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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 2014**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2014 (the "Period") amounted to approximately RMB907,225,992, representing a growth of approximately 15.16% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the year ended 31 December 2014 was approximately RMB137,953,042, representing an increase of approximately 9.14% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2014 was approximately RMB0.616 (2013: RMB0.564).

The payment of a final dividend of RMB0.2 per share is recommended for the year ended 31 December 2014.

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 2014 together with the comparative figures for the year ended 31 December 2013 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 2014*

ASSETS	<i>Note</i>	2014	2013
Current assets:			
Cash at bank and on hand		900,982,056.56	579,052,891.83
Notes receivable	3	7,842,580.10	3,300,000.00
Accounts receivable	3	234,683,339.39	343,612,285.44
Prepayments	3	42,448,774.83	96,418,562.53
Other receivables	3	78,119,619.28	92,493,603.10
Inventories		577,127,799.95	283,576,874.55
Other current assets		7,444,600.40	–
Total current assets		<u>1,848,648,770.51</u>	<u>1,398,454,217.45</u>
Non-current assets:			
Available-for-sale financial assets		119,506,244.94	101,386,244.94
Long-term equity investments		709,053.12	–
Fixed assets		412,553,068.26	197,473,466.90
Construction in progress		6,738,396.67	166,580,798.69
Construction materials		4,027,060.50	1,906,895.00
Intangible assets		19,506,004.56	21,828,164.51
Long-term deferred expenses		12,881,878.40	2,886,273.36
Deferred income tax assets		10,193,466.27	11,348,029.95
Total non-current assets		<u>586,115,172.72</u>	<u>503,409,873.35</u>
TOTAL ASSETS		<u>2,434,763,943.23</u>	<u>1,901,864,090.80</u>
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		524,000,000.00	285,000,000.00
Notes payable		36,520,312.90	6,115,952.00
Accounts payable	4	406,030,216.39	316,606,125.09
Advances from customers	4	60,493,872.25	25,481,574.39
Staff remuneration payables		397,375.48	392,855.74
Taxes payable		36,188,173.83	35,754,695.27
Other payables	4	47,765,320.26	25,303,089.24
Non-current liabilities due within 1 year		70,000,000.00	50,000,000.00
Total current liabilities		<u>1,181,395,271.11</u>	<u>744,654,291.73</u>
Non-current liabilities:			
Long-term borrowings		70,000,000.00	76,250,000.00
Deferred income		9,622,739.47	22,925,895.86
Deferred income tax liabilities		636,670.96	973,618.23
Total non-current liabilities		<u>80,259,410.43</u>	<u>100,149,514.09</u>

	<i>Note</i>	2014	2013
Total liabilities		<u>1,261,654,681.54</u>	<u>844,803,805.82</u>
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital surplus		99,627,613.95	99,627,613.95
Other comprehensive income		(3,879,022.15)	(3,776,850.71)
Surplus reserve		51,644,250.39	46,153,350.13
Undistributed profits	5	<u>752,268,735.54</u>	<u>642,216,593.48</u>
Total equity attributable to the shareholders of the Company		<u>1,123,761,577.73</u>	<u>1,008,320,706.85</u>
Minority interest		<u>49,347,683.96</u>	<u>48,739,578.13</u>
Total shareholders' equity		<u>1,173,109,261.69</u>	<u>1,057,060,284.98</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,434,763,943.23</u>	<u>1,901,864,090.80</u>
Net current assets	13	<u>667,253,499.40</u>	<u>653,799,925.72</u>
Total asset less current assets	14	<u>1,253,368,672.12</u>	<u>1,157,209,799.07</u>

