00
Subtotal	476,300.99	8,398,126.64
Total	507,412.98	8,924,312.72

Notes to the Financial Statements

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X. RELATED RISKS OF FINANCIAL INSTRUMENTS

(I) Risks of financial instruments

The Company's main financial instruments include cash at bank and on hand, equity investments, debt investment, loans, accounts receivable, accounts payable and financial guarantee contracts, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below: The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the risk management committee based on the policies as approved by the Board. Risk management committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

Notes to the Financial Statements

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X. RELATED RISKS OF FINANCIAL INSTRUMENTS *(Continued)*

(I) Risks of 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. RELATED RISKS OF FINANCIAL INSTRUMENTS *(Continued)*

(I) Risks of financial instruments *(Continued)*

1. Credit risk *(Continued)*

As of 31 December 2024, the carrying amount and expected credit impairment loss of related assets were as follows:

Items	Carrying balance	Bad debt provision
Bills receivable	11,984,631.26	479,385.25
Accounts receivable	465,052,527.31	277,247,227.04
Other receivables	1,010,959,340.39	277,238,885.98
Contract assets	605,637,382.30	263,737,337.40
Total	2,093,633,881.26	818,702,835.67

Notes to the Financial Statements

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X. RELATED RISKS OF FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

2. Liquidity risk

Liquidity risk refers to the risk of shortage 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. 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	196,049,831.62	183,473,895.86	379,523,727.48	379,523,727.48
Other payables	11,620,826.39	39,217,529.37	50,838,355.76	50,838,355.76
Short-term borrowings	507,770,267.01		507,770,267.01	507,770,267.01
Non-current liabilities due within one year	7,505,441.88		7,505,441.88	7,505,441.88
Other current liabilities	2,718,599.84		2,718,599.84	2,718,599.84
Long-term borrowings		70,850,000.00	70,850,000.00	70,850,000.00
Total	<u>796,514,966.74</u>	<u>222,691,425.23</u>	<u>1,019,206,391.97</u>	<u>1,019,206,391.97</u>

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For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED RISKS OF FINANCIAL INSTRUMENTS *(Continued)*

(I) Risks of 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. Financial liabilities with floating interest rate expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rate 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 2024, the Company's interest-bearing debts are all loan contracts in Renminbi with fixed interest rate, with a total amount of RMB585,020,000 (31 December 2023: RMB684,970,000). Changes in interest rates have no impact on net profit.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The principal places of operations of the Company are located in China and the major businesses are settled in Renminbi ("RMB"). However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HK dollar) remain exposed to exchange rate risk. The finance department of the Company is in charge of supervising the foreign currency transactions and the size of foreign assets and liabilities so as to minimize the exposure to exchange rate risk.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED RISKS OF FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

3. Market risk (Continued)

(2) Exchange rate risk (Continued)

As of 31 December 2024, 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	Opening balance
Cash at bank and on hand	194,065.45	231,648.22
Other current assets	17,039,136.00	16,674,448.00
Total	17,233,201.45	16,906,096.22

On 31 December 2024, with all other variables remaining unchanged, the net profits of the Company will increase or decrease by RMB861,700 (31 December 2023: RMB718,500) 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	Opening balance
Investment in other equity instruments	42,712,749.75	47,702,656.62
Other non-current financial assets	102,818,638.40	110,105,741.25
Total	145,531,388.15	157,808,397.87

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For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

XI. FAIR VALUE

(I) Analysis of the assets and liabilities measured at fair value according to the fair value hierarchy

Items	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
Recurring fair value measurement				
1. Investment in other equity instruments			42,712,749.75	42,712,749.75
2. Other non-current financial assets			102,818,638.40	102,818,638.40
3. Investment property			422,191,100.00	422,191,100.00
Including: Leased property			422,191,100.00	422,191,100.00

(II) Determination basis of market price of recurring and non-recurring items in level I fair value measurement

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 fair value measurement

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.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XI. FAIR VALUE (Continued)

