



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

2015

* for identification purpose only

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2015 (the "Period") amounted to RMB413,914,653.68, representing a growth of approximately 6.73% 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 2015 was RMB69,767,800.12, representing an increase of approximately 7.85% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2015 was approximately RMB0.232 (2014: RMB0.289).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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 2015 together with the comparative figures of 2014 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 2015

ASSETS	Note	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Current assets:			
Cash at bank and on hand		773,873,201.69	900,982,056.56
Notes receivable	8	–	7,842,580.10
Accounts receivable	8	267,587,868.37	234,683,339.39
Prepayments	8	81,636,039.37	42,448,774.83
Other receivables	8	145,178,966.45	78,119,619.28
Inventories		610,652,894.86	577,127,799.95
Other current assets		421,957,130.97	7,444,600.40
Total current assets		2,300,886,101.71	1,848,648,770.51
Non-current assets:			
Available-for-sale financial assets		119,506,244.94	119,506,244.94
Long-term equity investments		9,008,769.14	709,053.12
Investment properties		201,688,900.00	–
Fixed assets		238,376,048.20	412,553,068.26
Construction in progress		16,379,694.53	6,738,396.67
Construction materials		4,371,725.75	4,027,060.50
Intangible assets		19,175,639.79	19,506,004.56
Long-term deferred expenses		12,268,960.47	12,881,878.40
Deferred income tax assets		10,233,041.39	10,193,466.27
Total non-current assets		631,009,024.21	586,115,172.72
TOTAL ASSETS		2,931,895,125.92	2,434,763,943.23

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2015

LIABILITIES & SHAREHOLDERS' EQUITY	Note	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Current liabilities:			
Short-term borrowings		539,000,000.00	524,000,000.00
Notes payable		17,950,873.89	36,520,312.90
Accounts payable	9	438,111,914.95	406,030,216.39
Advances from customers	9	78,250,685.09	60,493,872.25
Staff remuneration payables		473,470.31	397,375.48
Taxes payable		28,881,740.95	36,188,173.83
Dividends payable		63,364,680.00	-
Other payables	9	21,219,114.62	47,765,320.26
Non-current liabilities due within 1 year		33,750,000.00	70,000,000.00
Total current liabilities		1,221,002,479.81	1,181,395,271.11
Non-current liabilities:			
Long-term borrowings		70,000,000.00	70,000,000.00
Deferred income		8,867,410.27	9,622,739.47
Deferred income tax liabilities		636,670.96	636,670.96
Total non-current liabilities		79,504,081.23	80,259,410.43
Total liabilities		1,300,506,561.04	1,261,654,681.54

Financial Information

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2015

LIABILITIES & SHAREHOLDERS' EQUITY (Continued)	Note	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Shareholders' equity:			
Share capital		316,823,400.00	224,100,000.00
Capital surplus		420,883,283.02	99,627,613.95
Other comprehensive income		33,461,539.20	(3,879,022.15)
Surplus reserve		51,644,250.39	51,644,250.39
Undistributed profits		758,671,855.66	752,268,735.54
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Total equity attributable to the shareholders of the Company		1,581,484,328.27	1,123,761,577.73
Minority interest		49,904,236.61	49,347,683.96
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Total shareholders' equity		1,631,388,564.88	1,173,109,261.69
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,931,895,125.92	2,434,763,943.23
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Net current assets		1,079,883,621.90	667,253,499.40
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Total assets less current liabilities		1,710,892,646.11	1,253,368,672.12
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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

ITEMS	Note	Six months ended 30 June	
		2015	2014
I. Total operating income	2	413,914,653.68	387,823,724.09
II. Total operating cost		337,299,377.65	313,874,857.59
Operating cost		271,533,736.93	259,469,666.18
Taxes and surcharges		6,091,910.41	3,683,990.26
Selling expenses		10,275,977.71	11,077,888.77
Administrative expenses		31,160,436.90	31,622,366.47
Finance costs	4	15,821,286.80	9,097,112.22
Impairment losses for assets		2,416,028.90	(1,076,166.31)
Investment income		1,065,469.44	-
Including: Share of profit of associates and jointly controlled entities		(200,283.98)	-
III. Operating profit		77,680,745.47	73,948,866.50
Add: Non-operating income		5,252,519.92	3,350,020.10
Less: Non-operating expenses		6,661.56	61,276.65
IV. Total profit		82,926,603.83	77,237,609.95
Less: Income tax expenses	5	12,602,251.06	11,957,613.51
V. Net profit		70,324,352.77	65,279,996.44
Net profit attributable to the shareholders of the Company		69,767,800.12	64,689,329.19
VI. Other comprehensive income		37,340,561.35	684,803.86