Consolidated income statement

For the year ended 31 December 2014

ITEMS	Note	2014	2013
I. Total operating income	6	907,225,991.66	787,767,966.59
II. Total operating cost		763,727,347.95	655,075,598.95
Including: Operating cost		610,857,619.95	523,328,683.75
Taxes and surcharges		11,430,581.82	11,207,510.01
Selling and distribution expenses		25,668,659.74	24,316,401.22
General and administrative expenses		95,488,723.80	75,788,482.51
Financial expenses	9	26,340,633.46	8,904,116.66
Asset impairment losses		(6,058,870.82)	11,530,404.80
Share of profit of associates and jointly controlled entities		(90,946.88)	–
III. Operating profit		143,407,696.83	132,692,367.64
Add: Non-operating income		24,422,386.96	19,106,603.52
Less: Non-operating expenses		158,750.56	175,016.57
IV. Total profit		167,671,333.23	151,623,954.59
Less: Income tax expenses	10	27,710,185.08	21,496,476.06
V. Net profit		139,961,148.15	130,127,478.53
Net profit attributable to the shareholders of the Company		137,953,042.32	126,405,756.32
Minority interests		2,008,105.83	3,721,722.21
VI. Net other comprehensive income after tax		(102,171.44)	(132,748.50)
Net other comprehensive income attributable to the shareholders of the Company after tax		(102,171.44)	(132,748.50)
Items to be re-categorized into profit and loss when satisfied the stipulated conditions subsequently		(102,171.44)	(132,748.50)
Converted difference in foreign currency statements		(102,171.44)	(132,748.50)
VII. Total comprehensive income		139,858,976.71	129,994,730.03
Total comprehensive income attributable to the shareholders of the Company		137,850,870.88	126,273,007.82
Total comprehensive income attributable to minority shareholders		2,008,105.83	3,721,722.21
VIII. Earnings per share:			
(1) Basic earnings per share	11	0.616	0.564
(2) Diluted earnings per share		0.616	0.564
IX. Dividend	12	22,410,000.00	44,820,000.00

Consolidated cash flow statement

For the year ended 31 December 2014

ITEMS	2014	2013
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	799,114,111.87	826,914,131.31
Refund of taxes and surcharges	3,242,111.67	9,546,287.67
Cash received relating to other operating activities	61,812,271.98	196,312,804.91
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Sub-total of cash inflows from operating activities	864,168,495.52	1,032,773,223.89
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Cash paid for goods and services	467,121,635.93	661,015,700.91
Cash paid to and on behalf of employees	45,360,613.05	41,544,671.79
Payments of tax charges	55,008,305.13	70,288,459.26
Cash paid relating to other operating activities	113,622,195.93	207,973,906.15
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Sub-total of cash outflows from operating activities	681,112,750.04	980,822,738.11
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Net cash flows from operating activities	183,055,745.48	51,950,485.78
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II. Cash flows from investing activities		
Cash received from disposal of investments	–	64,600,000.00
Cash received from returns on investments	–	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	76,361.29	58,177.78
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	–	–
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	76,361.29	64,658,177.78
	<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	107,317,226.69	120,401,501.97
Cash paid to acquire investments	18,470,000.00	–
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	125,787,226.69	120,401,501.97
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Net cash flows from investing activities	(125,710,865.40)	(55,743,324.19)
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ITEMS	2014	2013
III. Cash flows from financing activities		
Cash received from capital contributions	–	8,000,000.00
Including: Cash received from minority shareholders investment by subsidiary	–	8,000,000.00
Cash received from borrowings	665,000,000.00	390,000,000.00
Sub-total of cash inflows from financing activities	665,000,000.00	398,000,000.00
Cash repayments of borrowings	412,250,000.00	196,750,000.00
Cash payments for interest expenses and distribution of dividends or profits	55,774,668.86	58,233,168.19
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries	1,400,000.00	–
Sub-total of cash outflows from financing activities	468,024,668.86	254,983,168.19
Net cash flows from financing activities	196,975,331.14	143,016,831.81
IV. Effect of foreign exchange rate changes on cash and cash equivalents	114,581.09	(134,756.84)
V. Net increase in cash and cash equivalents	254,434,792.31	139,089,236.56
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	782,748,257.94	528,313,465.63

Notes to the financial statements

For the year ended 31 December 2014

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 (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”); and the accounting policies and estimates of Notes III (Significant Accounting Policies, Accounting Estimates) as set out in the Company’s annual report 2014.

