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南京三寶科技股份有限公司

NANJING SAMPLE TECHNOLOGY CO., LTD.*

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

(Stock Code: 1708)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2017 (the "Period") amounted to RMB701,614,820.26, representing a growth of approximately 19.27% as compared to the corresponding period of last year.

The net profit attributable to owners of the parent company for the six months ended 30 June 2017 was RMB82,631,478.60, representing an increase of approximately 13.52% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2017 was approximately RMB0.261 (2016: RMB0.230).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

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 2017 together with the comparative figures of 2016 as follows:

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

Consolidated Balance Sheet

At 30 June 2017

ASSETS	Note	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Current assets:			
Cash at bank and on hand		1,098,049,281.80	1,227,426,333.37
Financial assets calculated by fair value with its change included in loss and profit of current period		5,901,163.55	—
Notes receivable	8	9,605,401.89	810,000.00
Accounts receivable	8	575,833,922.57	526,069,368.54
Prepayments	8	125,032,828.47	42,815,450.27
Interest receivable		—	394,890.00
Other receivables	8	225,999,655.20	179,291,491.38
Inventories		643,273,703.04	614,699,178.91
Non-current assets due within one year		—	120,000,000.00
Other current assets		18,092,669.51	160,390,998.50
Total current assets		<u>2,701,788,626.03</u>	<u>2,871,897,710.97</u>
Non-current assets:			
Available-for-sale financial assets		44,520,000.00	44,520,000.00
Long-term equity investments		25,686,125.15	5,436,528.36
Investment Property		215,250,600.00	215,250,600.00
Fixed assets		244,666,598.73	259,370,746.71
Construction in progress		1,181,511.79	1,271,607.11
Construction materials		12,853.20	12,853.20
Intangible assets		35,822,914.63	15,599,914.81
Long-term deferred expenses		7,617,362.46	9,358,650.83
Deferred income tax assets		28,593,328.95	28,391,637.47
Other non-current assets		—	—
Total non-current assets		<u>603,351,294.91</u>	<u>579,212,538.49</u>
TOTAL ASSETS		<u>3,305,139,920.94</u>	<u>3,451,110,249.46</u>

	<i>Note</i>	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
LIABILITIES & OWNERS' EQUITY			
Current liabilities:			
Short-term borrowings		380,000,000.00	611,644,210.96
Notes payable		26,894,647.35	35,288,100.72
Accounts payable	9	628,235,508.17	639,256,306.14
Advances from customers	9	62,553,129.96	48,367,297.32
Payroll payables		2,348,164.00	4,529,581.34
Taxes payable		22,153,362.64	37,640,623.70
Interest payable		877,993.69	1,188,634.41
Dividends payable		47,523,510.00	–
Other payables	9	104,277,693.92	77,955,804.95
Non-current liabilities due within 1 year		30,360,000.00	29,110,000.00
Other current liabilities		6,081,302.74	6,601,021.14
Total current liabilities		<u>1,311,305,312.47</u>	<u>1,491,581,580.68</u>
Non-current liabilities:			
Long-term borrowings		93,920,000.00	109,100,000.00
Deferred income		9,642,519.25	10,397,156.83
Deferred income tax liabilities		8,947,080.24	8,969,147.98
Total non-current liabilities		<u>112,509,599.49</u>	<u>128,466,304.81</u>
Total liabilities		<u>1,423,814,911.96</u>	<u>1,620,047,885.49</u>
Owners' equity:			
Share capital		316,823,400.00	316,823,400.00
Capital reserves		419,465,630.20	417,341,904.48
Other comprehensive income		34,226,529.50	33,105,840.34
Surplus reserves		77,443,332.15	77,443,332.15
Undistributed profits		958,660,241.00	923,552,272.40
Total owners' equity attributable to the parent company		1,806,619,132.85	1,768,266,749.37
Minority interest		74,705,876.13	62,795,614.60
TOTAL OWNERS' EQUITY		<u>1,881,325,008.98</u>	<u>1,831,062,363.97</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>3,305,139,920.94</u>	<u>3,451,110,249.46</u>
NET CURRENT ASSETS		<u>1,390,483,313.56</u>	<u>1,380,316,130.29</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,993,834,608.47</u>	<u>1,959,528,668.78</u>

