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南京三寶科技股份有限公司

NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 1708)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2013 (the "Period") amounted to approximately RMB787,767,967, representing a growth of approximately 6.79% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the year ended 31 December 2013 was approximately RMB126,405,756, representing a decrease of approximately 24.73% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2013 was approximately RMB0.564 (2012: RMB0.749).

The payment of a final dividend of RMB0.1 per share is recommended for the year ended 31 December 2013.

ANNUAL RESULTS

The board (the "Board") of Directors of Nanjing Sample Technology Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

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

Consolidated balance sheet

At 31 December 2013

ASSETS	Note	2013	2012
Current assets:			
Cash at bank and on hand		579,052,891.83	449,609,726.85
Notes receivable	3	3,300,000.00	160,000.00
Accounts receivable	3	343,612,285.44	278,576,202.98
Prepayments	3	96,418,562.53	48,417,202.13
Other receivables	3	92,493,603.10	147,128,312.82
Inventories		283,576,874.55	267,316,724.10
Total current assets		1,398,454,217.45	1,191,208,168.88
Non-current assets:			
Long-term equity investments		101,386,244.94	101,386,244.94
Fixed assets		197,473,466.90	172,765,938.02
Construction in progress		166,580,798.69	105,149,762.35
Construction materials		1,906,895.00	3,978,173.60
Intangible assets		21,828,164.51	24,364,756.07
Long-term deferred expenses		2,886,273.36	755,341.29
Deferred income tax assets		11,348,029.95	6,592,988.15
Total non-current assets		503,409,873.35	414,993,204.42
TOTAL ASSETS		1,901,864,090.80	1,606,201,373.30
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		285,000,000.00	138,000,000.00
Notes payable		6,115,952.00	29,246,066.85
Accounts payable	4	316,606,125.09	269,751,512.77
Advances from customers	4	25,481,574.39	25,300,107.19
Staff remuneration payables		392,855.74	221,508.60
Taxes payable		35,754,695.27	52,212,021.92
Other payables	4	25,303,089.24	28,046,279.25
Non-current liabilities due within 1 year		50,000,000.00	—
Total current liabilities		744,654,291.73	542,777,496.58
Non-current liabilities:			
Long-term borrowings		76,250,000.00	80,000,000.00
Deferred income tax liabilities		973,618.23	1,280,559.27
Other non-current liabilities		22,925,895.86	18,257,762.50
Total non-current liabilities		100,149,514.09	99,538,321.77

	<i>Note</i>	2013	2012
Total liabilities		<u>844,803,805.82</u>	<u>642,315,818.35</u>
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital surplus		99,627,613.95	99,627,613.95
Surplus reserve		46,153,350.13	41,898,314.28
Undistributed profits	5	642,216,593.48	564,885,873.01
Difference on translation of foreign currency financial statements		<u>(3,776,850.71)</u>	<u>(3,644,102.21)</u>
Total equity attributable to the shareholders of the Company		<u>1,008,320,706.85</u>	<u>926,867,699.03</u>
Minority interest		<u>48,739,578.13</u>	<u>37,017,855.92</u>
Total shareholders' equity		<u>1,057,060,284.98</u>	<u>963,885,554.95</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,901,864,090.80</u>	<u>1,606,201,373.30</u>
Net current assets	<i>13</i>	<u>653,799,925.72</u>	<u>648,430,672.30</u>
Total asset less current assets	<i>14</i>	<u>1,157,209,799.07</u>	<u>1,063,423,876.72</u>