Change in major accounting policies and accounting estimates

(1) Change in major accounting policies

The Group has executed the following new and revised accounting standards issued by the Ministry of Finance in 2014:

“Accounting Standards for Business Enterprises – Basic Standard” (Revised)

“Accounting Standards for Business Enterprises No. 2 – Long-term equity investment” (Revised)

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

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

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

“Accounting Standards for Business Enterprises No. 37 – Financial instrument presentation” (Revised)

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

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

“Accounting Standards for Business Enterprises No. 41 – Disclosure of equity in other entity”

The main effect of the application of the above Accounting Standards for Business Enterprises by the Group is as follow:

- (i) Pursuant to the “Accounting Standards for Business Enterprises No.2-Long-term Equity Investments” (Revised), the Group has retrospectively adjusted the investment in entities not under common control or without significant influence and do not have a quoted market price in an active market and whose fair value cannot be reliably measured under Long-term Equity Investments and classified it as available-for-sale financial assets.

The main effect of the above retrospective adjustments to the current and previous financial statements is as follow:

Adjustments	Items of financial statements that are affected	Affected amount	
		2014	2013
The equity investment in Jiangsu Information Industry Institute Union Joint Stock Company under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	2,000,000.00	2,000,000.00
	Long-term equity investments	2,000,000.00	2,000,000.00
The equity investment in Nanjing City Information Investment Holdings Co., Ltd. under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	42,520,000.00	24,400,000.00
	Long-term equity investments	42,520,000.00	24,400,000.00
The equity investment in Zhong Jian Zhi Kang Supply Chain Management Company Limited under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	74,986,244.94	74,986,244.94
	Long-term equity investments	74,986,244.94	74,986,244.94
Total	Available-for-sale financial assets	119,506,244.94	101,386,244.94
	Long-term equity investments	119,506,244.94	101,386,244.94

- (ii) Pursuant to the “Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements” (Revised), the deferred income shall be separately presented and the Group made retrospective adjustment.

Adjustments	Items of financial statements that are affected	Affected amount	
		2014	2013
Deferred income be separately presented	Other non-current liabilities	9,622,739.47	22,925,895.86
	Deferred income	9,622,739.47	22,925,895.86

The above changes in accounting policy only has impact on the amounts of four items of available-for-sale financial assets, long-term equity investments, other non-current liabilities, deferred income in the financial statements. It has no impact to the Group’s total assets, total liabilities, net assets and net profit for the years 2013 and 2014.

(2) Change in major accounting estimates

There were no changes in major accounting estimates of the Group during the reporting period.

3. TRADE AND OTHER RECEIVABLES

	2014	2013
Accounts receivable	261,979,554.14	379,858,441.12
Less: Provision for doubtful and bad debts for accounts receivables	27,296,214.75	36,246,155.68
Notes receivable	7,842,580.10	3,300,000.00
Prepayments	42,448,774.83	96,418,562.53
Other receivables	79,656,493.02	92,890,751.35
Less: Provision for doubtful and bad debts for other receivables	1,536,873.74	397,148.25
Total	<u>363,094,313.60</u>	<u>535,824,451.07</u>

The aging analysis of accounts receivable

Types	2014		2013	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	106,752,852.16	3,462,176.24	217,602,559.78	6,599,146.82
1 to 2 years	126,652,359.26	9,876,519.70	99,733,090.85	6,422,592.93
2 to 3 years	19,039,435.14	4,556,994.18	55,933,217.53	16,712,772.07
Over 3 years	9,534,907.58	9,400,524.63	6,589,572.96	6,511,643.86
Total	<u>261,979,554.14</u>	<u>27,296,214.75</u>	<u>379,858,441.12</u>	<u>36,246,155.68</u>

4. TRADE AND OTHER PAYABLES

	2014	2013
Accounts payables	406,030,216.39	316,606,125.09
Advances from customers	60,493,872.25	25,481,574.39
Other payables	47,765,320.26	25,303,089.24
Total	<u>514,289,408.90</u>	<u>367,390,788.72</u>

