



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

Interim Report

2014



* for identification purpose only

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2014 (the "Period") amounted to RMB387,823,724.09, representing a growth of approximately 8.51% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2014 was RMB64,689,329.19, representing a decrease of approximately 1.29% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2014 was approximately RMB0.289 (2013: RMB0.292).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors of Nanjing Sample Technology Company 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 2014 together with the comparative figures of 2013 as follows:

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

Financial Information

CONSOLIDATED BALANCE SHEET

At 30 June 2014

ASSETS	Note	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Current assets:			
Cash at bank and on hand		491,579,921.31	579,052,891.83
Notes receivable	8	450,000.00	3,300,000.00
Accounts receivable	8	316,516,967.85	343,612,285.44
Prepayments	8	137,498,253.88	96,418,562.53
Other receivables	8	119,489,797.73	92,493,603.10
Inventories		512,418,128.77	283,576,874.55
Total current assets		1,577,953,069.54	1,398,454,217.45
Non-current assets:			
Available-for-sale financial assets		119,506,244.94	101,386,244.94
Fixed assets		189,379,258.72	197,473,466.90
Construction in progress		196,915,650.23	166,580,798.69
Construction materials		3,397,054.00	1,906,895.00
Intangible assets		20,380,493.73	21,828,164.51
Long-term deferred expenses		4,827,659.04	2,886,273.36
Deferred income tax assets		11,186,605.00	11,348,029.95
Total non-current assets		545,592,965.66	503,409,873.35
TOTAL ASSETS		2,123,546,035.20	1,901,864,090.80

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2014

	Note	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		380,000,000.00	285,000,000.00
Notes payable		14,469,197.00	6,115,952.00
Accounts payable	9	375,347,349.62	316,606,125.09
Advances from customers	9	34,357,559.52	25,481,574.39
Staff remuneration payables		415,828.76	392,855.74
Taxes payable		29,523,996.37	35,754,695.27
Dividends payable		22,410,000.00	–
Other payables	9	42,152,452.66	25,303,089.24
Non-current liabilities due within 1 year		26,250,000.00	50,000,000.00
Total current liabilities		924,926,383.93	744,654,291.73
Non-current liabilities:			
Long-term borrowings		76,250,000.00	76,250,000.00
Deferred income tax liabilities		827,649.27	973,618.23
Other non-current liabilities		22,326,916.72	22,925,895.86
Total non-current liabilities		99,404,565.99	100,149,514.09
Total liabilities		1,024,330,949.92	844,803,805.82

Financial Information

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2014

	Note	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
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	46,153,350.13
Undistributed profits		684,495,922.67	642,216,593.48
Difference on translation of foreign currency financial statements		(3,092,046.85)	(3,776,850.71)
Total equity attributable to the shareholders of the Company		1,051,284,839.90	1,008,320,706.85
Minority interest		47,930,245.38	48,739,578.13
Total shareholders' equity		1,099,215,085.28	1,057,060,284.98
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,123,546,035.20	1,901,864,090.80
Net current assets		653,026,685.61	653,799,925.72
Total assets less current liabilities		1,198,619,651.27	1,157,209,799.07

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

ITEMS	Note	Six months ended 30 June	
		2014	2013
I. Total operating income	2	387,823,724.09	357,413,551.80
II. Total operating cost		313,874,857.59	286,814,457.86
Operating cost		259,469,666.18	232,776,891.08
Taxes and surcharges		3,683,990.26	6,753,145.87
Selling expenses		11,077,888.77	10,314,284.11
Administrative expenses		31,622,366.47	38,033,669.90
Finance costs	4	9,097,112.22	3,139,721.30
Impairment losses for assets		(1,076,166.31)	(4,203,254.40)
Share of profit of associates and jointly controlled entities		–	–
Other investment income		–	–
III. Operating profit		73,948,866.50	70,599,093.94
Add: Non-operating income		3,350,020.10	9,458,592.35
Less: Non-operating expenses		61,276.65	149,200.91
IV. Total profit		77,237,609.95	79,908,485.38
Less: Income tax expenses	5	11,957,613.51	12,782,381.82
V. Net profit		65,279,996.44	67,126,103.56
Net profit attributable to the shareholders of the Company		64,689,329.19	65,531,817.06
VI. Other comprehensive income		684,803.86	(76,248.93)