Consolidated income statement (unaudited)*For the six months ended 30 June 2017*

ITEMS	Note	Six months ended 30 June	
		2017	2016
I. Total operating income	2	701,614,820.26	588,274,800.99
II. Total operating cost		623,340,580.37	521,047,390.03
Operating cost	2	532,875,212.65	444,010,818.50
Taxes and surcharges		3,943,948.32	6,649,114.21
Selling and distribution expenses		22,621,780.67	21,235,004.31
Administrative expenses		48,075,916.63	42,078,190.06
Finance costs	4	12,286,533.75	8,922,275.58
Impairment losses for assets		3,537,188.35	-1,848,012.63
Add: Gain on fair value change		–	–
Investment income (with “-” for losses)		11,699,394.14	11,641,458.40
Including: Share of profit of associates and jointly controlled entities		–	–
III. Operating profit (with “-” for losses)		89,973,634.03	78,868,869.36
Add: Non-operating income		5,988,759.68	5,936,303.05
Less: Non-operating expenses		29,400.04	7,270.99
IV. Total profit (with “-” for total losses)		95,932,993.67	84,797,901.42
Less: Income tax expenses	5	15,633,475.23	12,561,449.94
V. Net profit (with “-” for net losses)		80,299,518.44	72,236,451.48
Net profit attributable to the owners of parent company		82,631,478.60	72,787,144.81
Minority interests		-2,331,960.16	-550,693.33
VI. Net other comprehensive income after tax		1,120,471.53	2,942,584.04
VII. Total comprehensive income		81,419,989.97	75,179,035.52
Total comprehensive income attributable to owners of parent company		83,751,950.13	75,729,728.85
Total comprehensive income attributable to minority shareholders		-2,331,960.16	-550,693.33
VIII. Earnings per share:	6		
(1) Basic earnings per share (yuan/share)		0.261	0.230
(2) Diluted earnings per share (yuan/share)		0.261	0.230
IX. Dividends	7	–	–

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2017

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 2016. The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.16 – Government grants (the “Standard No.16 (2017)”) in May 2017. The effective date is 12 June 2017. Adoption of the Standard No. 16 (2017) does not have any impact to the Group. During the reporting period, there was no change in accounting estimates or no correction of accounting errors. 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, service, cross-border trade and service businesses.

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Principal operating income	692,828,958.99	580,603,520.14
Other operating income	8,785,861.27	7,671,280.85
Total operating income	<u>701,614,820.26</u>	<u>588,274,800.99</u>
Principal operating cost	532,266,513.27	443,141,271.60
Other operating cost	608,699.38	869,546.90
Total operating cost	<u>532,875,212.65</u>	<u>444,010,818.50</u>

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	operating income	operating cost	operating income	operating cost
System integration	441,411,302.71	324,044,563.42	389,120,863.57	301,568,669.27
Intelligent terminal sales	76,726,253.45	62,551,630.74	102,041,181.34	72,245,156.39
Service	35,504,238.61	15,736,685.44	39,150,146.51	24,877,594.57
Cross-border trade and service	139,187,164.22	129,933,633.67	50,291,328.72	44,449,851.37
Total	<u>692,828,958.99</u>	<u>532,266,513.27</u>	<u>580,603,520.14</u>	<u>443,141,271.60</u>

3. SEGMENTS INFORMATION

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

4. FINANCE COSTS

Item	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Interest expenses	16,789,861.41	17,647,820.74
Less: interest income	4,246,638.91	6,893,030.08
Exchange gain or loss	-1,234,593.71	-2,929,661.77
Others	977,904.96	1,097,146.69
Total	<u>12,286,533.75</u>	<u>8,922,275.58</u>

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current income tax calculated based on tax law and related regulations	15,839,433.36	12,441,888.23
Deferred income tax adjustment	-205,958.13	119,561.71
Total	<u>15,633,475.23</u>	<u>12,561,449.94</u>

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 effective tax rate of enterprise income tax 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 of enterprise income tax is 15% during the reporting period.