(IV) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level III fair value measurement

Items	Fair value at the end of the period	Valuation technique(s)	Unobservable inputs	Range (weighted Average)
Other equity instrument investments	42,712,749.75	Cost approach, market approach	Price-to-book ratio multiple Liquidity discount rate	2-13 33.50%
Other non-current financial assets	102,818,638.40	Cost approach, market approach	Price-to-book ratio multiple Liquidity discount rate	1-3.72 33.50%
Investment property	422,191,100.00	Income approach	Discount rate Price of leasable area of the unit	5.50% RMB1.6/M ² /day- RMB1.9/M ² /day

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS

(I) Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered share capital	Shareholding ratio of the Company (%)	Voting rights proportion of 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.	RMB2,108,163,265	50.77	50.77

(II) Information of subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note “VIII. Interests in other entities”.

(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
Taizhou Traffic Digital Intelligence Technology Development Co., Ltd.*(台州交投數智科技發展有限公司)	Associate of the Company

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(IV) Particulars of other related parties

Name of other related parties	Relationship with the Company
Nanjing Hong Shi Healthy Industry Company Limited* (南京紅石健康產業發展有限公司)	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)	Controlled by the same parent company
Nanjing Sample Corporate Development Co., Ltd.* (南京三寶企業發展有限公司)	Controlled by the same parent company
Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司)	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)	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)	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)	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)	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)	Controlled by the same parent company
Sample Supply Chain Management (Nanjing) Co., Ltd.* (三寶供應鏈管理(南京)有限公司)	Controlled by the same parent company
Nanjing Bixin Data Technology Co., Ltd.* (南京幣鑫數據科技有限公司)	Under the same control of the ultimate controller
Shenzhen Defu Supply Chain Co., Ltd.* (深圳市德孚供應鏈有限責任公司)	Controlled by the same parent company

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions

1. Leases 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	1,712,436.77	2,334,091.98
Nanjing Trade Mutual Plus Information Technology Co., Ltd.* (南京貿互加信息科技有限公司)	Property leasing	32,164.00	8,030.00
Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司)	Property leasing	75,356.34	539,698.73
Nanjing Tongrentang Health Industry Co., Ltd.* (南京同仁堂健康產業有限公司)	Property leasing	830,179.12	876,873.76
Nanjing Tongrentang Liquor Co., Ltd.* (南京同仁堂酒業有限責任公司)	Property leasing	155,998.45	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	292,881.48	401,013.34
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
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	495,964.06	494,477.27
Sample Supply Chain Management (Nanjing) Co., Ltd.* (三寶供應鏈管理(南京)有限公司)	Property leasing	103,912.77	
Nanjing Bixin Data Technology Co., Ltd.* (南京幣鑫數據科技有限公司)	Property leasing	101,077.33	
Shenzhen Defu Supply Chain Co., Ltd.* (深圳市德孚供應鏈有限責任公司)	Property leasing	101,077.33	
Total		<u>3,901,047.65</u>	<u>4,815,957.80</u>

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For the year ended 31 December 2024
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XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Guarantee activities with related parties

(1) The Company acts as guarantor

Guaranteed party	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee obligation has expired
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	9,950,000.00	2023-4-13	2024-4-12	Yes
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	Yes
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	Yes
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	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	35,000,000.00	2024-5-31	2025-5-30	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	40,000,000.00	2024-6-13	2025-6-12	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	25,000,000.00	2024-6-28	2025-6-27	No
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	Yes
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	Yes
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	Yes
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	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	49,500,000.00	2024-4-3	2025-4-2	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	12,500,000.00	2024-4-8	2025-4-7	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	45,000,000.00	2024-12-6	2025-12-4	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	8,000,000.00	2024-12-16	2025-12-10	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	Yes
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	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	1,709,287.00	2021-12-16	2024-2-28	Yes
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	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	Yes
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	Yes
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
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	4,542,990.84	2024-1-8	2025-10-31	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	125,805.00	2024-1-19	2024-12-31	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	1,066,000.00	2024-1-19	2025-9-30	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	2,534,421.46	2024-3-25	2026-6-30	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	1,960,947.00	2024-4-3	2024-12-31	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	1,635,032.24	2024-4-3	2024-12-31	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	2,663,800.08	2024-6-28	2025-3-31	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	110,000.00	2024-8-22	2024-12-31	Yes
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	565,800.00	2024-10-17	2025-2-28	No
Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司)	52,080.50	2024-10-29	2025-2-28	No

