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南京三寶科技股份有限公司

NANJING SAMPLE TECHNOLOGY CO., LTD.*

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

(Stock Code: 1708)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2019 (the "Period") amounted to RMB816,952,108.91, representing a decrease of approximately 5.10% as compared to the corresponding period of last year.

The net profit attributable to owners of the parent company for the six months ended 30 June 2019 was RMB93,769,545.92, representing a decrease of approximately 5.57% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2019 was approximately RMB0.118 (corresponding period of 2018: RMB0.125).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 together with the comparative figures of 2018 as follows:

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

Consolidated Balance Sheet

At 30 June 2019

ASSETS	Note	At 31 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Current assets:			
Cash at bank and on hand		613,604,783.89	532,958,036.92
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Notes receivable	8	10,063,224.00	259,450,275.36
Accounts receivable	8	997,064,689.68	837,139,367.60
Receivables financing		–	–
Prepayments	8	309,043,084.20	424,735,769.16
Other receivables	8	248,946,011.32	326,498,970.78
Inventories		131,488,906.28	116,839,463.12
Contract assets		1,238,611,979.02	1,074,867,660.48
Held-for-sale assets		–	–
Non-current assets due within one year		16,185,744.00	52,571,628.84
Other current assets		28,722,049.60	31,831,942.89
Total current assets		3,593,730,471.99	3,656,893,115.15

ASSETS	<i>Note</i>	At 31 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Non-current assets:			
Debt investment		–	–
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investments		165,651,504.97	43,343,934.94
Other equity instruments investment		221,423,335.60	227,319,415.64
Other non-current financial assets		135,252,294.65	134,623,072.37
Investment property		227,503,300.00	227,503,300.00
Fixed assets		345,178,868.38	376,964,307.99
Construction in progress		7,505,903.28	6,534,672.42
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		–	–
Intangible assets		10,295,445.94	10,842,557.61
Development expenditures		–	–
Goodwill		–	–
Long-term deferred expenses		4,131,647.09	4,195,163.46
Deferred income tax assets		49,032,500.35	48,646,186.13
Other non-current assets		75,356,659.56	74,825,893.61
		<hr/>	<hr/>
Total non-current assets		<u>1,241,331,459.81</u>	<u>1,154,798,504.17</u>
 TOTAL ASSETS		 <u>4,835,061,931.81</u>	 <u>4,811,691,619.32</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	At 31 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Current liabilities:			
Short-term borrowings		617,000,000.00	639,300,000.00
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable	9	101,459,129.50	28,756,738.41
Accounts payable	9	1,069,238,818.54	1,068,563,578.78
Advances from customers		–	–
Contract liabilities	9	61,441,192.01	92,499,959.57
Payroll payable		493,434.80	10,242,978.09
Taxes payable		35,662,028.99	36,820,446.28
Other payables	9	171,671,774.71	66,187,287.15
Held-for-sale liabilities		–	–
Non-current liabilities due within 1 year		213,200,000.00	182,670,000.00
Other current liabilities		13,711,870.01	87,291,565.13
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Total current liabilities		<u><u>2,283,878,248.56</u></u>	<u><u>2,212,332,553.41</u></u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	At 31 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Non-current liabilities:			
Long-term borrowings		423,193,595.26	472,250,000.00
Bonds payable		–	–
Including: preferred shares		–	–
perpetual bond		–	–
Lease liabilities		–	–
Long-term payables		–	–
Estimated liabilities		–	–
Deferred income		27,725,096.17	34,318,829.09
Deferred income tax liabilities		11,653,432.14	11,798,478.85
Other non-current liabilities		–	–
		<hr/>	<hr/>
Total non-current liabilities		462,572,123.57	518,367,307.94
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Total liabilities		2,746,450,372.13	2,730,699,861.35
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Owners' equity:			
Share capital		792,058,500.00	792,058,500.00
Other equity instruments		–	–
Including: preferred shares		–	–
perpetual bond		–	–
Capital reserves		101,640,122.75	96,793,749.50
Less: treasury stocks		–	–
Other comprehensive income		27,530,254.10	29,501,087.49
Special reserves		–	–
Surplus reserves		96,626,439.01	96,626,439.01
Provision for general risk		–	–
Undistributed profits		1,005,321,956.36	990,758,260.44
Total owners' equity attributable to the parent company		2,023,177,272.22	2,005,738,036.44
Minority interest		65,434,287.45	75,253,721.53
		<hr/>	<hr/>
Total owners' equity		2,088,611,559.67	2,080,991,757.97
		<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND OWNERS' EQUITY		4,835,061,931.81	4,811,691,619.32
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Consolidated Income Statement