On 6 July 2015, 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. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 10 October 2015, Jiangsu Siruide IOT Technology Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 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 tax rate of enterprise income tax of the Company for 2014, 2015, 2016 is 12.5%. On 10 October 2015, Nanjing City Intelligent Transportation Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

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 ordinary shareholders of the Company of RMB82,631,478.60 (2016: RMB72,787,144.81) and weighted average number of issued ordinary shares of 316,823,400 (2016: 316,823,400) 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 2017 and 2016.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Accounts receivable	647,657,041.17	597,057,802.27
Less: Provision for doubtful and bad debts for accounts receivables	71,823,118.60	70,988,433.73
Notes receivable	9,605,401.89	810,000.00
Prepayments	125,032,828.47	42,815,450.27
Other receivables	241,707,271.55	193,379,092.03
Less: Provision for doubtful and bad debts for other receivables	15,707,616.35	14,087,600.65
Total	<u>936,471,808.13</u>	<u>748,986,310.19</u>

The aging analysis of accounts receivable

Types	At 30 June 2017 (Unaudited)		At 31 December 2016 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	490,540,894.14	14,716,226.82	448,475,429.12	13,454,262.87
1 to 2 years	97,320,105.77	7,785,608.46	86,346,450.12	6,907,716.01
2 to 3 years	14,963,939.92	4,489,181.98	16,584,954.54	4,975,486.36
Over 3 years	44,832,101.34	44,832,101.34	45,650,968.49	45,650,968.49
Total	<u>647,657,041.17</u>	<u>71,823,118.60</u>	<u>597,057,802.27</u>	<u>70,988,433.73</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Accounts payables	628,235,508.17	639,256,306.14
Advances from customers	62,553,129.96	48,367,297.32
Other payables	104,277,693.92	77,955,804.95
Total	<u>795,066,332.05</u>	<u>765,579,408.41</u>

The aging analysis of accounts payables

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Within 1 year	550,285,232.75	489,583,642.10
1 to 2 years	28,147,896.43	75,835,422.21
Over 2 years	49,802,378.99	73,837,241.83
Total	<u>628,235,508.17</u>	<u>639,256,306.14</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total operating income

For the six months ended 30 June 2017 (the “Review Period”), the total operating income of the Group amounted to RMB701,614,820.26, representing an increase of approximately 19.27% over that of the corresponding period of last year. It was mainly attributed to the active development of the cross-border trade and service business during the Review Period.

Gross profit margin

The gross profit margin for the Review Period decreased from approximately 24.52% to 24.05% as compared with the corresponding period of last year. Despite substantial increase of the revenue from cross-border trade and services business, its gross margin is very low, which has dragged down the Group’s overall gross profit margin.

Selling expenses

Selling expenses for the six months ended 30 June 2017 was RMB22,621,780.67, representing an increase of approximately 6.53% as compared with the corresponding period of last year. The increase was mainly attributed to the active expansion of business channels.

Administrative expenses

The administrative expenses recorded an increase of approximately 14.25% from RMB42,078,190.06 in the corresponding period of last year to RMB48,075,916.63 for the Review Period. The increase was mainly attributed to active expansion of business channels.

Prepayments

As at 30 June 2017, the Group’s prepayments amounted to RMB125,032,828.47, representing an increase of approximately 192.03% over the same period last year. The increase was mainly due to the increases of prepayments of materials procurement and projects prepayments.

Non-current assets due within one year

Non-current assets due within one year of the Group decreased from RMB120,000,000 as at 31 December 2016 to zero as at 30 June 2017 which was mainly due to the asset management plans that acquired by the Group were due for redemption. For details of the asset management plans, please refer to the announcement of the Company dated 21 May 2015 in respect of the discloseable transactions.

Other current assets

Other current assets of the Group decreased from RMB160,390,998.50 as at 31 December 2016 to RMB18,092,669.51 as at 30 June 2017. Such decrease was mainly due to the decrease in export tax refund to be declared which was recognized by Jiangsu Cross-border e-Commercial Services Co., Ltd. and this company was ceased to be a subsidiary of the Company at the end of the reporting period.