Financial Information

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (Continued)

For the six months ended 30 June 2015

ITEMS	Note	Six months ended 30 June	
		2015	2014
VII. Total comprehensive income		107,664,914.12	65,964,800.30
Total comprehensive income attributable to the shareholders of the Company		107,108,361.47	65,374,133.05
Total comprehensive income attributable to minority shareholders		556,552.65	590,667.25
VIII. Earnings per share:	6		
(1) Basic earnings per share		0.232	0.289
(2) Diluted earnings per share		0.232	0.289
IX. Dividends	7	-	-

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June	
	2015	2014
I. Cash flows from operating activities		
Net cash flows from operating activities	(64,119,788.45)	(35,707,518.64)
II. Cash flows from investing activities		
Net cash flows from investing activities	(462,759,752.74)	(59,102,885.18)
III. Cash flows from financing activities		
Net cash flows from financing activities	409,483,376.07	29,914,313.37
IV. Effect of foreign exchange rate changes on cash and cash equivalents	591,721.82	80,300.53
V. Net increase in cash and cash equivalents	(116,804,443.30)	(64,815,789.92)
Add: Cash and cash equivalents at beginning of period	782,748,257.94	528,313,465.63
VI. Cash and cash equivalent at end of period	665,943,814.64	463,497,675.71

Financial Information

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June 2015						
	Attributable to the shareholders of the Company						
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
I. Closing balance of prior year	224,100,000.00	99,627,613.95	(3,879,022.15)	51,644,250.39	752,268,735.54	49,347,683.96	1,173,109,261.69
II. Opening balance of current year	224,100,000.00	99,627,613.95	(3,879,022.15)	51,644,250.39	752,268,735.54	49,347,683.96	1,173,109,261.69
III. Changes during the period	92,723,400	321,255,669.07	37,340,561.35	-	6,403,120.12	556,552.65	458,279,303.19
(I) Net profits	-	-	-	-	69,767,800.12	556,552.65	70,324,352.77
(II) Other comprehensive income	-	-	37,340,561.35	-	-	-	37,340,561.35
(III) Shareholders contribution and capital reduction	92,723,400	321,255,669.07	-	-	-	-	413,979,069.07
1. Capital contribution by shareholders	92,723,400	321,255,669.07	-	-	-	-	413,979,069.07
(IV) Profit appropriation	-	-	-	-	(63,364,680.00)	-	(63,364,680.00)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	-	(63,364,680.00)	-	(63,364,680.00)
(V) Others	-	-	-	-	-	-	-
IV. Closing balance of current period	316,823,400.00	420,883,283.02	33,461,539.20	51,644,250.39	758,671,855.66	49,904,236.61	1,631,388,564.88

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

		Six months ended 30 June 2014						
		Attributable to the shareholders of the Company						
ITEMS		Share capital	Capital surplus	Other	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
				comprehensive income				
I.	Closing balance of prior year	224,100,000.00	99,627,613.95	(3,776,850.71)	46,153,350.13	642,216,593.48	48,739,578.13	1,057,060,284.98
II.	Opening balance of current year	224,100,000.00	99,627,613.95	(3,776,850.71)	46,153,350.13	642,216,593.48	48,739,578.13	1,057,060,284.98
III.	Changes during the period	-	-	684,803.86	-	42,279,329.19	(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	(3,092,046.85)	46,153,350.13	684,495,922.67	47,930,245.38	1,099,215,085.28

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

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

The accounting policies and 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 2014. During the reporting period, there was no change in accounting policies and accounting estimates. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

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

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Principal operating income	404,309,426.69	384,266,352.73
Other operating income	9,605,226.99	3,557,371.36
Total operating income	413,914,653.68	387,823,724.09
Principal operating cost	269,952,193.02	257,279,052.93
Other operating cost	1,581,543.91	2,190,613.25
Total operating cost	271,533,736.93	259,469,666.18

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2015 (Unaudited)		Six months ended 30 June 2014 (Unaudited)	
	Operating Income	Operating Cost	Operating Income	Operating Cost
System integration	299,323,741.21	209,183,486.85	288,749,755.12	201,637,120.84
Intelligent terminal sales	70,373,228.51	46,016,445.72	66,672,883.47	43,317,749.90
Service	34,612,456.97	14,752,260.45	28,843,714.14	12,324,182.19
Total	404,309,426.69	269,952,193.02	384,266,352.73	257,279,052.93