Particulars of guarantees provided for letter of guarantee and bills:

As at 31 December 2024, the Company has provided guarantee totaling RMB30,761,679.92 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.

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XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Guarantee activities with related parties (Continued)

(2) The Company acts as the guaranteed party

Guarantor	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee obligation has expired
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Sha Min	46,770,000.00	2023-11-28	2024-11-24	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Sha Min	46,770,000.00	2024-12-4	2025-12-3	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司)	38,264,000.00	2020/9/18	2034/9/16	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司)	39,986,000.00	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), Sha Min, Nanjing Sample Digital Technology Co., Ltd. (南京三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)	30,000,000.00	2023-6-19	2024-6-18	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Sha Min, Nanjing Sample Digital Technology Co., Ltd. (南京三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)	30,000,000.00	2023-6-16	2024-6-15	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Sha Min, Nanjing Sample Digital Technology Co., Ltd. (南京三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)	10,000,000.00	2024-6-12	2025-6-11	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Sha Min, Nanjing Sample Digital Technology Co., Ltd. (南京三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)	50,000,000.00	2024-6-13	2025-6-12	No

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XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Guarantee activities with related parties (Continued)

(2) The Company acts as the guaranteed party (Continued)

Guarantor	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee obligation has expired
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	45,000,000.00	2023-6-21	2024-6-20	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	5,000,000.00	2023-11-29	2024-7-27	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	50,000,000.00	2024-6-19	2025-6-16	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司)	50,000,000.00	2023-8-8	2024-2-8	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	50,000,000.00	2023-12-7	2024-12-6	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	14,500,000.00	2023-12-4	2024-12-4	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	20,500,000.00	2023-8-14	2024-8-10	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	20,000,000.00	2023-12-4	2024-12-4	Yes
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	20,500,000.00	2024-8-8	2025-8-7	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	50,000,000.00	2024-12-12	2025-12-10	No
Nanjing Sample Technology Group Company Limited*(南京三寶科技集團有限公司), Lichuang International Co., Ltd.*(立創國際有限公司)	14,500,000.00	2024-12-6	2025-12-4	No

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XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

2. Guarantee activities with related parties (Continued)

(2) The Company acts as the guaranteed party (Continued)

Guarantor	Guaranteed amount	Date of commencement	Maturity date	Whether the guarantee obligation has expired
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司), Lichuang International Co., Ltd.* (立創國際有限公司)	20,000,000.00	2024-12-6	2025-12-4	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)	20,000,000.00	2023-8-16	2024-3-19	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)	10,000,000.00	2024-9-20	2025-3-19	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)	10,000,000.00	2024-3-20	2024-9-19	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)	30,000,000.00	2023-8-16	2024-3-19	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)	20,000,000.00	2024-9-25	2025-3-24	No

As at 31 December 2024, the Company has issued letter of guarantees of a total of RMB386,500.00 in the bank, and the Company has deposited retention monies of RMB386,500.00.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel

① Emoluments of Directors and supervisors:

Name	For the year ended 31 December 2024			
	Other emoluments			Total
	Directors and supervisors' emoluments	Basic salaries and allowance	Contributions	
			to retirement benefits and pensions schemes	
Executive Directors:				
Mr. Sha Min (Chief Executive Officer)	52,500.00			52,500.00
Mr. Ma Fengkui (Vice President)	52,500.00	985,440.00	115,150.23	1,153,090.23
Mr. Liu Min (Vice President)	52,500.00	585,060.00	93,648.96	731,208.96
Subtotal	157,500.00	1,570,500.00	208,799.19	1,936,799.19
Non-executive Directors:				
Ms. Cai Lijuan (Resigned)	52,500.00			52,500.00
Mr. Liu Fei				
Subtotal	52,500.00			52,500.00
Independent non-executive Directors:				
Mr. Hu Hanhui	71,250.00			71,250.00
Mr. Gao Lihui	71,250.00			71,250.00
Mr. Niu Zhongjie (Resigned)	59,583.00			59,583.00
Ms. Chung Yuet Mei				
Subtotal	202,083.00			202,083.00
Supervisor:				
Mr. Zou Tao	23,750.00	355,312.50	96,709.44	475,771.94
Independent supervisors:				
Mr. Qiu Xiang Yang	71,250.00			71,250.00
Mr. Dai Jian Jun	71,250.00			71,250.00
Subtotal	166,250.00	355,312.50	96,709.44	618,271.94
Senior management:				
Ms. Xu Yonghui		613,965.00	79,515.48	693,480.48
Subtotal		613,965.00	79,515.48	693,480.48
Total	578,333.00	2,539,777.50	385,024.11	3,503,134.61

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel (Continued)

① Emoluments of Directors and supervisors: (Continued)

For the year ended 31 December 2023				
Name	Directors and supervisors' emoluments	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
Subtotal	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
Subtotal	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
Subtotal	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
Subtotal	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
Subtotal		494,875.00	80,189.16	575,064.16
Total	454,868.00	1,954,626.00	427,266.26	2,836,760.26

Note: On 31 May 2024, Mr. Niu Zhongjie resigned as an independent non-executive director of the Company. On 30 September 2024, Ms. Cai Lijuan resigned as a non-executive director of the Company.

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

3. Remuneration of key management personnel (Continued)

① Emoluments of Directors and supervisors: (Continued)

At the 16th meeting of the 8th session of Board of Directors held on 29 August 2024, the Company proposed the appointment of Mr. Liu Fei as a non-executive Director of the Company and Ms. Chung Yuet Mei as an independent non-executive Director of the Company. The proposed appointments of Mr. Liu and Ms. Chung were approved by ordinary resolution at the extraordinary shareholders' meeting held on 30 September 2024.

During the reporting period, Mr. Liu Fei waived his director emoluments.

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, no discretionary bonuses were paid to the directors or supervisors of the Company.

② Five highest paid individuals

During the year, of the five individuals with the highest emoluments, two were Directors and one was senior management (2023: one was Director and one was senior management). The emoluments of them are disclosed in the notes above. The remaining two (2023: three) individuals with the highest emoluments were as follows:

Items	Current period	Previous period
Basic salaries and allowance	1,573,135.00	1,874,198.53
Contributions to retirement benefits and pensions schemes	222,006.67	310,731.39
Total	1,795,141.67	2,184,929.92

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 2024

(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS 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 RMB916,130)	1	2
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB916,131 to RMB1,374,195)	1	1

(VI) Unsettled receivables and payables with related parties

1. Receivable items

Items	Related party	Closing balance		Opening balance	
		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)	730,361.50	36,518.08	50,625.78	2,531.29
	Jiangsu Cross-border e-Commerce Services Co., Ltd.* (江蘇跨境電子商務服務有限公司)	1,519,399.73	75,969.99	1,196,897.65	59,844.88
	Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司)	24,331,623.25	1,216,581.16	22,907,595.09	1,145,379.75
	Nanjing Sample Corporate Development Co., Ltd.* (南京三寶企業發展有限公司)	160,000.00	8,000.00	931,438.93	46,571.95
	Nanjing Tongrentang Liquor Co., Ltd.* (南京同仁堂酒業有限責任公司)	164,860.67	8,243.03	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)	16,863.00	843.15	8,431.50	421.58

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(VI) Unsettled receivables and payables with related parties (Continued)