Financial Information

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (Continued)

For the six months ended 30 June 2014

ITEMS	Note	Six months ended 30 June	
		2014	2013
VII. Total comprehensive income		65,964,800.30	67,049,854.63
Total comprehensive income attributable to the shareholders of the Company		65,374,133.05	65,455,568.13
Total comprehensive income attributable to minority shareholders		590,667.25	1,594,286.50
VIII. Earnings per share:	6		
(1) Basic earnings per share		0.289	0.292
(2) Diluted earnings per share		0.289	0.292
IX. Dividends	7	-	-

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June	
	2014	2013
I. Cash flows from operating activities		
Net cash flows from operating activities	(35,707,518.64)	18,999,991.47
II. Cash flows from investing activities		
Net cash flows from investing activities	(59,102,885.18)	(20,390,478.27)
III. Cash flows from financing activities		
Net cash flows from financing activities	29,914,313.37	64,885,507.76
IV. Effect of foreign exchange rate changes on cash and cash equivalents	80,300.53	(77,931.38)
V. Net increase in cash and cash equivalents	(64,815,789.92)	63,417,089.58
Add: Cash and cash equivalents at beginning of period	528,313,465.63	389,224,229.07
VI. Cash and cash equivalent at end of period	463,497,675.71	452,641,318.65

Financial Information

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June 2014						Total shareholders' equity
	Attributable to the shareholders of the Company						
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	99,627,613.95	46,153,350.13	642,216,593.48	(3,776,850.71)	48,739,578.13	1,057,060,284.98
II. Opening balance of current year	224,100,000.00	99,627,613.95	46,153,350.13	642,216,593.48	(3,776,850.71)	48,739,578.13	1,057,060,284.98
III. Changes during the period	-	-	-	42,279,329.19	684,803.86	(809,332.75)	42,154,800.30
(I) Net profits	-	-	-	64,689,329.19	-	590,667.25	65,279,996.44
(II) Other comprehensive income	-	-	-	-	684,803.86	-	684,803.86
(III) Shareholders contribution and capital reduction	-	-	-	-	-	-	-
1. Capital contribution by shareholders	-	-	-	-	-	-	-
(IV) Profit appropriation	-	-	-	(22,410,000.00)	-	(1,400,000.00)	(23,810,000.00)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	(22,410,000.00)	-	(1,400,000.00)	(23,810,000.00)
(V) Others	-	-	-	-	-	-	-
IV. Closing balance of current period	224,100,000.00	99,627,613.95	46,153,350.13	684,495,922.67	(3,092,046.85)	47,930,245.38	1,099,215,085.28

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

		Six months ended 30 June 2013						
		Attributable to the shareholders of the Company						
ITEMS		Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others	Minority interest	Total shareholders' equity
I.	Closing balance of prior year	224,100,000.00	99,627,613.95	41,898,314.28	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
II.	Opening balance of current year	224,100,000.00	99,627,613.95	41,898,314.28	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
III.	Changes during the period	-	-	-	20,711,817.06	(76,248.93)	1,594,286.50	22,229,854.63
(I)	Net profits	-	-	-	65,531,817.06	-	1,594,286.50	67,126,103.56
(II)	Other comprehensive income	-	-	-	-	(76,248.93)	-	(76,248.93)
(III)	Shareholders contribution and capital reduction	-	-	-	-	-	-	-
1.	Capital contribution by shareholders	-	-	-	-	-	-	-
(IV)	Profit appropriation	-	-	-	(44,820,000.00)	-	-	(44,820,000.00)
1.	Appropriation to surplus reserves	-	-	-	-	-	-	-
2.	Appropriation to shareholders	-	-	-	(44,820,000.00)	-	-	(44,820,000.00)
(V)	Others	-	-	-	-	-	-	-
IV.	Closing balance of current period	224,100,000.00	99,627,613.95	41,898,314.28	585,597,690.07	(3,720,351.14)	38,612,142.42	986,115,409.58

Financial Information

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and other related regulations (“PRC Accounting Standards”) issued by the Ministry of Finance of the People’s Republic of China (the “Ministry of Finance”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In January and February 2014, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 39-Fair Value Measurement”, “Accounting Standards for Business Enterprises No. 40-Joint Arrangements” and issued the revised “Accounting Standards for Business Enterprises No. 30-Presentation of Financial Statements”, “Accounting Standards for Business Enterprises No. 9-Employee Benefits” and “Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements”. The above five Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt these Accounting Standards for Business Enterprises. As a Hong Kong listed company, the Company has adopted the above five Accounting Standards for Business Enterprises in the preparation of the financial statements for the year 2013 in accordance with the regulation in the transition period.