For the six months ended 30 June 2019

ITEMS	Note	Six months ended 30 June	
		2019	2018
I. Total operating income		816,952,108.91	860,887,967.66
Including: Operating income	2	816,952,108.91	860,887,967.66
Interest income		—	—
Earned premiums		—	—
Income from handling charge and commission		—	—
II. Total operating cost		719,752,331.77	744,331,462.06
Including: Operating cost	2	619,697,654.26	641,875,924.96
Interest expenses		—	—
Handling charges and commissions		—	—
Surrender value		—	—
Net payments for insurance claims		—	—
Net provision for insurance contracts		—	—
Expenditures for insurance policy dividend		—	—
Reinsurance costs		—	—
Taxes and surcharges		3,071,472.21	4,162,229.43
Selling and distribution expenses		19,697,875.74	20,215,782.33
Administrative expenses		25,573,746.74	26,584,826.90
Research & development expenses		21,659,396.02	24,324,492.52
Financial expenses	4	31,951,075.98	19,594,742.20
Including: Interest expenses	4	33,002,632.19	18,071,560.02
Interest income	4	2,236,543.94	-797,097.69
Asset impairment losses		551,110.82	—
Credit impairment losses		-2,450,000.00	7,573,463.72
Add: Other income		9,535,678.94	—
Investment income (with “-” for losses)		813,400.00	1,340,884.89
Including: Investment income from associates and joint ventures		—	—
Currency exchange gains (with “-” for losses)		—	—
Gain on fair value change (with “-” for losses)		—	—
Income on disposal of assets (with “-” for losses)		3,035.82	—

ITEMS	Note	Six months ended 30 June	
		2019	2018
III. Operating profit (with “-” for losses)		107,551,891.90	117,897,390.49
Add: Non-operating income		208,838.51	1,909,030.95
Less: Non-operating expenses		152,126.80	53,337.54
IV. Total profit (with “-” for total losses)		107,608,603.61	119,753,083.90
Less: Income tax expenses	5	18,812,118.52	19,260,012.64
V. Net profit (with “-” for net losses)		88,796,485.09	100,493,071.26
1. Net profit attributable to the owners of parent company		93,769,545.92	99,304,107.15
2. Minority interests		-4,973,060.83	1,188,964.11
3. Net profit from the continuing operations (with “-” for net losses)		88,796,485.09	100,830,421.44
4. Net profit from the discontinued operations (with “-” for net losses)		–	-337,350.18
VI. Other comprehensive income		-1,970,833.39	2,625,561.53
Net other comprehensive income attributable to the owners of parent company, net of tax		-1,970,833.39	2,625,561.53
(I) Other comprehensive income that cannot be reclassified to profit or loss		–	–
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		–	–
4. Changes in fair value of the company's own credit risk		–	–
5. Other		–	–
(II) Other comprehensive income that will be reclassified to profit and loss		-1,970,833.39	2,625,561.53
1. Other comprehensive income under equity method that can be reclassified into profit and loss		–	–
2. Changes in fair value of other debt investments		–	–
3. The amount of financial assets reclassified into other comprehensive income		–	–
4. Credit impairment provisions for other debt investment		–	–
5. Reserves for cash flows hedges		–	–

ITEMS	Note	Six months ended 30 June	
		2019	2018
6. Converted difference in foreign currency statements		-1,970,833.39	2,625,561.53
7. Other		—	—
Net other comprehensive income attributable to minority shareholders, net of tax		—	—
VII. Total comprehensive income		86,825,651.70	103,118,632.79
Total comprehensive income attributable to the owner of parent company		91,798,712.53	101,929,668.68
Total comprehensive income attributable to minority shareholders		-4,973,060.83	1,188,964.11
VIII. Earnings per share:	6		
(1)Basic earnings per share (yuan/share)		0.118	0.125
(2)Diluted earnings per share (yuan/share)		0.118	0.125

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company – Financial Reporting General Provisions (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”).