Consolidated income statement

For the year ended 31 December 2013

ITEMS	Note	2013	2012
I. Total operating income	6	787,767,966.59	737,689,688.95
II. Total operating cost		655,075,598.95	569,556,451.04
Including: Operating cost		523,328,683.75	453,605,654.15
Taxes and surcharges		11,207,510.01	18,738,322.80
Selling and distribution expenses		24,316,401.22	19,700,037.85
General and administrative expenses		75,788,482.51	56,672,710.29
Financial expenses	9	8,904,116.66	11,369,009.23
Asset impairment losses		11,530,404.80	9,470,716.72
Share of profit of associates and jointly controlled entities		–	4,324,931.80
Other investment income		–	10,225,428.74
III. Operating profit		132,692,367.64	182,683,598.45
Add: Non-operating income		19,106,603.52	24,559,920.80
Less: Non-operating expenses		175,016.57	403,687.36
IV. Total profit		151,623,954.59	206,839,831.89
Less: Income tax expenses	10	21,496,476.06	37,621,268.34
V. Net profit		130,127,478.53	169,218,563.55
Net profit attributable to the shareholders of the Company		126,405,756.32	167,927,630.71
Minority interests		3,721,722.21	1,290,932.84
VI. Other comprehensive income		(132,748.50)	(959.95)
Items to be re-categorized into profit and loss when satisfied the stipulated conditions in the subsequent accounting period		(132,748.50)	(959.95)
Converted difference in foreign currency statements		(132,748.50)	(959.95)
Items not re-categorized into profit and loss in the subsequent accounting Period		–	–
VII. Total comprehensive income		129,994,730.03	169,217,603.60
Total comprehensive income attributable to the shareholders of the Company		126,273,007.82	167,926,670.76
Total comprehensive income attributable to minority shareholders		3,721,722.21	1,290,932.84
VIII. Earnings per share:			
(1) Basic earnings per share	11	0.564	0.749
(2) Diluted earnings per share		0.564	0.749
IX. Dividend	12	44,820,000.00	22,410,000.00

Consolidated cash flow statement

For the year ended 31 December 2013

ITEMS	2013	2012
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	826,914,131.31	812,326,078.60
Refund of taxes and surcharges	9,546,287.67	10,842,839.22
Cash received relating to other operating activities	196,312,804.91	194,432,378.86
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	1,032,773,223.89	1,017,601,296.68
	<hr/>	<hr/>
Cash paid for goods and services	661,015,700.91	501,429,917.72
Cash paid to and on behalf of employees	41,544,671.79	41,312,338.98
Payments of tax charges	70,288,459.26	88,152,255.78
Cash paid relating to other operating activities	207,973,906.15	209,093,581.52
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	980,822,738.11	839,988,094.00
	<hr/>	<hr/>
Net cash flows from operating activities	51,950,485.78	177,613,202.68
	<hr/> <hr/>	<hr/> <hr/>
II. Cash flows from investing activities		
Cash received from disposal of investments	64,600,000.00	64,600,000.00
Cash received from returns on investments	–	680,733.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	58,177.78	1,359,602.93
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	–	6,133,000.00
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	64,658,177.78	72,773,336.26
	<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	120,401,501.97	172,117,737.87
Cash paid to acquire investments	–	25,400,000.00
Net increase of pledged loans	–	–
Net cash paid to acquire subsidiaries and other operating entities	–	–
Cash paid relating to other investing activities	–	–
	<hr/>	<hr/>
Sub-total of cash outflows from investing activities	120,401,501.97	197,517,737.87
	<hr/>	<hr/>
Net cash flows from investing activities	(55,743,324.19)	(124,744,401.61)
	<hr/> <hr/>	<hr/> <hr/>

ITEMS	2013	2012
III. Cash flows from financing activities		
Cash received from capital contributions	8,000,000.00	28,000,000.00
Including: Cash received from minority shareholders investment by subsidiary	8,000,000.00	28,000,000.00
Cash received from borrowings	390,000,000.00	288,000,000.00
	<hr/>	<hr/>
Sub-total of cash inflows from financing activities	398,000,000.00	316,000,000.00
	<hr/>	<hr/>
Cash repayments of borrowings	196,750,000.00	356,300,000.00
Cash payments for interest expenses and distribution of dividends or profits	58,233,168.19	38,399,839.81
	<hr/>	<hr/>
Sub-total of cash outflows from financing activities	254,983,168.19	394,699,839.81
	<hr/>	<hr/>
Net cash flows from financing activities	143,016,831.81	(78,699,839.81)
	<hr/> <hr/>	<hr/> <hr/>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(134,756.84)	5,327.27
	<hr/> <hr/>	<hr/> <hr/>
V. Net increase in cash and cash equivalents	139,089,236.56	(25,825,711.47)
Add: Cash and cash equivalents at beginning of period	389,224,229.07	415,049,940.54
	<hr/>	<hr/>
VI. Cash and cash equivalent at end of period	528,313,465.63	389,224,229.07
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Notes to the financial statements

For the year ended 31 December 2013

1. GENERAL

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

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

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

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design, installation; electronic products, computer development, manufacture, sale of self-production products, system integration; computer technology consulting and information services; research and development of ITS-based basic information collection technology and equipment. The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and health safety and other application areas.