1. Receivable items (Continued)

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debt provision	Carrying balance	Bad debt provision
	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)	24,099.63	963.99		
	Sample Supply Chain Management (Nanjing) Co., Ltd.* (三寶供應鏈管理(南京)有限公司)	9,812.79	392.51		
	Taizhou Traffic Digital Intelligence Technology Development Co., Ltd.* (台州交投數智科技發展有限公司)	16,150.00	646.00		
	Nanjing Hong Shi Healthy Industry Company Limited* (南京紅石健康產業發展有限公司)	19,358.06	1,455.04		
Other receivables					
	Nanjing Sample Technology Group Co., Ltd.* (南京三寶科技集團有限公司)	240,775,875.00		344,121,125.00	
	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	8,425.34
	Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馮道數據科技有限公司)			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)	284,907.19	14,245.36	119,422.30	5,971.12
Total		<u>268,221,817.52</u>	<u>1,372,283.65</u>	<u>369,599,916.09</u>	<u>1,273,939.57</u>

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XII. RELATED PARTIES AND ITS TRANSACTIONS (Continued)

(VI) Unsettled receivables and payables with related parties (Continued)

2. Payable items

Items	Related party	Closing balance	Opening balance
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)	693,451.98	49,396.98
	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

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XIII. COMMITMENTS AND CONTINGENCIES

(I) Commitments

As at 31 December 2024, the total amount of letter of guarantees issued by the Company was RMB31,148,179.92.

(II) Contingencies

Please refer to Note XII for the debt guarantee provided by the Company for related parties (subsidiaries) as at 31 December 2024.

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.

Notes to the Financial Statements

For the year ended 31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year (1 year inclusive)	47,505,757.69	63,121,369.04
1-2 years	29,542,457.62	28,229,048.17
2-3 years	13,550,632.29	6,197,709.80
Over 3 years	186,446,518.24	194,880,931.33
Subtotal	277,045,365.84	292,429,058.34
Less: Bad debt provision	180,333,408.45	184,113,117.32
Total	96,711,957.39	108,315,941.02

2. Disclosure classified by bad debt provision method

Types	Closing balance			
	Carrying balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision proportion (%)
Accounts receivable tested for bad debt provision on individual basis	70,441,072.60	25.43	70,441,072.60	100.00
Bad debt provision based on credit risk characteristics on group basis	206,604,293.24	74.57	109,892,335.85	53.19
Including: Aging group	174,981,523.35	63.16	108,546,663.12	62.03
Group of related parties outside the scope of consolidation	26,913,454.65	9.71	1,345,672.73	5.00
Group of related parties within the scope of consolidation	4,709,315.24	1.70		
Total	277,045,365.84	100.00	180,333,408.45	65.09

Notes to the Financial Statements

For the year ended 31 December 2024
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Accounts receivable (Continued)

2. Disclosure classified by bad debt provision method (Continued)

Types	Carrying balance		Opening balance	
	Amount	Proportion (%)	Amount	Provision proportion (%)
Accounts receivable tested for bad debt provision on individual basis	70,441,072.60	24.09	70,441,072.60	100.00
Bad debt provision based on credit risk characteristics on group basis	221,987,985.74	75.91	113,672,044.72	51.21
Including: Aging group	167,108,274.70	57.14	112,412,984.29	67.27
Group of related parties outside the scope of consolidation	25,181,208.59	8.61	1,259,060.43	5.00
Group of related parties within the scope of consolidation	3,267,227.83	1.12		
Low risk group	26,431,274.62	9.04		
Total	292,429,058.34	100.00	184,113,117.32	62.96

(1) Significant accounts receivable with bad debt provision on individual basis

Name	Closing balance			Basis
	Carrying balance	Bad debt provision	Provision proportion (%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected to be unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected to be unrecoverable
Unit III	7,200,000.00	7,200,000.00	100.00	Expected to be unrecoverable
Total	70,441,072.60	70,441,072.60		