The accounting policies and calculation methods used in the preparation of the unaudited interim financial statements has changed versus to those adopted in the annual financial statements for the year ended 31 December 2018. During the reporting period, the changes of the Company’s accounting policies are listed as follows:

In 2018, the Ministry of Finance issued the revised “Accounting Standard for Business Enterprises No. 21 – Leasing” (the “New Lease Standard”) which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognize depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard and elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation. The implementation of the New Lease Standard had no impact on the retained earnings of the Group as at 1 January 2019.

According to the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), in the balance sheet, the “notes and accounts receivables” shall be split into “notes receivable” and “accounts receivable”, the “notes and accounts payables” shall be split into “notes payable” and “accounts payable” and the new item “receivables financing” is added to present the notes receivable and accounts receivable at fair value through other comprehensive income as at the balance sheet date, etc. The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the consolidation and the net profit and the owners’ equity of the Company.

Unit: RMB yuan

Items listed in the original statement	Balance as at 31 December 2018	Items listed in the current statement	Balance as at 1 January 2019	Adjusted amount
Notes and accounts receivables	1,096,589,642.96	Notes receivable	259,450,275.36	–
		Accounts receivable	837,139,367.60	
Notes and accounts payables	1,097,320,317.19	Notes payable	28,756,738.41	–
		Accounts payable	1,068,563,578.78	

This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales and service businesses.

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Principal operating income	803,094,785.48	851,720,476.54
Other operating income	13,857,323.43	9,167,491.12
Total operating income	<u>816,952,108.91</u>	<u>860,887,967.66</u>
Principal operating cost	618,958,833.65	641,278,848.58
Other operating cost	738,820.61	597,076.38
Total operating cost	<u>619,697,654.26</u>	<u>641,875,924.96</u>

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	Operating income	Operating cost	Operating income	Operating cost
System integration	370,958,218.05	268,723,220.39	401,420,611.05	294,114,766.65
Intelligent terminal sales	352,562,916.44	318,882,170.20	370,194,210.18	331,694,842.63
Service	79,573,650.99	31,353,443.06	80,105,655.31	15,469,239.30
Total	<u>803,094,785.48</u>	<u>618,958,833.65</u>	<u>851,720,476.54</u>	<u>641,278,848.58</u>

3. SEGMENTS INFORMATION

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

4. FINANCE COSTS

Item	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest expenses	33,002,632.19	18,071,560.02
Less: interest income	2,236,543.94	-797,097.69
Exchange gain or loss	–	2,929.18
Others	1,184,987.73	723,155.31
Total	<u>31,951,075.98</u>	<u>19,594,742.20</u>

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax calculated based on tax law and related regulations	19,316,698.11	19,228,018.83
Deferred income tax adjustment	<u>-504,579.59</u>	<u>31,993.81</u>
Total	<u>18,812,118.52</u>	<u>19,260,012.64</u>

On 7 December 2017, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the effective tax rate of enterprise income tax for the Company is 15% during the reporting period.

On 27 December 2017, Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 30 November 2018, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 28 November 2018, Nanjing City Intelligent Transportation Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 30 November 2018, Nanjing Sample Chain Information Technology Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period attributable to the owners of the parent company of RMB93,769,545.92 (corresponding period of 2018: RMB99,304,107.15) and weighted average number of issued ordinary shares of 792,058,500 (2018: 792,058,500) during the period.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the periods ended 30 June 2019 and 2018.