On 13 March 2014, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 2-Long-term equity investments”. The above Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt this Accounting Standards for Business Enterprises. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

On 27 March 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises No. 41-Disclosure of Interests in Other Entities". The above Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt this Accounting Standards for Business Enterprises. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014.

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.

Save the Adoption of the above-mentioned accounting standards, the accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2013. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

Financial Information

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	
	2014 (Unaudited)	2013 (Unaudited)
Principal operating income	384,266,352.73	353,393,182.32
Other operating income	3,557,371.36	4,020,369.48
Total operating income	387,823,724.09	357,413,551.80
Principal operating cost	257,279,052.93	231,651,266.63
Other operating cost	2,190,613.25	1,125,624.45
Total operating cost	259,469,666.18	232,776,891.08

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2014 (Unaudited)		Six months ended 30 June 2013 (Unaudited)	
	operating income	operating cost	operating income	operating cost
System integration	288,749,755.12	201,637,120.84	259,558,401.39	176,805,148.94
Including: Intelligent traffic	237,362,216.37	173,691,325.69	217,793,824.56	155,907,504.19
Customs logistics	51,387,538.75	27,945,795.15	41,764,576.83	20,897,644.75
Intelligent terminal sales	66,672,883.47	43,317,749.90	75,032,169.56	44,428,528.73
Service	28,843,714.14	12,324,182.19	18,802,611.37	10,417,588.96
Total	384,266,352.73	257,279,052.93	353,393,182.32	231,651,266.63

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 intelligent 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.

4. FINANCE COSTS

Item	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Interest expenses	10,375,111.13	5,114,492.24
Less: interest income	1,664,426.08	2,643,565.24
Exchange (gains)/losses	–	527,139.49
Others	386,427.17	141,654.81
Total	9,097,112.22	3,139,721.30

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

Financial Information

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Current income tax calculated based on tax law and related regulations	11,796,188.56	15,784,567.10
Deferred income tax adjustment	161,424.95	(3,002,185.28)
Total	11,957,613.51	12,782,381.82

On 31 October 2011, 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, its tax rate was 15% during the reporting period.

On 21 October 2008, Jiangsu Intellitrans Company Limited, a subsidiary of 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. This company continued to obtain the High and New Technology Enterprise certificate on 30 September 2011, with 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 tax rate was 15% during the reporting period.

5. INCOME TAX EXPENSES (Continued)

On 22 December 2009, Jiangsu Raifu Intelligent Tech. Co., Ltd., a subsidiary of 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. After the High and New Technology review on 5 November 2012, the Company continued to be the High and New Technology Enterprise. 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 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 shareholders of the Company of RMB64,689,329.19 (2013: RMB65,531,817.06) and weighted average number of issued ordinary shares of approximately 224,100,000 (2013: 224,100,000) 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 2014 and 2013.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

Financial Information

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Accounts receivable	351,556,478.12	379,858,441.12
Less: Provision for doubtful and bad debts for accounts receivables	35,039,510.27	36,246,155.68
Notes receivable	450,000.00	3,300,000.00
Prepayments	137,498,253.88	96,418,562.53
Other receivables	120,017,425.08	92,890,751.35
Less: Provision for doubtful and bad debts for other receivables	527,627.35	397,148.25
Total	573,955,019.46	535,824,451.07

The aging analysis of accounts receivable

Types	At 30 June 2014 (Unaudited)		At 31 December 2013 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	195,986,796.97	5,839,172.07	217,602,559.78	6,599,146.82
1 to 2 years	95,215,190.15	7,617,215.21	99,733,090.85	6,422,592.93
2 to 3 years	55,141,678.28	16,454,643.39	55,933,217.53	16,712,772.07
Over 3 years	5,212,812.72	5,128,479.60	6,589,572.96	6,511,643.86
Total	351,556,478.12	35,039,510.27	379,858,441.12	36,246,155.68

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.