The reporting currency of the Company is Renminbi (“RMB”). The reporting currency for the overseas businesses is the currency of the place in which they operate.

The currency used by the Group in the preparation of the financial statements is RMB.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2010 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”); and the accounting policies and estimates of Notes II (Significant Accounting Policies, Accounting Estimates and Prior Period Errors) as set out in the Company’s annual report 2013.

Change in accounting policies

In these financial statements, the Group has early adopted “Accounting Standards for Business Enterprises No. 9 – Employee Benefits” (Revised) (《企業會計準則第9號－職工薪酬》(修訂)), “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements” (Revised) (《企業會計準則第30號－財務報表列報》(修訂)), “Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement” (《企業會計準則第39號－公允價值計量》), “Accounting Standards for Business Enterprises No. 40 – Joint Arrangements” (《企業會計準則第40號－合營安排》) and “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” (Revised) (《企業會計準則第33號－合併財務報表》(修訂)) which were issued by Ministry of Finance in January and February 2014.

(1) “Accounting Standards for Business Enterprises No. 9 – Employee Benefits” (Revised)

Pursuant to “Accounting Standards for Business Enterprises No. 9 – Employee Benefits” (Revised), the enterprise shall divide the retirement benefit plan into defined contribution scheme and defined benefit scheme. Defined

contribution scheme refers to the retirement benefit plan in which the Group would no longer undertake further payment responsibility after the payment of fixed charges to an independent fund; while the defined benefit scheme refers to the retirement benefit plan other than the defined contribution scheme. During the accounting period when the staff provides service, the enterprise shall calculate the amount payable according to the defined contribution scheme and confirmed the liabilities, and the liabilities would be calculated into current profits and loss or assets. In respect of the defined benefit scheme, the Group calculated the responsibilities generated from the defined contribution scheme using the projected unit credit method and appropriate actuarial assumptions, and attributed the generated welfare responsibilities to the service period of the staff pursuant to the formula determined on basis of the defined benefit scheme, and calculated it into the current profit and loss, while the changes generated from the re-calculation of the net liabilities or net assets of the defined contribution scheme would be included in the other comprehensive income. In addition, the standards also regulate the enterprise provided employees short-term remuneration and other long-term employee benefits.

(2) “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements” (Revised)

“Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements” (Revised) further standardizes the presentation of its financial statements. In addition, the standard requires the presentation of other comprehensive income in the income statement should be divided into two categories: (1) items that are not to be re-categorized into profit and loss; (2) items to be re-categorized into profit and loss when stipulated conditions are satisfied in the subsequent accounting period.

(3) “Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement”

“Enterprise Accounting Standards No. 39 – Fair Value Measurement” establishes the measurement of fair value and the disclosure guidance of fair value measurement. The standards defines that the fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. The disclosure requirements for fair value measurement under the standards are more extensive.

(4) “Accounting Standards for Business Enterprises No. 40 – Joint Arrangements”

“Accounting Standards for Business Enterprises No. 40 – Joint Arrangements”, standardizes the classification and accounting treatments for the joint arrangement that jointly controlled by two parties or above. According to the structure of the joint venture arrangements, legal form, the terms of the contract as agreed between the parties and other relevant facts and circumstances, joint arrangement classified as joint operations and joint ventures. Joint operation refers the joint arrangement which the joint venture parties entitled to the underlying assets of the relevant arrangement and assumed liabilities of the joint arrangements. Joint venture refers the joint arrangement which the joint venture party only entitled to the right of the net assets of the arrangements. The initial recognition and subsequent accounting treatment for joint ventures and joint operations are different. Investments in joint ventures are accounted for by the equity method. The interests in joint operations shall be recognized by the joint venture parties to its assets (including its attributable share of any jointly held assets), its liabilities (including its attributable share of any liabilities jointly incurred), its revenue (including its attributable share of income generated from any sale of joint operations) and its expenses (including its attributable share of any expenses jointly incurred). The joint venture parties shall recognize the assets and liabilities and revenues, costs and expenses for their interest in the joint operations in accordance with applicable standards.

(5) “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” (Revised)

Pursuant to the provisions of “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” (Revised), the scope of the Group’s consolidated financial statements as consolidated by the Group would still be based on control. The standard to determine control with three elements: (a) power over the investee; (b) undertake or enjoy their exposure to variable returns risks or return rights; and (c) the ability to affect the

amount of returns by using its power over the investee. This amendment included a wide range of guidance for complex situations.