In 2018, based on the total share capital of 316,823,400 shares at the end of 2017, the Company increased 316,823,400 shares by way of capitalization of capital reserve on the basis of 10 capitalization shares for every 10 shares and issued 158,411,700 shares from the undistributed profits on the basis of 5 bonus shares for every 10 shares. The total share capital of the Company upon completion of such increase was 792,058,500 shares. The Company's basic earnings per share and diluted earnings per share for the six months ended 30 June 2018 calculated based on the number of shares in the previous period were RMB0.313 and RMB0.313, respectively and the basic earnings per share and diluted earnings per share for the previous period recalculated based on the number of shares upon changes were RMB0.125 and RMB0.125, respectively.

7. DIVIDENDS

The proposed distribution of final cash dividend of RMB0.1 per share for the year ended 31 December 2018 was approved by the Company's shareholders on 27 May 2019.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Accounts receivable	1,127,521,049.00	956,108,356.74
Less: Provision for bad debts for accounts receivable	130,456,359.32	118,968,989.14
Notes receivable	10,463,424.00	270,905,071.00
Less: Provision for bad debts for notes receivable	400,200.00	11,454,795.16
Prepayments	309,043,084.20	424,735,769.16
Other receivables	284,769,656.25	357,591,064.98
Less: Provision for bad debts for other receivables	35,823,644.93	36,003,580.62
Interest receivable	–	4,911,486.42
Dividends receivable	–	–
Total	<u>1,565,117,009.20</u>	<u>1,847,824,382.90</u>

The aging analysis of accounts receivable

Types	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	848,757,105.20	57,071,149.18	753,089,331.43	42,674,524.60
1 to 2 years	191,061,561.20	14,845,998.94	101,348,947.18	8,107,915.77
2 to 3 years	41,661,673.42	12,498,502.02	47,833,613.39	14,350,084.03
Over 3 years	46,040,709.18	46,040,709.18	53,836,464.74	53,836,464.74
Total	<u>1,127,521,049.00</u>	<u>130,456,359.32</u>	<u>956,108,356.74</u>	<u>118,968,989.14</u>

The aging analysis of notes receivable

Types	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	10,463,424.00	400,200.00	270,905,071.00	11,454,795.64
1 to 2 years	–	–	–	–
2 to 3 years	–	–	–	–
Over 3 years	–	–	–	–
Total	<u>10,463,424.00</u>	<u>400,200.00</u>	<u>270,905,071.00</u>	<u>11,454,795.64</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Accounts payable	1,069,238,818.54	1,068,563,578.78
Notes payable	101,459,129.50	28,756,738.41
Contract liabilities	61,441,192.01	92,499,959.57
Other payables	92,465,924.71	63,775,516.04
Interest payable	–	2,411,771.11
Dividend payable	79,205,850.00	–
Total	<u>1,403,810,914.76</u>	<u>1,256,007,563.91</u>

The aging analysis of accounts payable

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Within 1 year	773,566,805.90	744,463,292.98
1 to 2 years	161,767,637.35	179,281,440.45
Over 2 years	133,904,375.29	144,818,845.35
Total	<u>1,069,238,818.54</u>	<u>1,068,563,578.78</u>

The aging analysis of notes payable

Items	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Within 1 year	101,459,129.50	28,756,738.41
1 to 2 years	–	–
Over 2 years	–	–
Total	<u>101,459,129.50</u>	<u>28,756,738.41</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total operating income

For the six months ended 30 June 2019 (the “Review Period”), the total operating income of the Group amounted to RMB816,952,108.91, representing a decrease of approximately 5.10% over that of the corresponding period of last year. The decrease was mainly attributed to the slight decrease in the income of system integration businesses.

Gross profit margin

The gross profit margin for the Review Period decreased from approximately 25.44% for the corresponding period of last year to 24.15% which was mainly due to the increase of material costs.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2019 was RMB19,697,875.74, representing a decrease of approximately 2.56% as compared with the corresponding period of last year. The decrease was mainly attributed to the increase in publicity of the Group by self-media resulted to reduction in business promotion expenses.