9. TRADE AND OTHER PAYABLES

	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Accounts payables	375,347,349.62	316,606,125.09
Advances from customers	34,357,559.52	25,481,574.39
Other payables	42,152,452.66	25,303,089.24
Total	451,857,361.80	367,390,788.72

Age analysis of accounts payables

	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Within 1 year	325,894,513.85	249,779,374.06
1 to 2 years	14,603,767.96	30,136,648.91
Over 2 years	34,849,067.81	36,690,102.12
Total	375,347,349.62	316,606,125.09

Management Discussion and Analysis

FINANCIAL REVIEW

Total operating income

For the six months ended 30 June 2014 (the "Review Period"), the total operating income of the Group amounted to RMB387,823,724.09, representing an increase of approximately 8.51% over that of the corresponding period of last year. It was mainly attributed to the active development of the intelligent traffic business, the customs logistics business and the improvement of revenue from service business by the Group during the Review Period.

Gross profit margin

The gross profit margin for the Review Period decreased from approximately 35% to 33% as compared with the corresponding period of last year. The decrease was mainly due to the rise in prices for sourcing of the raw materials and the increase in labour costs resulted by the further business development by the Group during the Review Period.

Selling expenses

Selling expenses for the six months ended 30 June 2014 was RMB11,077,888.77, representing an increase of approximately 7.40% as compared with the corresponding period of last year. The increase was mainly attributed to the increase in revenue.

Administrative expenses

The administrative expenses recorded a decrease of approximately 16.86% from RMB38,033,669.90 in the corresponding period of last year to RMB31,622,366.47 for the Review Period. The decrease was mainly attributable to the adjustment made to the progress of some research and development projects.

Inventories

At 30 June 2014, the inventories of the Group was RMB512,418,128.77, representing an increase of approximately 80.70% as compared to that of the beginning of the period. The increase in inventories was due to more projects were under construction during the Review Period.

Management Discussion and Analysis

Construction in progress

At 30 June 2014, the Group's construction in progress amounted to RMB196,915,650.23, representing an increase of approximately 18.21% as compared to that of the beginning of the period. The increase was mainly due to the fact that the Company is constructing a research and development office building.

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The net current assets as at 30 June 2014 was RMB653,026,685.61 (At 31 December 2013: RMB653,799,925.72).

As at 30 June 2014, the bank balances and cash of the Group amounted to RMB491,579,921.31 (At 31 December 2013: RMB579,052,891.83).

Capital Structure

As at 30 June 2014, the total bank borrowings of the Group was RMB482,500,000.00 (At 31 December 2013: RMB411,250,000.00).

Pledge of Assets of the Group

As at 30 June 2014, the bank deposits of RMB28,082,245.60 (At 31 December 2013: RMB50,739,426.20) are pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2014, the Group has an aggregate of 397 employees (At 30 June 2013: 410 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB22,160,696.69 (corresponding period of 2013: RMB22,679,331.64).

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

Management Discussion and Analysis

Gearing Ratio

The gearing ratio (being bank loans less cash and cash equivalents divided by equity) of the Group as at 30 June 2014 was zero (At 31 December 2013: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

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 report, 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 2014, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Strategic business

As for the customs logistic business, the Group enhanced the integration of market resources, improved project operation efficiency and achieved significant result in market expansion. During the Review Period, the Group successfully won bids of different projects such as construction of electronic monitoring map application system, information projects of Nanjing Customs, Kashi comprehensive bonded zone project and Jinguan Phase 2 IOT application of Shanghai customs. The Group actively participated and completed pilot of smart electronic lock at Shanghai customs and successfully signed an operation service contract to strengthen the data services of customs on the basis of smart electronic lock provision. The project is the first pilot of nationwide adoption in the Jinguan Phase 2 works by the General Administration of Customs, creating the new model of domestic enterprise providing operation service in the customs logistics business.