The management considered that the adoption of the above-mentioned standards will not have a material impact on the Group's financial statements. These financial statements have been presented and disclosed in accordance with the above-mentioned standards.

On 17 January 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 6" (《企業會計準則解釋第6號》) ("the Interpretation"), which had taken effect since the publishing date. The directors of the Company considered that the effectiveness of this Interpretation had no material effect on the financial situations and operation performance of the Group.

3. TRADE AND OTHER RECEIVABLES

	2013	2012
Accounts receivable	379,858,441.12	300,274,605.67
Less: Provision for doubtful and bad debts for accounts receivables	36,246,155.68	21,698,402.69
Notes receivable	3,300,000.00	160,000.00
Prepayments	96,418,562.53	48,417,202.13
Other receivables	92,890,751.35	150,587,250.24
Less: Provision for doubtful and bad debts for other receivables	397,148.25	3,458,937.42
Total	<u>535,824,451.07</u>	<u>474,281,717.93</u>

The aging analysis of accounts receivable

Types	2013		2012	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	217,602,559.78	6,599,146.82	187,709,825.96	5,131,178.99
1 to 2 years	99,733,090.85	6,422,592.93	99,715,135.37	7,569,296.27
2 to 3 years	55,933,217.53	16,712,772.07	4,895,229.51	1,417,629.70
Over 3 years	6,589,572.96	6,511,643.86	7,954,414.83	7,580,297.73
Total	<u>379,858,441.12</u>	<u>36,246,155.68</u>	<u>300,274,605.67</u>	<u>21,698,402.69</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 180 days of issuance, except for certain well-established customers.

4. TRADE AND OTHER PAYABLES

	2013	2012
Accounts payables	316,606,125.09	269,751,512.77
Advances from customers	25,481,574.39	25,300,107.19
Other payables	25,303,089.24	28,046,279.25
Total	<u>367,390,788.72</u>	<u>323,097,899.21</u>

Age analysis of trade payables

	2013	2012
Within 1 year	249,779,374.06	210,953,841.34
1 to 2 years	30,136,648.91	25,286,216.42
Over 2years	36,690,102.12	33,511,455.01
Total	<u>316,606,125.09</u>	<u>269,751,512.77</u>

5. UNDISTRIBUTED PROFITS

	2013	2012
Undistributed profit at the beginning of the year	564,885,873.01	427,217,076.14
Add: Current net profit attributable to shareholders of the Company	126,405,756.32	167,927,630.71
Less: Provision of statutory surplus reserves	4,255,035.85	7,848,833.84
Ordinary shares dividends payable	44,820,000.00	22,410,000.00
Closing balance of undistributed profit	<u>642,216,593.48</u>	<u>564,885,873.01</u>

The distribution of dividend on ordinary shares to shareholders of the Company was made according to the plan for distribution of profits after tax for 2012 approved at the annual general meeting of the Company held on 20 May 2013, namely a cash dividend of RMB0.2 per share to each shareholder, totaling RMB44,820,000, as calculated based on the Company's total issued share of 224,100,000 as at the end of 2012.

6. 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

Items	2013	2012
Principal operating income	782,313,992.08	730,973,118.53
Other operating income	5,453,974.51	6,716,570.42
Total operating income	<u>787,767,966.59</u>	<u>737,689,688.95</u>
Principal operating cost	520,672,373.41	451,370,110.74
Other operating cost	2,656,310.34	2,235,543.41
Total operating cost	<u>523,328,683.75</u>	<u>453,605,654.15</u>

(2) Principal operations (by product)

Name of Products	2013		2012	
	Operating income	Operating cost	Operating income	Operating cost
System integration	577,906,131.29	407,172,888.03	594,895,931.67	401,935,672.34
Including: Expressway	509,768,572.80	368,495,536.74	485,488,602.52	339,938,920.74
Customs logistics	68,137,558.49	38,677,351.29	109,407,329.15	61,996,751.60
Intelligent terminal sales	138,472,466.30	93,322,367.23	79,578,171.57	39,578,044.30
Service	65,935,394.49	20,177,118.15	56,499,015.29	9,856,394.10
Total	<u>782,313,992.08</u>	<u>520,672,373.41</u>	<u>730,973,118.53</u>	<u>451,370,110.74</u>

7. 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 year is only derived from security system business. 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.