Financial Information

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	
	2015 (Unaudited)	2014 (Unaudited)
Interest expenses	20,717,935.05	10,375,111.13
Less: interest income	5,605,595.82	1,664,426.08
Exchange gain or loss	35,230.30	–
Others	673,717.27	386,427.17
Total	15,821,286.80	9,097,112.22

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Current income tax calculated based on tax law and related regulations	12,641,826.18	11,796,188.56
Deferred income tax adjustment	(39,575.12)	161,424.95
Total	12,602,251.06	11,957,613.51

5. INCOME TAX EXPENSES (Continued)

On 2 September 2014, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the enterprise income tax rate for the Company is 15% during the reporting period.

On 31 October 2014, Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate is 15% during the reporting period.

On 22 December 2009, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu 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 Enterprise 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.

5. INCOME TAX EXPENSES (Continued)

On 17 September, 2012, Nanjing City Intelligent Transportation Co., Ltd. a subsidiary of the Group, obtained the Software Enterprise Verification Certificate issued by the Jiangsu Economic and Information Commission (江蘇省經濟和信息化委員會) and was identified as software enterprise. According to the relevant provisions of the notice on a number of preferential policies on enterprise income tax by the Ministry of Finance, State Administration of Taxation, the software enterprises can enjoy 2-Year Free and 3-Year Half of enterprise income tax incentives. According to the notice issued by the tax authorities in-charge of the company, the company is exempted from enterprise income tax in 2012 and 2013. The effective enterprise income tax rate of the Company for 2014, 2015, 2016 is 12.5%.

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 RMB69,767,800.12 (2014: RMB64,689,329.19) and weighted average number of issued ordinary shares of approximately 301,369,500 (2014: 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 2015 and 2014.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Accounts receivable	297,245,381.88	261,979,554.14
Less: Provision for doubtful and bad debts for accounts receivables	29,657,513.51	27,296,214.75
Notes receivable	–	7,842,580.10
Prepayments	81,636,039.37	42,448,774.83
Other receivables	146,770,570.33	79,656,493.02
Less: Provision for doubtful and bad debts for other receivables	1,591,603.88	1,536,873.74
Total	494,402,874.19	363,094,313.60

The aging analysis of accounts receivable

Types	At 30 June 2015 (Unaudited)		At 31 December 2014 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	92,944,430.94	268,202.43	106,752,852.16	3,462,176.24
1 to 2 years	171,411,303.02	13,581,637.51	126,652,359.26	9,876,519.70
2 to 3 years	24,084,885.45	7,070,503.48	19,039,435.14	4,556,994.18
Over 3 years	8,804,762.47	8,737,170.09	9,534,907.58	9,400,524.63
Total	297,245,381.88	29,657,513.51	261,979,554.14	27,296,214.75

9. TRADE AND OTHER PAYABLES

	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Accounts payables	438,111,914.95	406,030,216.39
Advances from customers	78,250,685.09	60,493,872.25
Other payables	21,219,114.62	47,765,320.26
Total	537,581,714.66	514,289,408.90

Age analysis of accounts payables

	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Within 1 year	377,639,963.61	340,785,220.92
1 to 2 years	19,683,732.15	18,815,440.23
Over 2 years	40,788,219.19	46,429,555.24
Total	438,111,914.95	406,030,216.39

FINANCIAL REVIEW

Total operating income

For the six months ended 30 June 2015 (the "Review Period"), the total operating income of the Group amounted to RMB413,914,653.68, representing an increase of approximately 6.73% 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 increased from approximately 33.10% to 34.40% as compared with the corresponding period of last year. The increase was mainly due to the decrease in prices for sourcing of the raw materials and the increase in the income generated by the service business during the Review Period.

Selling expenses

Selling expenses for the six months ended 30 June 2015 was RMB10,275,977.71, representing a decrease of approximately 7.24% as compared with the corresponding period of last year. The decrease was mainly attributed to the measures taken to cost control.

Administrative expenses

The administrative expenses recorded a decrease of approximately 1.46% from RMB31,622,366.47 in the corresponding period of last year to RMB31,160,436.90 for the Review Period.

Inventories

At 30 June 2015, the inventories of the Group was RMB610,652,894.86, representing an increase of approximately 5.81% 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.