Age analysis of accounts payables

	2014	2013
Within 1 year	311,538,597.59	249,779,374.06
1 to 2 years	53,600,434.23	30,136,648.91
Over 2years	40,891,184.57	36,690,102.12
Total	<u>406,030,216.39</u>	<u>316,606,125.09</u>

5. UNDISTRIBUTED PROFITS

	2014	2013
Undistributed profit at the beginning of the year	642,216,593.48	564,885,873.01
Add: Current net profit attributable to shareholders of the Company	137,953,042.32	126,405,756.32
Less: Provision of statutory surplus reserves	5,490,900.26	4,255,035.85
Ordinary shares dividends payable	22,410,000.00	44,820,000.00
Closing balance of undistributed profit	<u>752,268,735.54</u>	<u>642,216,593.48</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 2013 approved at the annual general meeting of the Company held on 28 May 2014, namely a cash dividend of RMB0.1 per share to each shareholder, totaling RMB22,410,000, as calculated based on the Company's total issued share of 224,100,000 as at the end of 2013.

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	2014	2013
Principal operating income	901,027,948.26	782,313,992.08
Other operating income	6,198,043.40	5,453,974.51
Total operating income	<u>907,225,991.66</u>	<u>787,767,966.59</u>
Principal operating cost	607,862,625.44	520,672,373.41
Other operating cost	2,994,994.51	2,656,310.34
Total operating cost	<u>610,857,619.95</u>	<u>523,328,683.75</u>

(2) Principal operations (by product)

Name of Products	2014		2013	
	Operating income	Operating cost	Operating income	Operating cost
System integration	659,440,413.49	468,399,613.56	577,906,131.29	407,172,888.03
Intelligent terminal sales	153,238,871.31	106,518,857.97	138,472,466.30	93,322,367.23
Service	88,348,663.46	32,944,153.91	65,935,394.49	20,177,118.15
Total	<u>901,027,948.26</u>	<u>607,862,625.44</u>	<u>782,313,992.08</u>	<u>520,672,373.41</u>

7. SEGMENTS INFORMATION

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

8. GROSS PROFIT

	2014	2013
Operating income	907,225,991.66	787,767,966.59
Operating cost	610,857,619.95	523,328,683.75
Gross profit	<u>296,368,371.71</u>	<u>264,439,282.84</u>

9. FINANCIAL EXPENSES

Items	2014	2013
Interest expenses	31,964,668.86	13,413,168.19
Less: interest income	6,331,440.47	5,628,309.80
Exchange gain and loss	(200,923.15)	717,844.80
Others	908,328.22	401,413.47
Total	<u>26,340,633.46</u>	<u>8,904,116.66</u>

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

10. INCOME TAX EXPENSES

Items	2014	2013
Current income tax calculated based on tax law and related regulations	26,892,568.67	26,558,458.90
Adjustment to deferred income tax	817,616.41	(5,061,982.84)
Total	<u>27,710,185.08</u>	<u>21,496,476.06</u>

Reconciliation between total profit and income tax expenses is as follows:

Item	2014	2013
Total profit	<u>167,671,333.23</u>	<u>151,623,954.59</u>
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	26,574,567.96	22,643,155.85
Effect of different tax rates applicable to subsidiaries	1,189,877.41	–
Income tax adjustments on prior periods	3,309,015.56	6,203,129.63
Impact of non-taxable income	(4,976,131.64)	(2,666,644.14)
Expenses, costs and losses not deductible for tax purposes	795,239.38	378,817.56
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	817,616.41	(5,061,982.84)
Income tax expenses	<u>27,710,185.08</u>	<u>21,496,476.06</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	2014	2013
Consolidated net profit attributable to ordinary shareholders of the Company	137,953,042.32	126,405,756.32
Weighted average number of ordinary shares outstanding of the Company	224,100,000.00	224,100,000.00
Basic earnings per share (yuan/share)	<u>0.616</u>	<u>0.564</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 2014 and 2013.