Administrative expenses

The administrative expenses recorded a decrease of approximately 3.80% from RMB26,584,826.90 in the corresponding period of last year to RMB25,573,746.74 for the Review Period. The decrease was mainly attributed to the optimization of internal structure by the Company which enhanced the internal operational efficiency.

Research and development expenses

The research and development expenses for the six months ended 30 June 2019 were RMB21,659,396.02, representing a decrease of approximately 10.96% as compared with the same period last year. The decrease was mainly due to the fact that the Group’s 2019 R&D plan will be mainly carried out in the second half of the year.

Financial expenses

The financial expenses for the six months ended 30 June 2019 were RMB 31,951,075.98, representing an increase of approximately 63.06% as compared with the same period last year. The main reason for this increase is due to the increase of bank loans for project procurement in order to support the rapid growth of the Group’s business.

Prepayments

As at 30 June 2019, the Group's prepayments amounted to RMB309,043,084.20, representing a decrease of approximately 27.24% as compared to that of 31 December 2018. The decrease was mainly due to the goods were received.

Long-term equity investment

As at 30 June 2019, the Group's long-term equity investment was RMB165,651,504.97, representing an increase of approximately 282.18% as compared to that of 31 December 2018. The increase was mainly attributable to the Group made investment of RMB75,237,624.00 in Xuzhou Xingshanzi Bus Terminal Shoumo Station Project Management Co., Ltd. (徐州市杏山子公交首末站项目管理有限公司) and RMB41,073,000.00 in Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd. (徐州市九里公交首末站项目管理有限公司) during the period under review.

Other payables

As at 30 June 2019, the Group's other payables were RMB171,671,774.71, representing an increase of approximately 159.37% as compared to that of 31 December 2018. The increase was mainly due to the declaration of final dividend of a total of RMB79,205,850.00 for the year of 2018 (based on 792,058,500 shares, RMB0.1 per share) during the reporting period.

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group's working capital (being current assets less current liabilities) as at 30 June 2019 was RMB1,309,852,223.43 (At 31 December 2018: RMB1,444,560,561.74).

As at 30 June 2019, the bank balances and cash of the Group amounted to RMB613,604,783.89 (At 31 December 2018: RMB532,958,036.92).

Capital Structure

As at 30 June 2019, the total bank borrowings of the Group was RMB1,253,393,595.26 (At 31 December 2018: RMB1,294,220,000.00), which included secured bank borrowings of RMB160,362,000.00 with annual interest rates ranging from 4.9% to 5.35% and are repayable within 5 years. The remaining RMB1,093,031,595.26 is unsecured bank borrowings, including bank borrowings of RMB817,000,000.00 with annual interest rates ranging from 4.35% to 7% and are repayable within one year. Bank borrowings amounted to RMB276,031,595.26 with annual interest rate ranging from 5.32% to 7% and are repayable within three years. During the period under review, the bank borrowings is mainly in support of the rapid growth of the Group's business and the funds obtained were mainly used for project procurement and prepayments for projects.

As at 30 June 2019, the registered and issued share capital of the Company was RMB792,058,500.00 which was divided into 229,500,000 H Shares and 562,558,500 Domestic Shares.

Pledge of Assets of the Group

As at 30 June 2019, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB345,832,189.83 (including: investment properties of RMB227,503,300.00, fixed assets of RMB110,271,738.43, intangible assets of RMB8,057,151.40) were pledged to banks to secure outstanding bank loans of approximately RMB160,362,000.00.
- (ii) The bank deposits of RMB44,824,891.60 (As at 31 December 2018: RMB36,413,835.27) were pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2019, the Group has an aggregate of 316 employees (At 30 June 2018: 336 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB32,301,246.93 (corresponding period of 2018: RMB27,793,577.74).

The salary and bonus policy of the Group is principally determined by the performance of the individual employee.

Gearing Ratio

The gearing ratio (being bank borrowings less cash and cash equivalents divided by equity) of the Group as at 30 June 2019 was 32.78% (At 31 December 2018: 38.33%). This was mainly attributed to the increase of bank borrowings for the project procurement and project prepayments in support of the rapid growth of the Group's business.