8. GROSS PROFIT

	2013	2012
Operating income	787,767,966.59	737,689,688.95
Operating cost	523,328,683.75	453,605,654.15
Gross profit	<u>264,439,282.84</u>	<u>284,084,034.80</u>

9. FINANCIAL EXPENSES

Items	2013	2012
Interest expenses	13,413,168.19	16,879,928.45
Less: interest income	5,628,309.80	6,603,457.34
Exchange gain and loss	717,844.80	92,892.59
Others	401,413.47	999,645.53
Total	<u>8,904,116.66</u>	<u>11,369,009.23</u>

Notes: Interest expenses are interest on bank borrowings wholly repayable within five years.

10. INCOME TAX EXPENSES

Items	2013	2012
Current income tax calculated based on tax law and related regulations	26,558,458.90	40,288,024.44
Adjustment to deferred income tax	(5,061,982.84)	(2,666,756.10)
Total	<u>21,496,476.06</u>	<u>37,621,268.34</u>

11. BASIC EARNINGS PER SHARE

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

Items	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	126,405,756.32	167,927,630.71
Weighted average number of ordinary shares outstanding of the Company	224,100,000.00	224,100,000.00
Basic earnings per share (RMB/share)	<u>0.564</u>	<u>0.749</u>

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2013 and 2012.

12. DIVIDENDS

Items	2013	2012
Final dividend proposed of RMB0.1 per share (2012: RMB0.2 per share)	<u>22,410,000.00</u>	<u>44,820,000.00</u>

The directors recommend the payment of a final dividend of RMB0.1 per share (2012: RMB0.2 per share) for the year ended 31 December 2013 on 21 March 2014.

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the annual general meeting.

Items	2013	2012
Final dividend in respect of the previous year, approved and paid during the year	<u>44,820,000.00</u>	<u>22,410,000.00</u>
Total	<u>44,820,000.00</u>	<u>22,410,000.00</u>

13. NET CURRENT ASSETS

	2013	2012
Current assets	1,398,454,217.45	1,191,208,168.88
Less: current liabilities	<u>744,654,291.73</u>	<u>542,777,496.58</u>
Net current assets	<u>653,799,925.72</u>	<u>648,430,672.30</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2013	2012
Total assets	1,901,864,090.80	1,606,201,373.30
Less: current liabilities	<u>744,654,291.73</u>	<u>542,777,496.58</u>
Total assets less current liabilities	<u>1,157,209,799.07</u>	<u>1,063,423,876.72</u>

15. CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2013 was approximately RMB787,767,967, representing an increase of approximately 6.79% over last year. The increase was mainly due to the rapid growth of intelligent terminal sales over last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2013 was approximately 33.6%, representing a decrease of approximately 4.9% over last year. The decrease was mainly due to the significant decrease of gross profit of intelligent terminal sales business.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2013 was approximately RMB24,316,401, representing an increase of approximately 23.4% over last year. The increase was mainly attributable to the active exploration of new market by the Group during the Period.

General and Administrative Expenses

General and administrative expenses of the Group for the year ended 31 December 2013 was approximately RMB75,788,483, representing an increase of approximately 33.7% over last year. The increase was mainly attributable to the increase in investment on research and development during the Period.

Net Profit attributable to shareholders of the Company

For the year ended 31 December 2013, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB126,405,756, representing a decrease of 24.7% over last year. The decrease was mainly attributable to the increase in research and development cost during the Period and the absence of one-off investment income from the disposal of long term equity investment in 2012.

Construction in progress

At 31 December 2013, the Group's construction in progress amounted to RMB166,580,799 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the Company is constructing a research and development office building.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2013, the equity of the Group's shareholders was approximately RMB1,008,320,707. Current assets were approximately RMB1,398,454,218, comprising cash and bank balances of approximately RMB579,052,892. Non-current liabilities were approximately RMB100,149,514. Current liabilities were approximately RMB744,654,292, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2013, net assets per share of the Group was approximately RMB4.5 (31 December 2012: RMB4.1). The short-term borrowings of the Group were RMB285,000,000.

PLEDGE OF ASSETS

As at 31 December 2013, bank deposits of RMB50,739,426 were pledged to the bank for projects in progress (2012: RMB60,385,498).

GEARING RATIO

For the year ended 31 December 2013, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2012: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

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 were not exposed to any foreign currency risk.

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any other material acquisition and disposal and material investment during the period under review.