12. DIVIDENDS

Items	2014	2013
Final dividend proposed of RMB0.2 per share (2013: RMB0.1 per share)	<u>63,364,680.00</u>	<u>22,410,000.00</u>

After the balance sheet date, the Company has issued 92,723,400 new domestic shares, so that the total issued shares of the Company increased to 316,823,400 shares, details of which can be referred to Note 16(1) to the financial statements of the Company. On the basis of a total of 316,823,400 shares as at the date of this announcement, the directors recommend the payment of final dividend of RMB63,364,680 at RMB0.2 per share (2013: RMB0.1 per share) for the year ended 31 December 2014 on 27 March 2015.

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	2014	2013
Final dividend in respect of the previous year, approved and paid during the year	<u>22,410,000.00</u>	<u>44,820,000.00</u>
Total	<u><u>22,410,000.00</u></u>	<u><u>44,820,000.00</u></u>
13. NET CURRENT ASSETS		
	2014	2013
Current assets	<u>1,848,648,770.51</u>	1,398,454,217.45
Less: current liabilities	<u>1,181,395,271.11</u>	<u>744,654,291.73</u>
Net current assets	<u><u>667,253,499.40</u></u>	<u><u>653,799,925.72</u></u>
14. TOTAL ASSETS LESS CURRENT LIABILITIES		
	2014	2013
Total assets	<u>2,434,763,943.23</u>	1,901,864,090.80
Less: current liabilities	<u>1,181,395,271.11</u>	<u>744,654,291.73</u>
Total assets less current liabilities	<u><u>1,253,368,672.12</u></u>	<u><u>1,157,209,799.07</u></u>

15. CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

16. POST BALANCE SHEET EVENTS

(1) Issue of new domestic shares

According to the resolutions of the Company's 2014 First Extraordinary General Meeting and the Domestic Shares Subscription agreement, the Company issued 92,723,400 domestic shares at par value of RMB1 each. The issue price was RMB 4.50 and total fund of RMB 417,255,300 has been raised. The target of this issue was Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司). The target subscriber subscribed the issued shares by cash (monetary). As of 20 January 2015, the Company completed this issue of shares and the increase of capital, the Company's registered capital and the paid up capital (share capital) has changed to RMB316,823,400. The capital verification was carried out by BDO China Shu Lun Pan Certified Public Accountants LLP and a capital verification report Xin Hui Shi Bao Zi (2015) No. 110070 was issued on 15 January 2015.

(2) Save as the above post balance sheet event, as of the reporting date, there is no other significant post balance sheet events of the Company which needs to be disclosed but has not been disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2014 was approximately RMB907,225,992, representing an increase of approximately 15.2% over last year. The increase was mainly due to the rapid growth of sales from system integration and service as compared to that of last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2014 was approximately 32.7%, representing a decrease of approximately 0.9% over last year. The decrease was mainly due to the decrease of gross profit of system integration business.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2014 was approximately RMB25,668,660, representing an increase of approximately 5.6% 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 2014 was approximately RMB95,488,724, representing an increase of approximately 26% over last year. The increase was mainly attributable to the increases of investment on research and development and the property depreciation of the newly opened research and development office building during the Period.

Net Profit attributable to shareholders of the Company

For the year ended 31 December 2014, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB137,953,042, representing an increase of 9.1% over last year. The increase was mainly attributable to the increase in operating income and the increase in operating profit of the Group during the Period as compared to that of last year.

Construction in progress

As at 31 December 2014, the Group's construction in progress amounted to RMB6,738,397 which recorded a substantial decrease as compared with that of the same period last year. The decrease was mainly due to the Company's research and development office building was put into use.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2014, the equity of the Group's shareholders was approximately RMB1,123,761,578. Current assets were approximately RMB1,848,648,771, comprising cash and bank balances of approximately RMB900,982,057. Non-current liabilities were approximately RMB80,259,410. Current liabilities were approximately RMB1,181,395,271, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2014, net assets per share of the Group was approximately RMB5.01 (31 December 2013: RMB4.5). The short-term borrowings of the Group were RMB524,000,000.

PLEDGE OF ASSETS

As at 31 December 2014, bank deposits of RMB118,233,799 were pledged to the bank for projects in progress (2013: RMB50,739,426).