Notes to the Financial Statements

For the year ended 31 December 2024

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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Accounts receivable (Continued)

2. Disclosure classified by bad debt provision method (Continued)

- (1) Significant accounts receivable with bad debt provision on individual basis (Continued)

Name	Carrying balance	Opening balance		Basis
		Bad debt provision	Provision proportion (%)	
Unit I	36,693,454.80	36,693,454.80	100.00	Expected to be unrecoverable
Unit II	26,547,617.80	26,547,617.80	100.00	Expected to be unrecoverable
Unit III	7,200,000.00	7,200,000.00	100.00	Expected to be unrecoverable
Total	<u>70,441,072.60</u>	<u>70,441,072.60</u>		

- (2) Accounts receivable with bad debt provision based on credit risk characteristics on group basis

① Group 1: Aging group

Aging	Closing balance			Opening balance		
	Carrying balance	Bad debt provision	Provision proportion (%)	Carrying balance	Bad debt provision	Provision proportion (%)
Within 1 year (1 year inclusive)	40,363,299.62	1,614,531.98	4.00	34,485,221.52	1,379,408.85	4.00
1-2 years	20,156,123.58	1,612,489.89	8.00	20,644,324.65	1,651,545.97	8.00
2-3 years	13,060,655.57	3,918,196.67	30.00	3,709,570.08	1,112,871.02	30.00
Over 3 years	101,401,444.58	101,401,444.58	100.00	108,269,158.45	108,269,158.45	100.00
Total	<u>174,981,523.35</u>	<u>108,546,663.12</u>	<u>62.03</u>	<u>167,108,274.70</u>	<u>112,412,984.29</u>	<u>67.27</u>

Notes to the Financial Statements

For the year ended 31 December 2024
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XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Accounts receivable (Continued)

2. Disclosure classified by bad debt provision method (Continued)

(2) Accounts receivable with bad debt provision based on credit risk characteristics on group basis (Continued)

② Group 2: Group of related parties outside the scope of consolidation

Aging	Closing balance			Opening balance		
	Carrying balance	Bad debt provision	Provision proportion (%)	Carrying balance	Bad debt provision	Provision proportion (%)
Group of related parties outside the scope of consolidation	26,913,454.65	1,345,672.73	5.00	25,181,208.59	1,259,060.43	5.00
Total	26,913,454.65	1,345,672.73	5.00	25,181,208.59	1,259,060.43	5.00

3. Bad debt provision

Types	Opening balance	Provision	Movement during the year		Other movements	Closing balance
			Recovery or reversal	Write off		
Provision for expected credit losses on individual basis	70,441,072.60					70,441,072.60
Bad debt provision based on credit risk characteristics on group basis	113,672,044.72	86,612.30	3,866,321.17			109,892,335.85
Including: Aging group	112,412,984.29		3,866,321.17			108,546,663.12
Group of related parties outside the scope of consolidation	1,259,060.43	86,612.30				1,345,672.73
Total	184,113,117.32	86,612.30	3,866,321.17			180,333,408.45

Notes to the Financial Statements

For the year ended 31 December 2024
(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

Items	Closing balance	Opening balance
Other receivables	745,951,589.58	987,617,061.42
Total	745,951,589.58	987,617,061.42

Other receivables

1. Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year (1 year inclusive)	203,041,241.07	900,614,365.90
1-2 years	470,745,266.34	54,849,228.99
2-3 years	51,969,839.63	20,783,195.09
Over 3 years	85,274,624.77	65,226,432.50
Subtotal	811,030,971.81	1,041,473,222.48
Less: Bad debt provision	65,079,382.23	53,856,161.06
Total	745,951,589.58	987,617,061.42

2. Classification by nature

Nature	Closing balance	Opening balance
Current accounts of related parties	286,310,624.57	511,541,171.90
Security and retention monies	5,528,540.91	5,235,590.06
Current accounts	42,751,113.43	40,694,966.86
Petty cash	337,173.90	338,874.66
Equity transfer receivable	476,103,519.00	483,662,619.00
Subtotal	811,030,971.81	1,041,473,222.48
Less: Bad debt provision	65,079,382.23	53,856,161.06
Total	745,951,589.58	987,617,061.42