Construction in progress

At 30 June 2015, the Group's construction in progress amounted to RMB16,379,694.53, representing an increase of approximately 143.08% as compared to that of the beginning of the period. The increase was mainly due to the construction of the auxiliary projects of the Company's 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 2015 was RMB1,079,883,621.90 (At 31 December 2014: RMB667,253,499.40).

As at 30 June 2015, the bank balances and cash of the Group amounted to RMB773,873,201.69 (At 31 December 2014: RMB900,982,056.56).

Fixed Assets and Investment Properties

During the Review Period, some properties that held by the Group has been leasing out, therefore, the leased properties has been measured for a fair value in accordance the requirement of accounting standards and reclassified the leased properties from fixed assets to investment properties.

Capital Structure

As at 30 June 2015, the total bank borrowings of the Group was RMB642,750,000.00 (At 31 December 2014: RMB664,000,000.00).

92,723,400 new domestic shares were duly allotted and issued upon completion of the domestic shares subscription by Nanjing Sample Technology Group Company Limited on 20 January 2015. The registered and issued share capital of the Company was RMB316,823,400 which was divided into 91,800,000 H Shares and 225,023,400 Domestic Shares.

Pledge of Assets of the Group

As at 30 June 2015, the bank deposits of RMB107,929,387.05 (At 31 December 2014: RMB118,233,798.62) are pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2015, the Group has an aggregate of 380 employees (At 30 June 2014: 397 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB27,056,631.42 (corresponding period of 2014: RMB22,160,696.69).

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

Gearing Ratio

The gearing ratio (being bank loans less cash and cash equivalents divided by equity) of the Group as at 30 June 2015 was zero (At 31 December 2014: 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 2015, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Strategic business

As for expressway traffic business, the Group increased its efforts in expanding into new markets while remaining its original market advantage. During the Review Period, the Group successfully won bids of different projects such as network monitoring and modification project of Guizhou Jing Qing Long to Sheng Jing Guan Section of Shanghai-Kunming Highway, mechanical and electrical engineering project of Wuhan City Ring Highway and traffic engineering project of widening and renovating and expanding Huizhou-Shenzhen Expressway (Huizhou section). Meanwhile, the Group actively expanded numerous expressway traffic business projects such as Xuzhou West Third Ring project and created a new development model of the Company's strategic business following the trend of Internet development.

As for intelligent urban transportation business, the Group focused on providing operation service of sensory terminal resources based on Internet of Things, big data operation service for the government and operation service of vehicles network for the government, enterprises and the public. During the Review Period, the Group established and improved platform system and structure and expanded user service. The Group promoted the intelligent urban transportation project which was successfully implemented in Nanjing by the Company and covered the entire province, and combing local resources, the project will be introduced to other provinces. Meanwhile, surrounding the intelligent application of E-Plates, the Group actively explored intelligent car park business based on geo-magnetic application revolving the urban ring of Nanjing and further developed co-operation with governments of other cities in the province.

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 actively promoted the upgrading and transition of operation model. The business model was transformed towards building operation service platform from the sales model of customs + software integration project, and the management pattern was developed towards regional operation unit from departmentalization. During the Review Period, the Group successfully won tenders for various regional customs logistics projects in Eastern China, Pearl River Delta, Bohai Bay etc. The Group participated and completed the operation service of smart electronic locks at Shanghai customs, Nanjing customs and Xi'an customs. Customs data service was strengthened and after-sales technical service for smart electronic locks was provided.

Information services

After years of development and continued growth, the Group has committed to developing integrated solutions of smart cities, formulating standards, cultivating innovation and procuring investment, and the Group has striven to foster the overall design, coordinated development, integrated construction as well as unified operation and maintenance of systems such as smart communities, smart logistics, smart environmental protection and smart health care, giving birth to the platform "Machtalk". The platform "Machtalk" provides clients with basic services such as Internet of Things and cloud computing, integrated solutions for industries such as smart transport, smart logistics and smart environmental protection, data integration and sharing platform of smart cities as well as one-stop services of smart application construction. During the Review Period, the free version of "Machtalk" called "Free Space (自由空間)" developed by the Group has been put into service online. It has been used to help small and micro enterprises as well as individuals to realize their entrepreneurial dreams and has brought the clients a brand-new service experience. In the Free Space, users can enjoy resources in Machtalk for free, including basic cloud calculation service, data service of various industries and various successful examples for reference, in order to realize the start-up dream of clients. During the Review Period, the Group actively promoted the new model of the vehicles network and achieved goals such as convenience, information sharing and service safety.