CAPITAL COMMITMENT

As at 31 December 2013, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, total employees' remuneration of the Group was approximately RMB40,680,000 (2012: RMB39,880,000) and the number of employees was 407 (2012: 410). 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

BUSINESS DEVELOPMENT

Strategic business

During the period under review, the Group continued to expand its pool of direct clients and steadily increase its market share and influence in the industry. The Group focused on the strategic cooperation within the industry, enhanced customer satisfaction and gradually established a marketing system focused on major projects and implemented authorized management by project area. While focusing on key areas of Jiangsu, Hebei, Sichuan, Zhejiang, Fujian, Guizhou, Hubei, Hunan, Xinjiang, Heilongjiang, Inner Mongolia and other provinces, it won contracts of mechanical and electrical engineering construction for Shiyan to Baihe Expressway of Hubei Province, reconstruction project of Highway for Yongjia Shatou-Shangtang section, mechanical and electrical engineering project for Hubei Huanggang-Ezhou expressway, mechanical and electrical engineering project for Karamay-Tacheng Expressway in Xinjiang, mechanical and electrical engineering project Handan-Daming Expressway in Hebei, mechanical and electrical engineering project of Xiamen-Chengdu Expressway of Fujian Province, and project of East Third Ring Expressway of Xuzho. It also actively expanded into other areas including Guangdong and Qinghai and significantly enhanced the depth and width of its highway market resources. During the period under review, the Group actively implemented different major mechanical and electrical engineering projects, including the Sichuan Guangnan project, the Sichuan Yagu project, mechanical and electrical engineering project Handan-Daming Expressway in Hebei, and the monitoring and reconstructing project of the Jiangsu Seaside Expressway. The Sichuan Guangnan project and Sichuan Yago project have passed through the final inspection procedure.

During the period under review the Group won the maintenance service project for the Intelligence Customs system in the east inspection area of Xiamen Haicang Bonded Port Gate Project, which marked the formation of a solid chain from project establishment, construction, operation and maintenance of our logistics and customs business, gaining trust and reputation from customers. Meanwhile, the Group actively research new products in logistics and customs, where monitoring, operation and maintenance platform of customs and logistics monitoring platform 2.0 has completed and commercialized. During the period under review the pilot project of security intelligence lock for Nanjing customs undertaken by the Group was successfully completed and passed the final inspection by the customs. The project adopted the security intelligence lock with “active code collection” approach developed by the Group, which innovated the regulation approach of customs.

During the period under review, the Group drew numerous end-users with its strengthened popularization of vehicle E-card. The Group issued 1.2 million cards, completed inspection and audit of “320 project” and established a real-time monitoring platform and operation and maintenance protection system. During the period under review the Group successfully developed the smart city sensing information collection, collection and sharing service system and the electronic toll collection platform (“ETCP”) and sought for bulk analysis and research on information and actively establish a comprehensive local-language vehicle O2O (Online to Online) service system. Through cooperation with China Mobile, China Unicom and Longhoo.net, the Group established solid operation service platforms and mature operation products including the “Smart Travel in Nanjing (智行南京)” mobile app, vehicle e-commerce platform and ride sharing website to provide excellent quality services for car owners.

Information services

During the period under review, the Group pushed forward the progress of cloud monitoring on customs assets and commenced the online operation of asset cloud portal which were well received by Wuxi customs and Nanjing customs technology division. In the future, we will expand the pilot work in Wuxi and Nanjing customs. It is expected that the project of cloud monitoring on customs assets will be upgraded to a manufacturing trading service in cross-border e-commerce integrated service in 2014. These reflect the cross-border e-commerce connection service, asset financing and supply chain financing services provided by foreign manufacturing firms. During the period under review, the Group completed the online preparation of monitoring system for the Shanghai Customs with the launch of a standardized product for self-monitoring for immigration use. This project, for the first time, achieved full-process transparent tracking of the logistics of non-traded items from the companies’ deliveries to the cusomters’ end. This provided practical experience for implementation of speedy customs clearance which was highly regarded by the Shanghai customs.

During the period under review, the Group launched various customised services for standardized information platform aiming at enhance customers' experience and serialization of products. The Group launched innovative IOT products including smart containers, smart courier counter, e-stamps, and further enhanced the coverage of smart terminals with a view to efficiently respond to customers' needs with highly reliable system of information cloud platform. The Group also enhanced and improved customers service systems and enhanced the brand value and corporate awareness of "Cloud Biaoju". During the period under review, the Group built a unified data platform, "Cloud ID", developed commodity credit SaaS services and formally launched the official website of self-developed "Tiantian Credit". Such platform provide products with a unique electronic identifier and provide customers with traceability services and provide corporates value-added services. The Group also continued to advance the establishment of standardized packing food traceability platform, actively, created demand, constructed off-line POS system platform for O2O e-commerce, provided value-added service and expanded the platform coverage.