Notes to the Financial Statements

For the year ended 31 December 2024
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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. Disclosure classified by method of provision for impairment

Types	Carrying balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Accounts receivable tested for bad debt provision on individual basis	38,002,937.81	4.69	38,002,937.81	100.00	
Bad debt provision based on credit risk characteristics on group basis	773,028,034.00	95.31	27,076,444.42	3.50	745,951,589.58
Including: Aging group	30,508,895.96	3.76	27,062,047.97	88.70	3,446,847.99
Group of related parties outside the scope of consolidation	287,929.00	0.04	14,396.45	5.00	273,532.55
Group of related parties within the scope of consolidation	286,310,624.57	35.30			286,310,624.57
Low risk group	455,920,584.47	56.21			455,920,584.47
Total	811,030,971.81	100.00	65,079,382.23	8.02	745,951,589.58

Types	Carrying balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for impairment		
			Amount	Provision proportion (%)	
Accounts receivable tested for bad debt provision on individual basis	36,795,127.81	3.53	36,795,127.81	100.00	
Bad debt provision based on credit risk characteristics on group basis	1,004,678,094.67	96.47	17,061,033.25	1.70	987,617,061.42
Including: Aging group	37,180,303.56	3.57	17,046,636.80	45.85	20,133,666.76
Group of related parties outside the scope of consolidation	287,929.00	0.03	14,396.45	5.00	273,532.55
Group of related parties within the scope of consolidation	511,541,171.90	49.12			511,541,171.90
Low risk group	455,668,690.21	43.75			455,668,690.21
Total	1,041,473,222.48	100.00	53,856,161.06	5.17	987,617,061.42

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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)

4. Bad debt provision

	Stage I Expected credit losses in the future 12 months	Stage II Expected credit losses for the entire lifetime (no credit impairment occurred)	Stage III Expected credit losses for the entire lifetime (credit impairment occurred)	Total
Bad debt provision				
Balance as at 1 January 2024	17,061,033.25		36,795,127.81	53,856,161.06
Balance as at 1 January 2024 during the year	17,061,033.25		36,795,127.81	53,856,161.06
– Transfer to stage II				
– Transfer to stage III				
– Reversal to stage II				
– Reversal to stage I				
Provision during the year	10,015,411.17		1,207,810.00	11,223,221.17
Reversal during the year				
Charge off during the year				
Write off during the year				
Other movements				
Balance as at 31 December 2024	<u>27,076,444.42</u>	<u></u>	<u>38,002,937.81</u>	<u>65,079,382.23</u>

Notes to the Financial Statements

For the year ended 31 December 2024
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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)

5. Bad debt provision

Types	Opening balance	Provision	Movement during the year		Other movement	Closing balance
			Recovery or reversal	Write off/ charge off		
Accounts receivable tested for bad debt provision on individual basis	36,795,127.81	1,207,810.00				38,002,937.81
Bad debt provision based on credit risk characteristics on group basis	17,061,033.25	10,015,411.17				27,076,444.42
Including: Aging group	17,046,636.80	10,015,411.17				27,062,047.97
Group of related parties outside the scope of consolidation	14,396.45					14,396.45
Total	53,856,161.06	11,223,221.17				65,079,382.23

(III) Long-term equity investments

Items	Closing balance			Opening balance		
	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	8,926,351.46		8,926,351.46	8,893,471.62		8,893,471.62
Total	493,234,039.46		493,234,039.46	493,201,159.62		493,201,159.62

Notes to the Financial Statements

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Long-term equity investments (Continued)

1. Investment in subsidiaries

Investee	Opening balance (book value)	Opening balance of impairment provision	Increase/decrease during the year				Closing balance (book value)	Closing balance of impairment provision
			Increase in investment	Decrease in investment	Provision for impairment	Others		
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