Risk in Foreign Exchange

The revenue and expenses of the Group were denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant.

Substantial Acquisition and Disposal and Significant Investment

The Group did not have any other material acquisition and disposal and material investment during the Review Period.

Future Plans Relating to Material Investment or Capital Asset

As at the date of this announcement, the Group has not executed any agreement in respect of proposed acquisition and did not have any other future plan of material investment or capital asset.

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business development

In the expressway intelligent transportation business domain, the Group continued to consolidate and improve its existing business by refining the management of project implementation in all aspects and developing new projects. At the same time, it developed new business projects in all aspects by active participation in bidding major projects, proactive commencement of strategic cooperation within the industry, expanded the clientele of the industry, secured both the increases in business revenue and client satisfaction of the sector. During the period under review, the Group commenced and launched the mechanical and electrical engineering project of the Wenchuan-Maerkang Expressway in Sichuan, modification of the whole-vehicle weight measuring equipment of the G15 Shenhai Expressway (Wenzhou section), the modification and extension of Hangzhou-Nanjing Expressway (Zhejiang section) and the mechanical and electrical engineering project of the toll system of Haian-Qidong Expressway. Meanwhile, the Group newly signed projects such as the cancellation of expressway toll stations at provincial boundary of Hu-Ning Expressway (ETC gantry system integration), cancellation of expressway toll stations at provincial boundary of Suzhou Ring Expressway (ETC gantry system integration), cancellation of expressway toll stations at provincial boundary of Yanjiang Expressway (ETC road modification), equipment purchase for high-definition license plate identification system of the ETC gantry system of Jiangsu Network Expressway, construction project of the mechanical and electrical engineering of the toll system of Haian-Qidong Expressway, mechanical and electrical engineering of Jilin Province Jishuang Expressway (Jian-Tonghua section) and mechanical and electrical engineering of Huadu-Dongguan Expressway. The Group actively implemented various major projects, actively explored business opportunities to construct intelligent service areas along expressways and achieved breakthroughs in project management. We aimed at constantly enhancing our data service capability, actively exploring the application of big data analysis related to transportation in new areas and extending the intelligent transportation concept to every business segment.

In the city intelligent transport business domain, the Group strengthened its capability to fulfil its core mission of offering comprehensive solutions of city intelligent transportation. To this end, it continued to integrate elements such as data collection terminals for internet-of-things (IOT) and intelligent information management platforms, creating the basis for ecological transport services in the construction of intelligent cities. During the period under review, the Group actively advanced the implementation and acceptance of projects such as the 1st stage of Intelligent traffic management system Phase II of Olympic Sports Center in Suzhou Industrial Park, reconstruction and extension project and mechanical and electrical installation project of the north section of Xuyi of Line G235 and Raocheng Section of Xuyi of 331 Provincial Highway. To support its user demand-oriented scheme, the Group conducted in-depth research on traffic model algorithms via both self-development and external cooperation. By forming teams dedicated to the big data model and software development, the Group further enhanced its understanding of the transportation sector. Meanwhile, the Group endeavored to shift its core competence from project implementation to an ability to seize on industry demand and analyze big data.

In the customs logistic business domain, the Group continued to devote significant effort to integrating market resources and provide customers with quality solutions. During the period under review, the Group reconstructed the software system for customs integrated gate for the upgrading to proactive cloud operation and maintenance with rapid response, providing service to customers and collecting Sample gate operation and maintenance data. It developed station management system to realise all scenarios business linkage of the customs platform, gate and station, and collecting information related to the enterprises and forwarding agents which will prepare the Group for development of new business and ensure its sustaining advantage in intelligent customs logistics. During the period under review, the Group secured projects such as specific information system for customs clearance base of Nanjing airport, equipment purchase and installation of the information system of bonded logistics center in Rudong Yangkou Port Economic Development Zone (A type), and modification of customs information aided management system of Fuzhou Bonded Port. Meanwhile, the Group strengthened the customs business team, meticulously managed projects and secured the quality of projects, and made significant improvement in the standardised procedures for projects.