Technology products

During the period under review, RFS-6808A, the product developed by the Group for asset cloud monitoring on specific items with tax relief or exemption for the Nanjing Customs, has been on trial with satisfactory operation performance and basic functions. The Group provided products for the real-time location management system for the penalty and forfeited materials warehouse in Huangpu customs of Guangzhou. The project has completed initial stage inspection. The Group also actively participated in the tracking system inspection project of the Nanjing Institute of Metrology. This was the first project in metrological system using RFID technology to impose real-time monitoring in the equipment under inspection. During the period under review, the Group continuously focused on development of new products which included ETCP reader, all-in-one machine dedicated for construction site workers monitoring, active reader dedicated for cloud monitoring in customs assets, active reader for monitoring valuable penalty and forfeited assets in customs and anti-removal active electronic tags.

Research and Development

During the period under review, the Group placed high importance in technological research and development. As such, we increased input in technical innovation, and further completed and steadily pushed forward the establishment of technical innovation system. During the period under review, the Group built the Sample cloud platform and provided IaaS and PaaS services, and completed one stage of development of in IOT database which passed professional inspection and can provide information storage services. Through cooperation with educational institutions and scientific institutions, the Group established internet finance laboratory and facilitate industrial, academic and research integration. We participated in the certification and formulation of industry standard in customs locks, and participated in drafting corporate standards for smart logistics facilities. During the period under review, the Group undertook and developed a series of IOT products including supply chain financial information platform, corporate projects community, cloud visual platform targeted on visual intelligent analysis and customs standard safety intelligence lock. During the period under review, the Group highly regarded the application and protection of intellectual properties and actively engaged in application of patents, software copyrights and software product licenses, and was granted numerous patents, software copyrights and software product licenses.

BUSINESS PROSPECTS

SALES AND MARKETING

Strategic business

In 2014, the Group is committed in application of IOT technology in import and export logistics to establish a highly efficient integrated application service fulfilling efficient regulation of customs and efficient operation of corporation, so as to enhance customers satisfaction, establish ourselves as a quality service brand for the industry and to become a branded supplier of quality services. In 2014, the Group will actively establish the operation and maintenance system and IT platform for customs and improve the electronic lock pilot projects in customs. We will focus on the progress of phase II of Jin Guan project, participate in visualized logistics facilities and implementation of regulations control in custom area. The Group will also construct a cooperation project with Nanjing custom and Shanghai custom with regards to the operation of electronic locks, and establish and promote the SaaS general cargo platform.

In 2014, the Group will continue establishing the mechanical and electrical system for expressways and customs logistics items. We seek to increase our market share by enhancing clients' satisfaction, facilitate adjustment in business structure by improving the approach in handling projects, and ensure the healthy development of our operation by strengthening the management on operating liquidity. The Group will give priority to marketing, strengthen business expansion, focus on targeted regions and areas with higher comprehensive competitiveness, attach importance to strategic cooperation in the industry to gain market share in a quick manner and expand channels of obtaining projects for higher profit margin thereof. In 2014, the Group will maintain a steady business in traditional mechanical and electrical circuit integration on highways, so as to expand business while maintaining the traditional market. We will introduce resources and capabilities through cooperation with the intention to explore and implement IT services in expressways, as well as to explore and implement smart city projects and overseas expansion.

In 2014, the Group will mainly operate in the investment, construction, operation and maintenance of intelligent urban transportation, based on which three types of innovative business will be developed, namely transportation operation service (e.g. vehicle operation), ETCP service and environmental service. While nurturing our innovative business, we will establish company for operation to help expand and strengthen such business. Meanwhile, the Group will promote intelligent transportation services in the entire province and actively engage in automobile e-card project in Xuzhou, intelligent transportation project in Xincheng of Hexi, Nanjing and project of smart traffic light network platform etc.