GEARING RATIO

For the year ended 31 December 2014, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2013: 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 2014, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, total employees' remuneration of the Group was approximately RMB45,847,000 (2013: RMB40,680,000) and the number of employees was 405 (2013: 407). 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

As for the expressway system integration business under intelligent transportation, the Group continued to increase its market share and gain influence in the industry as its primary goal, and by actively bidding for major and significant projects, and initiatively developing strategic cooperation in the industry, the Group won bids of key projects, expanded the customer resources, secured its business income and improved customer satisfaction in the industry. During the period under review, the Group successfully signed contracts concerning projects such as the 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, and the overpass and underground passage monitor and high definition systems in the island in Xiamen City; and the Group made remarkable improvement in the depth and width in the market resources of expressway system integration. During the period under review, the Group promoted the implementation of all the projects according to the progress of the awarded projects, and completed the construction and acceptance of the project of the third east ring road in Xuzhou; the traffic control and monitoring system project of Hong Kong-Zhuhai-Macao Bridge, being the first project of the Company in cooperation with a Hong Kong company. By winning the bid of this project, the Company accumulated experience in overseas project operation and achieved exploration for innovation in business models and expansion.

As for the intelligent urban transportation business under the intelligent transportation, 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 actively promoted in other cities of the entire province. Currently, the projects of smart traffic environmental-friendly E-card in Xuzhou City and Huai'an City have been successfully realized and entered the pilot phase. A project agreement was signed for the project of smart traffic environmental-friendly E-card

in Xuzhou City, and the project in Huai'an City entered into the phase of implementation. During the Review Period, the Group won the bids of the projects for construction of intelligent transportation public transportation information system and the project phase II of the environment monitoring system in Jiangsu Province for the emission monitoring system of motor vehicles, and meanwhile, the Group completed the construction and information access of smart car park projects such as Lishui District government, Sujian Building and post offices. As at the end of the reporting period, the smart car parking network platform constructed by the Company in Nanjing was put into trial operation and the usage of the platform hit another new record.

As for the customs logistic business, during the period under review, the Group successfully signed contracts of projects such as the Jinguan Phase 2 IOT application of Shanghai customs, the project of security smart locks of Jinguan Phase 2 application of Guangdong customs, the pilot project of Nanjing customs in Wuxi comprehensive bonded area, the construction of electronic monitoring map application system, and information project of Nanjing customs, Kashi comprehensive bonded zone project. During the period under review, the project phase 1 of RFID management system for warehouses of Huangpu customs for confiscated properties undertaken by the Group successfully completed the acceptance, and the Group won the bid of the project phase 2 of RFID management system for warehouses of Huangpu customs for confiscated properties, setting a successful model for the warehouses of customs for confiscated properties nationwide and establishing a foundation for the project promotion across the country in the future.

Information service

During the period under review, the Group completed pilot operation of smart electronic lock at Shanghai customs, and strengthened its ability to provide information service for customs and foreign trade enterprises on the basis of smart electronic lock provision. The project was the first pilot run of the Jinguan phase 2 project of the General Administration of Customs nationwide, creating a new model of the Group to provide operation service in the field of custom logistics. On such basis, the Group successfully signed the service contract on the operation of smart locks for Shanghai customs, the service contract on the operation of smart electronic locks for Guangdong customs during the year, forming a strategic layout of joint development in both Yangtze River Delta and Pearl River Delta, and further progressing to the whole country.

During the period under review, the Group actively constructed the Jiangsu cross-border e-commerce service platform, completed the construction of product structure and business framework as well as online operations, and realized the launch for pilot operation of cross-border trade platform and micro-shopping malls. During the period under review, the Group continued to enhance the promotion of "Cloud Escort" 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 Escort" business data is built into the cloud data service platform of the Group and processed for analysis, further enriching the database of cloud data service platform. During the period under review, the Group completed developing the mobile application for the smart courier counters, including the smart courier counter portal, smart courier counter App, mobile port for "Cloud Escort".