As for expressway traffic business, the Group increased development efforts in new market segments while maintaining the existing market advantages. During the Review Period, the Group successfully won bids of different projects such as mechanical and electrical engineering project of the Eastern section of Chengdu Second Ring Expressway, upgrading and alteration project of Hunan Province Expressway electronic toll collection system, traffic control and monitoring system project of Hong Kong-Zhuhai-Macao Bridge, mechanical and electrical engineering project of the Expressway from Gaochun to Wuhu and alteration and expansion project of the Expressway from Zhuo Zhou, Hebei Province (Jing Ji Border) to Shijiazhuang. During the Review Period, the Group participated in various expressway traffic business projects and created a new model for the development of strategic business of the Company.

As for intelligent urban transportation business, the Group put effort in building and improving the structure of platform system and developed user service. The model of urban smart traffic project successfully implemented in Nanjing by the Company was promoted in the entire province. Currently, the project of smart traffic environmental-friendly E-card in Xuzhou City has been successfully realized and entered the phase of card's trial issue. During the Review Period, the Group completed the construction of smart car park projects such as Lishui District government, Jinling Institute of Technology and Sujian Building, and also achieved a new record in the usage of parking network platform.

Management Discussion and Analysis

Information services

During the Review Period, the Group enhanced the promotion of “Cloud Biaoju” Brand in the logistics security information services business and further expanded the coverage of intelligent terminal device while the operation data volume of users had begun to take shape. Currently, Cloud Biaoju business data is built into the cloud data service platform of the Group, further enriching the database of cloud data service platform. The relevant data department of the Company has processed and analyzed the collected data. During the Review Period, the Group actively established a verification portal for product creditworthiness of third parties, achieving the alteration of the website from the original platform for product creditworthiness and information display into verification and information service portal of third-party anti-falsification. The website is now completed revamped and online. On the other hand, the development of Weixin back-office for the product creditworthiness platform is basically completed, which allowed users to enquiry and verification of product information by means of direct scanning of QR code and inputting barcode images and allowed users to directly use the function of information enquiry, such as product anti-falsification and tracking, on the Weixin interface at the same time. The Group actively developed product creditworthiness partners, with associations being the focus. The Group searched and explored new customers, reaching an understanding for co-operation with Xinhua Promotion Office of Food Safety for Teenagers and Children, Hunan Changsha Milk Powder Association, Nanjing Guli Agricultural Park and a Greek trader, Joy Greece. During the Review Period, the Group successfully won bids of the construction project of circulation and tracking system for Chinese medicine in Jilin Province. The project will utilize the Group’s RFID technology to establish the system of tracking, circulation and anti-falsification for Chinese medicine. The built system will be significant in improving the quality of drug.

Technology products

With the rapid development of information technology, the increasingly close combination of IOT industry with emerging information technologies such as cloud computing, high-speed mobile communication technology and intelligent identification has presented an intelligent, low-carbon and humanised development trend. During the Review Period, the Group underwent a selection of environmental-friendly E-card suppliers, which improved the production technique of environmental-friendly E-card, substantially raising the stability of products. The E-card automatic issue and stock-taking system was formulated and developed at the same time, achieving initialization and stock-taking operation of automation, which provided a safeguard for the inspection and testing of environmental-friendly card. During the Review Period, the Group actively participated in the Huangpu customs platform project, conducting real-time monitoring of confiscated items in the warehouse of Huangpu customs and inspection was completed in late June. The upgrading and modification of reader and back-office software for customs of Heyuan, Guangdong was carried out at the same time. During the Review Period, the Group participated in the standard formulation meeting for readers convened by the General Administration of Customs. The research and development for the prototype of smart electronic lock reader and a small-scale test are expected to be completed by the end of the year. Meanwhile, the Group provided software development of RFID products and hand-held equipment for the provincial asset management system of Jiangsu Province.

Research and Development

During the Review Period, the Group completed the establishment and advancement of the IOT data management category projects, and completed the design of data space, displayed the design of project, initialized the development of application of social analytics on mobile and data retrieval and organization of back office, initialized the development of application for mobile auction and completed the initial design; planned the application of network projects such as social context analysis, network information collection and heat analysis of hot spot targeting the co-operation of data analysis. During the Review Period, the Group obtained 8 software copyrights and 7 patents. Meanwhile, the Group was awarded "Outstanding Results in Application Award" and "Innovative Product Prize" in the "2014 Excellent State Golden Card Project Golden Ants Awards".