Research and development

During the Review Period, the Group completed the development of a reader prototype which meets the function of air interface protocol of IT radio frequency identification, passed the research and production capacity test of the relevant Wuxi authority and redesigned the product structure and evaluated the development cycle in accordance with the document requirements of electronic identification reader device technology of cars of the relevant Wuxi authority. Meanwhile, the Group actively fostered the research and development of active products, completed processes such as component selection, circuit design and power consumption tests, carried out the preliminary verification of the plan and completed a preliminary design of the label structure.

Management Discussion and Analysis

During the Review Period, the Group obtained 6 patents and 22 software copyrights. It was also awarded “Excellent Solutions” in the 2015 Jiangsu Province Information Industry Synergy Innovation Results Selection. During the Review Period, the planning and design of urban public distribution outlets, the optimization and application demonstration project as well as the city-level vehicle emission regulation and enforcement platform project committed by the Group have been awarded the titles of “2015 International Science and Technology Cooperation Projects under Provincial Policy Guidance Plan Category” and “2015 Special Fund Projects of Transformation and Upgrading of Provincial Industry and Information Technology” respectively.

PROSPECT

In the second half of 2015, the Group will continue to maintain stable business development, establish a strong after-sale system, focus to earn the reputation of the customs industry, realize strategic planning; intensify the efforts to expand the business, expand the number of en route regulatory application terminal in the Yangtze River Delta region, further increase its market share; design the business model of investment operation service, make pilot investment on operation service model; bring in close cooperative partners to develop new products simultaneously, optimize the overall solution; negotiate with electronic lock product partners, introduce social logistics business as well as maintain the electronic lock product partners.

In the second half of the year, the Group will continue the steady promotion of traditional business, actively expand various traditional business projects including the Xuzhou Port Project; continue to follow the development of Internet services as well as accelerate the continued enlargement and strengthening of innovative business. In the second half of the year, the Group will, through the application of product collaborative innovation in the industry, explore a diverse marketing model, which can drive the research and development power of products and expand sales channels through the competitive differentiation of industry-specific products in order to enhance the customer bonding and, as a result, establish the brand recognition of the Company in the industry, fostering its long-term growth and adding value to the business.

In the second half of the year, the Group will continue to promote product operation, optimize core functions, optimize service load and support operation activities. Further breakthrough of business model and increase in user loyalty and activity can be achieved through constant optimization of functional modules in order to increase awareness and impact.

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 2015, 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	0.43%
	158,443,400	Interest of controlled corporation	50.01%

Note: Mr. Sha Min (“Mr. Sha”) directly holds 1,350,000 domestic shares of the Company and is interested in 57.42% of equity interest of Nanjing Sample Technology Group Company Limited which in turn owns 158,443,400 domestic shares of the Company. Under the SFO, Mr. Sha is deemed to be interested in all 158,443,400 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 159,793,400 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 2015, 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)	158,443,400 Domestic Shares	Beneficial owner/corporate	50.01%
Active Gold Holding Limited (Note 2)	49,545,000 Domestic Shares	Beneficial owner/corporate	15.64%
Atlantis Capital Holdings Limited (Note 3)	23,746,000 H Shares	Interest of controlled corporation	7.50%
Liu Yang (Note 3)	23,746,000 H Shares	Interest of controlled corporation	7.50%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua")	15,000,000 Domestic Shares	Beneficial owner/corporate	4.73%
Riverwood Asset Management (Cayman) Ltd. (Note 3)	13,746,000 H Shares	Investment Manager	4.34%
Manygain Global Limited	10,000,000 H Shares	Beneficial owner	3.16%

Notes:

- Sample Group directly holds 153,493,400 Domestic Shares. Sample Group is also interested in 100% of the registered capital of Nanjing Sample Investment Development Company Limited* (南京三寶投資發展有限公司) ("Sample Investment"), 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 Investment. As such, Sample Group is the substantial and the single largest shareholders of the Company. Mr. Sha Min, the Chairman of the Company, held 57.42% of equity interest of Sample Group.
- Active Gold Holding Limited is wholly owned by Ferdinard Holding Limited which is in turn wholly owned by Ms. Wan Ngok Wah.

- (3) Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Ltd. are 100% owned by Ms. Liu Yang. Under SFO, Ms. Liu Yang owned the 23,746,000 Shares in a capacity of interest under controlled corporation.

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 2015.

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.



Other Information

CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2015, 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

11 August 2015
Nanjing, the PRC

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. Shum Shing Kei and Mr. Geng Nai Fan.

* *For identification purpose only*