During the period under review, with respect to the product tracking information service area, the Group has reached the cooperation intentions with Xinhua Promotion Office of Food Safety for Teenagers and Children and Hunan Changsha Milk Powder Association, and became the designated partner for the electronic traceability system for food manufacturers for Jiangsu Food and Drug Administration. In addition, the Group won the bid of the project of construction of circulation and tracing system for traditional Chinese medicine, which will utilize the Company's RFID technology to establish the tracking, circulation and anti-fake system for traditional Chinese medicine. After completion, the system will be of great importance to improving the quality of medicine.

Research and Development

During the period under review, the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, construction of which was undertaken by the Company, successfully passed the comprehensive assessment organized by the Ministry of Science and Technology and was officially awarded the name. The Group actively developed new products of custom logistic smart items and intelligent electronic locks, and successfully launched two types of intelligent electronic locks, which were put into use. The Group completed the development of real-time visualized system for specific tax exemption equipment for customs, and meanwhile conducted research and developed on and tried a set of intelligent system to identify cross-border packages with RFID.

During the period under review, the Company improved the production technologies of environmental-friendly E-cards, greatly improved the product stability, and meanwhile, it customized and developed the automatic card issuing and counting system for environmental-friendly e-cards, realized the initialization of automation and counting operation, providing assurance for the tests and inspection of environmental-friendly cards. Meanwhile, the Company set up projects to develop 915MHz new reader and writer, making corresponding technical preparations for the Ministry of Public Security to promote E-plates around the country.

During the period under review, the information space and portal of the Group was constructed and launched (website: www.cityscloud.com), which integrated the cloud functions of Sample, unified the users registration and authorization, information storage and channels; possessed various data ports such as synchronous automatic import of isomeric database, receiving with open ports, customization of real-time monitoring; introduced and sorted out data information by self-established projects, trusted projects and network extraction and provided various services for users such as long-term information storage and online stream-oriented calculation, information subscription service and APP construction and supports. During the period under review, the Group attached great importance to the application and protection of intellectual property rights, actively carried out filing application for 6 patents, 32 software copyrights and 2 software products, and was granted 11 patents, 20 software copyrights and 2 software product licenses.

BUSINESS PROSPECTS

Strategic business

In 2015, the Group will concentrate on its two core businesses, namely the intelligent logistics and the intelligent traffic businesses. The Group will focus its resources on developing technologies such as the IOT data collecting technology, big data cloud computing technology, mobile internet technology, logistics and vehicle information service technology, participate in the establishment of two major trading platform of foreign trading integrated services and vehicle integrated services with considerable trading volume, so as to form the production chain ecosystem to facilitate the transformation of business model of the Company.

In 2015, the Group's first priority is to enrich and perfect the ecosystem of its two major trading platform. On one hand, the Group will speed up the layout of intelligent terminals for intelligent customs, intelligent customs locks and food origin tracing terminal, and to build the intelligent logistics platform through on-the-track monitoring safety service, speedy customs clearing service and safety-assured food delivery service, in order to enhance its capacity in providing intelligent logistics services and cross-border trading services; on the other hand, the Group will speed up the layout of electronic environmental friendly labelling, data collection bases and geomagnetic intelligent terminals, so as to widen the data collection volume and coverage and enhance its intelligent logistics and vehicle service capabilities through various technologies such as vehicle intelligent recognition service, environment testing service and geological location information service.

In 2015, the Group will focus on the demand of intelligent urban infrastructure under the new trend, and to integrate its internal and external infrastructure resources, to explore the PPP operation model, to optimize asset structure, and to promote the steady growth of scale of production. By expanding its businesses, the Group will create new business opportunities for its foreign trading integrated service platform in respect of logistics customs and intelligent electronic customs locks, to create new bit-resources for vehicle integrated service, and to integrate the innovative and traditional industries to achieve collaborated development.

Information Service

In 2015, for the customs logistics sector, the Group will dedicate marketing efforts towards the Yangtze River Delta area with the innovative service model of Shanghai customs and Jinguan Phase II of Guangdong customs, so as to provide all-in-one intelligent on-the-track monitoring service based on its intelligent customs and intelligent electronic customs locks for various customs departments. The Group will also provide value-added services, including intelligent logistics and speedy customs clearing service to various logistics enterprises, in order to promote brand recognition of "Cloud Escort". At the same time, the Group will pay attention to the demand of monitoring service in respect of confiscated items at different customs departments, and will engage in marketing activities based on the experience in providing such service to the Huangpu customs project.