Research and development

During the period under review, the Group actively participated in the work of the national internet-of-things standard working group led by the China Electronics Standardization Institute of the Ministry of Industry and Information Technology. The Group led the formulation of a national standard “Internet-of-things Information Sharing Exchange Part 4: Data Interface”. The three national standards the Group participated, i.e. “Internet-of-things Information Sharing Exchange Part 1: Overall Structure”, “Internet-of-things Information Sharing Exchange Part 2: Universal Technical Requirements” and “Internet-of-things for Intelligent City Application Guide” were officially implemented in 2019. The Group continued to actively promote, build and implement government projects including NDRC’s “Internet +”, Provincial Economic & Information Commission’s information and technology industrial transformation project and key e-commerce development project, the Provincial Intellectual Property Office’s strategic project for corporate intellectual property, and the Provincial high-value patent cultivation project.

BUSINESS OUTLOOK

Future prospects

In the second half of the year, the Group will continue to take two core industries of intelligent transportation and customs logistics as the foundation, centralize the resources of the Group, use information technologies such as the internet-of-things and “internet +” as its core to build the ecological system of an intelligent city, and promote innovation of the business model of the Company.

Regarding the intelligent transportation domain, the Group will increase cooperation within the industry with government and enterprises, and provide professional and customized solutions for administration departments of the transportation industry by a combination of means including “optimising traffic organisation + refining transportation projects + improving scientific management measures + advance ITS technology”. On the foundation of data collected in respect of electrical and mechanical infrastructure, carrying equipment and operating trend of transportation, and of relevant government and operators, and in accordance with the demand for daily monitoring, coordination and control, dispatching

and directing, alert and forecast, the Group will provide industrial services of “project interaction + operation and maintenance” to users of the transportation industry at various levels. Based on the “big data, intelligent technology, mobile internet, cloud computing” technology and incorporating a number of its own intellectual property rights, the Group will provide professional monitoring and management system, toll management system, emergency and security system and operation and maintenance system to highway administration departments, and provide all-round transport management and intelligent transport services to users at various levels.

Regarding the customs logistics domain, the Group will continue to adhere to the philosophy of “connection, development, sharing”, devote to technological innovation and promote industrial efficiency driven by technology, data and scenarios. Based on the “in custom, in warehouse, in transit, in factory, in use, in management” (“six ins” in brief) of goods to guide IoT scenario modification, the Group will create all scenario service products for customs, and obtain dynamic and static data based on the scenarios to enhance management effectiveness. On the foundation of consolidating its existing business, the Group will pay great attention to project quality management and service standard for further enhancement of the market reputation of its customs logistics business. It will continue to strengthen its business teams, optimise the structure of integration projects and explore new areas of customs clearance logistics, laying the foundation for business transformation and upgrade in the future.

Share Option Scheme

On 18 October 2011, the Board passed the resolution to terminate the execution of the share option scheme of the Company which was approved by the shareholders of the Company by way of resolution on 24 April 2004. The resolution was passed at the general meeting on 30 December 2011.

The Company has not granted any option under the share option scheme since the adoption of the scheme.

Competing Business and Conflicts of Interests

None of the Directors, management shareholders or substantial shareholders of the Company 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 any other conflicts of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the six months ended 30 June 2019.

Audit Committee

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duty of the audit committee is to supervise the financial reporting process and internal control of the Company.

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

Corporate Governance Code

For the six months ended 30 June 2019, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Change in Constitutional Document

During the period under review, there has been no significant change in the Company's Articles of Association.

Purchase, Redemption or Sales of Listed Securities of the Company

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

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

23 August 2019
Nanjing, the PRC

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Zhu Xiang, Ms. Yu Hui; the non-executive Director is Mr. Chang Yong and the independent non-executive Directors are Mr. Gao Lihui, Mr. Niu Zhongjie and Mr. Hu Hanhui.

* For identification purpose only