For the year ended 31 December 2024
(All amounts in Renminbi yuan unless otherwise stated)

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

Investment entity	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year			Changes in other equity	Cash dividend or profits announced to be issued	Provision for impairment	Others	Closing balance	Closing balance of impairment provision
				Investment gains and losses recognized under equity method	Other comprehensive income adjustment							
Total of associates	8,893,471.62			32,879.84							8,926,351.46	

(IV) Operating income and operating costs

1. Operating income and operating costs

Items	Current year		Previous year	
	Income	Costs	Income	Costs
Principal operation	177,626,106.99	143,336,196.84	192,838,359.60	139,549,234.42
Other operation	30,384,405.06	14,115,014.57	38,498,054.74	15,266,904.94
Total	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36

2. Breakdown of operating income

Items	Current year	Previous year
Income generated from customer contracts	202,201,463.93	217,331,788.20
Rental income	5,809,048.12	14,004,626.14
Total	208,010,512.05	231,336,414.34

Notes to the Financial Statements

For the year ended 31 December 2024

(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 costs (Continued)

3. Analysis information of operating income and operating costs

Type of income	Current year		Previous year	
	Operating income	Operating costs	Operating income	Operating costs
Classification of income	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36
System integration	170,018,057.51	138,940,339.67	177,004,060.96	126,049,776.96
Intelligent terminal sales			301,746.03	142,616.53
Service income	7,608,049.48	4,395,857.17	15,532,552.61	13,356,840.93
Other business	30,384,405.06	14,115,014.57	38,498,054.74	15,266,904.94
Classified by operating region				
region	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36
Mainland China	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36
Hong Kong, PRC				
Classified by the time of transfer of goods	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36
Recognized at a certain point in time			54,332,353.38	45,279,064.26
Recognized within a certain period of time	208,010,512.05	157,451,211.41	177,004,060.96	109,537,075.10
Total	208,010,512.05	157,451,211.41	231,336,414.34	154,816,139.36

Notes to the Financial Statements

For the year ended 31 December 2024
(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 costs (Continued)

4. 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.

5. Explanation of allocation to remaining performance obligations

The income corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of this reporting period was RMB293,431,539.40, including RMB164,742,441.10 to be recognized as income in 2025, RMB96,791,104.64 to be recognized as income in 2026, RMB31,897,993.66 to be recognized as income in 2027.

(V) Investment income

Items	Current year	Previous year
Investment income from long-term equity investment under equity method	32,879.84	-5,464,980.97
Investment income of other equity instruments investment during the holding period	1,263,747.34	
Investment income from disposal of other non-current financial assets		-15,479,535.17
Total	1,296,627.18	-20,944,516.14

Five-Year Financial Summary

RESULTS

	2024 RMB'000	Year ended 31 December			
		2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total operating income	439,872	493,541	512,665	914,014	945,958
Total profit	-464,997	1,741	-304,999	-54,707	-170,935
Net profit	-420,749	1,723	-300,862	-55,912	-152,161
Net profit attributable to shareholders of the parent Company	-420,592	1,995	-273,526	-59,245	-139,375
Minority profit and loss	-157	-272	-27,336	3,333	-12,786
Basic earnings/loss per share (Renminbi Yuan/share)	-0.531	0.003	-0.35	-0.07	-0.18

ASSETS AND LIABILITIES

	2024 RMB'000	At 31 December			
		2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	1,624,126	2,140,828	1,853,671	2,856,236	3,175,733
Non-current assets	726,166	733,625	1,144,624	695,021	1,003,479
Current liabilities	1,061,816	1,126,428	1,328,025	1,553,357	1,980,423
Net current assets	562,311	1,014,399	525,645	1,302,878	1,195,310
Total shareholders' equity attributable to the parent Company	1,209,935	1,624,339	1,548,945	1,837,364	1,894,571
Total shareholders' equity	1,218,604	1,633,165	1,558,592	1,877,459	1,977,109