Information services

In 2014, the Group will dedicate itself in exploration of IOT industry. Through obtaining certification from the manufacturer, official certification, accreditation from third-party certification bodies and consumers judgments, we seek to establish a verification portal about product creditworthiness and third-party manufacturers. Meanwhile, the Group will commence the “third-party manufacturer tallying” operation targeted at cross-border e-commerce transactions. We provide one-stop tallying services and promote v2.0 of cloud-monitoring of customs assets. We aim to let the cross-border e-commerce transactions platform become a government approved professional third-party manufacturer servicing institution. We also seek to become a top designer, solution provider, operation platform establisher and integrated operation and maintenance service provider for cross-border e-commerce in Jiangsu and free-trade ports.

In 2014, the Group will consider satisfying end-user demand and exploring information resources as the direction of development for Cloud Biaoju. We will continue to enhance and improve our business models according to the market development trend. We will focus on enhancing customer satisfaction and continuously optimize platforms and products to improve users’ experiences. The Group will also further enhance our customer service system, develop mobile APPs for different platforms and create public account in Weixin to promote the use of mobile internet. In addition, we will continuously enhance our internet approach in obtaining information from terminals, applications and platforms.

Technology products

In 2014, the Group will tap on its internet marketing approach to reduce cost of sales and further enhance brand reputation and awareness. We will capitalize our current product advantage in import and export trades for enhancing marketing in overseas sales. Meanwhile, with the Group’s brand advantage, we will focus on demand analysis of high-end customers, integration of quality supplier OEM, integrated testing on high standard products to provide full range of quality IOT products for customers. We will strengthen our cooperation with enterprises, educational institutions and scientific research institution to conduct product research according to customers’ new demand so as to enhance their confidence in our products and further enhance our brand awareness in the industry. In the application of industry projects, we will cooperate with customers on certain influential pilot projects in terms of R&D and testing to further increase our influence in the industry.

Proposed Issue of A Shares

On 18 October 2011, the Company announced that the Company will apply to the relevant regulatory departments in PRC in accordance with the PRC laws and regulations, and subject to other regulatory requirements, for the issue of not more than 73,900,000 A shares of RMB1.00 per share to the natural persons, legal persons and other institutional investors (other than those who were prohibited from subscribing for A shares pursuant to the relevant PRC laws, regulations and other regulatory requirements) with A share accounts at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and will apply to the Shenzhen Stock Exchange for the listing of and dealing in those A shares. The proposed issue of A shares has been approved at the extraordinary general meeting of the Company (“EGM”) and at the class meeting for holders of H shares and domestic shares held on 30 December 2011, with effect for 12 months starting from 30 December 2011. At the extraordinary general meeting and class meetings for holders of H shares and domestic shares held on 28 December 2012, the extension of the validity period of the shareholders’ approval and the authorisation to the board of directors for proposed Issue of A Shares was approved, with the validity period extended for 12 months. At the extraordinary general meeting and class meetings for holders of H shares and domestic shares held on 26 December 2013, the further extension of the validity period of the shareholders’ approval and the authorization to the board of directors for proposed Issue of A Shares was approved, with the validity period further extended for 12 months. As at the date of this announcement, the Company had formally submitted the application to the China Securities Regulatory Commission (“CSRC”) for the approval of the proposed issue of A shares, and has completed the written reply for a feedback relating to the application. Further announcement will be made by the Company as necessary or appropriate to notify the shareholders and potential investors of the Company in respect of the progress of the issue of A shares.

DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will expire on 31 December 2015 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

AUDIT COMMITTEE

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

The audit committee comprises three independent non-executive Directors, namely Mr. Shum Shing Kei (the Chairman of the audit committee), Mr. Xu Suming and Mr. Geng Nai Fan. The audit committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regards did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

CORPORATE GOVERNANCE CODE

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

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Final Dividend

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 28 May 2014 ("2014 AGM") a final dividend of RMB0.1 per share to be paid on or about 28 August 2014 to those shareholders whose names appear on the register of members of the Company on 12 June 2014.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2014 AGM, the register of members of the Company will be closed from 28 April 2014 to 28 May 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2014 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 April 2014.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 5 June 2014 to 12 June 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 4 June 2014.

PUBLICATION OF ANNUAL REPORT

The 2013 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.sampletech.com.cn> in due course.

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

Nanjing, the PRC
21 March 2014

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Guo Ya Jun, the non-executive Director is Mr. Ma Jun; and the independent non-executive Directors are Mr. Xu Suming, Mr. Geng Nai Fan and Mr. Shum Shing Kei.

* *For identification purpose only*