Management Discussion and Analysis

Withdrawal of proposed issue of A shares

In view of, among other factor(s), that there will be changes in the shareholding structure of Nanjing Sample Technology Group Company Limited, the substantial and single largest Shareholder of the Company, the Company had applied to the CSRC for withdrawal of the Company's application for the Issue of A Shares (the "Withdrawal") during the Review Period. The Withdrawal was approved by CSRC on 12 June 2014. The Board considered that the Withdrawal will not have any material adverse effect on the financial condition and business operation of the Group.

PROSPECT

For the second half of the year, the Group will continue to commence customs 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. 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's key strategic business scope are the investment, construction and operation 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.

For the second half of the year, 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 tap on its approach of internet marketing approach to reduce cost of sales and further enhance brand reputation and awareness in the industry. 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. In the application of industry projects, we will cooperate with customers on certain influential demonstrations and pilot projects in providing R&D and testing services to further increase our influence in the industry.

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

Save as disclosed below, as at 30 June 2014, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Long Positions in Shares

Name of Director	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.6%
	65,720,000	Interest of controlled corporation	29.33%

Note: Mr. Sha Min (“Mr. Sha”) directly holds 1,350,000 domestic shares of the Company and is interested in 47.91% of equity interest of Nanjing Sample Technology Group Company Limited which in turn owns 65,720,000 domestic shares of the Company. Under the SFO, Mr. Sha is deemed to be interested in all 67,070,000 domestic shares of the Company. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 67,070,000 domestic share of the Company in which Mr. Sha is interested.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 30 June 2014, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Other Information

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	65,720,000 Domestic Shares	Beneficial owner/corporate	29.33%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua")	15,000,000 Domestic Shares	Beneficial owner/corporate	6.69%
Active Gold Holding Limited	49,545,000 Domestic Shares	Beneficial owner/corporate	22.11%
Atlantis Capital Holdings Limited (Note 2)	21,104,000 H Shares	Interest of controlled corporation	9.42%
Riverwood Asset Management (Cayman) Ltd. (Note 2)	11,104,000 H Shares	Investment Manager	4.95%
Liu Yang (Note 2)	21,104,000 H Shares	Interest of controlled corporation	9.42%
Golden Meditech Holdings Limited (Note 3)	12,097,000 H Shares	Interest of controlled corporation	5.40%
Manygain Global Limited	10,000,000 H Shares	Beneficial owner	4.46%
JP Morgan Chase & Co.	7,000,000 H Shares	Interest of controlled corporation/ Custodian corporation/approved lending agent	3.12%
Norges Bank	7,000,000 H Shares	Beneficial owner	3.12%

Notes:

- (1) Sample Group directly holds 60,770,000 Domestic Shares. Sample Group is also interested in 100% of the registered capital of Nanjing Sample Technology Commerce City Company Limited* (南京三寶科技商城有限公司) ("Sample Commerce City"), which holds 4,950,000 Domestic Shares and therefore by virtue of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Commerce City. As such, Sample Group is the substantial and the single largest shareholders of the Company. Mr. Sha Min, the Chairman of the Company, held 47.91% of equity interest of Sample Group, together with parties acting in concert with him (including 3.58% held by Ms. Liao Qiong, 9.52% held by Mr. Sun Huai Dong, 4.67% held by Mr. Chang Yong, an executive director of the Company, and 2.27% held by Mr. Guo Ya Jun) held an aggregate of 67.95% of equity interest of Sample Group.
- (2) Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Ltd. are 100% owned by Ms. Liu Yang. Under SFO, Ms. Liu Yang owned the 21,104,000 Shares in a capacity of interest under controlled corporation.
- (3) 12,097,000 H Shares were held by GM Investment Company Limited, which is a wholly-owned subsidiary of Golden Meditech Holdings Limited (formerly known as Golden Meditech Company Limited). By virtue of GM Investment Company Limited's interests in the Company, Golden Meditech Company Holdings Limited is deemed to be interested in the same 12,097,000 H Shares under the SFO.

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 2014.

Other Information

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. 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 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 2014, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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

15 August 2014
Nanjing, the PRC

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

* *For identification purpose only*