In 2015, for the vehicle service sector, the Group will base on its experience from the Nanjing urban intelligent traffic “320 Project”, to provide intelligent travelling, intelligent parking and vehicle trading integrated services based on electronic environmental friendly labelling, data collecting stations and geomagnetic technologies for inner city traffic departments, environment protection departments, vehicle enterprises as well as the public of Nanjing, Xuzhou and Huai’an.

In 2015, for the product tracking information service sector, the Group will continue to provide RFID technology based product origin tracing, product movement management and anti-counterfeit integrated services through various channels such as websites, mobile APPs and Weixin user account.

Research and Development

In 2015, the Group will engage the State’s RFID System Engineering technology R&D Centre to carry out prospective technology research in relation to its core businesses, and will continue to cooperate with respective enterprises, colleges and research centers, to focus all research and development efforts on the expansion of its core businesses, and will research, develop and launch new lines of product. Among which, in respect of the RFID core technology, the Group will develop new models of RFID chip and readers; in respect of intelligent logistics, the Group will develop new generations of intelligent electronic locks, and upgrade and modify intelligent customs facilities; in respect of intelligent traffic, the Group will develop new types of intelligent parking geomagnetic facilities equipped with RFID sensors. With its core technologies and intelligent properties and the upgraded and repetitive computing of core products, the Group will endeavor to enhance the competitive power of its products and services, and to raise the competition threshold within the industry, so as to support the IOT and mobile internet business strategies of the Company.

WITHDRAWAL OF PROPOSED ISSUE OF A SHARES

The Company had applied to the CSRC for withdrawal of the Company’s application for the Issue of A Shares (the “Withdrawal”) during the period under review. 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.

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 2014 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

On 21 October 2014, the Company entered into the Domestic Shares Subscription Agreement with Nanjing Sample Technology Group Company Limited. Pursuant to the terms of the Domestic Shares Subscription Agreement, Nanjing Sample Technology Group Company Limited agreed to subscribe in cash for an aggregate of 92,723,400 new Domestic Shares at the subscription price of RMB4.50 per new Domestic Share. The total consideration was RMB417,255,300. Nanjing Sample Technology Group Company Limited is beneficially owned as to approximately 47.91% by Mr. Sha Min, the chairman of the Company and an executive Director, as to approximately 4.67% by Mr. Chang Yong, an executive Director and as to approximately 47.42% by 16 individuals who are all Independent Third Parties, therefore, Mr. Sha Min and Mr. Chang Yong had indirect material interest of Domestic Shares Subscription Agreement during the year. Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

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 2014.

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 (the “Shareholders”) of the Company at the forthcoming annual general meeting of the Company to be held on 22 May 2015 (“2015 AGM”) a final dividend of RMB0.2 per share to be paid on or about 21 August 2015 to those shareholders whose names appear on the register of members of the Company on 9 June 2015 (the “Record Date”).

Pursuant to the relevant tax rules and regulations of the People’s Republic of China (“PRC”), a corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment the corporate profit tax from the payment of the final dividend of RMB0.2 per share to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members on the Record Date. The term “non-resident enterprises”

when used in this announcement shall have the meaning as defined under the relevant tax rules and regulations of the PRC. No corporate tax at the rate of 10% will be withheld in respect of dividends to natural persons whose names are registered on the H shares register of members of the Company on the Record Date.

Investors should read this announcement carefully. The Company will withhold for payment the corporate profit tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the H share register of members on the Record Date. Nanjing Sample Technology Company Limited will owe no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2015 AGM, the register of members of the Company will be closed from 22 April 2015 to 22 May 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 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 21 April 2015.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 2 June 2015 to 9 June 2015 (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 1 June 2015.

PUBLICATION OF ANNUAL REPORT

The 2014 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
27 March 2015

As at the date hereof, 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. Geng Nai Fan and Mr. Shum Shing Kei.

** For identification purpose only*