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 2017 was RMB1,390,483,313.56 (At 31 December 2016: RMB1,380,316,130.29).

As at 30 June 2017, the bank balances and cash of the Group amounted to RMB1,098,049,281.80 (At 31 December 2016: RMB1,227,426,333.37).

Capital Structure

As at 30 June 2017, the total bank borrowings of the Group was RMB504,280,000.00 (At 31 December 2016: RMB749,854,210.96).

As at 30 June 2017, 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 2017, the bank deposits of RMB21,263,521.59 (At 31 December 2016: RMB46,148,367.38) are pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2017, the Group has an aggregate of 357 employees (At 30 June 2016: 499 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB30,732,095.96 (corresponding period of 2015: RMB27,486,052.88).

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 2017 was zero (At 31 December 2016: 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

On 16 February 2017, the Company published a discloseable and connected transaction announcement in respect of the proposed disposal of 82.61% equity interest in Jiangsu Cross-border e-Commerce Services Co., Ltd.* (江蘇跨境電子商務服務有限公司), a non-wholly owned subsidiary of the Company, to Nanjing Sample Technology Group Company Limited for a consideration of RMB59,000,000 (equivalent to approximately HK\$65,555,555.56). On 15 May 2017, the disposal was approved by the shareholders of the Company at the extraordinary general meeting. On 26 May 2017, all formalities of such equity transfer were completed.

On 18 April 2017, the Company entered into an Equity Transfer Agreement with Nanjing Sample Technology Group Company Limited in relation to the sale and purchase of the entire equity interest of Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司) for a consideration of RMB7,830,000 (equivalent to approximately HK\$8,847,900). Acquisition was completed on 20 April 2017, Nanjing Intelligent Urban Constructive Investment Co., Ltd.* (南京數字城市投資建設有限公司) became a wholly-owned subsidiary of the Company.

Save as disclosed above, the Group did not have any other material acquisition and disposal and material investment during the Review Period.

Future Plans Relating to Material Investment or Capital Asset

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

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business Development

As for the expressway intelligent transportation business, the Group continuously consolidated the improvement of existing business and implemented refined management on every segment of the projects as well as developed new business projects. During the period under review, the Group won the bids for a number of projects, such as the electrical and mechanical engineering project Wenzhou Ring Expressway Southwest Line, reconstruction project National Highway No. 104, Keqiao section, Shaoxing County, etc. Meanwhile, the Group implanted the idea of intelligent transportation into every business segment and proactively explored more business opportunities in constructing intelligent service area along expressways to achieve breakthroughs in project management.

As for the city intelligent transportation business, guided by user demand, the Group closely followed the trend of technology development and market change, conducted in-depth research on the algorithm of the traffic model through self-development and external cooperation so as to further enhance understanding of the transportation industry, and formed two research teams regarding to “big data model” and “software development”. Meanwhile, the Group actively advanced the model transformation from single construction model to PPP model, and facilitated to redirect our core competitiveness from project implementation to seizing industry demand and the large data analysis capabilities. During the period under review, the “Smart OSS Smart Big Data Manager Platform” launched by the Group was awarded the Innovative Product Prize in the fourth Intelligent Transportation Cup.

As for the customs logistic business, the Group has continuously stepped up its effort on integrating market resources, and is committed to providing customers quality customs logistic solutions, so as to further enhance our operational efficiency, and gained remarkable results on market expansion. During the period under review, the Group successively won the bids of customs logistic projects in several regions, including eastern China, southern China, central and western China and Bohai Rim Region, and has continuously provided customers quality after-sale services. Meanwhile, the Group actively advanced the implementation of the building operation service platform.

As for the cross border trade and service business, on 16 February 2017, the Company and Nanjing Sample Technology Group Company Limited (“Sample Group”) entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to dispose of and Sample Group conditionally agreed to acquire 82.61% equity interest in Jiangsu Cross-border e-Commerce Services Co., Ltd. (“Jiangsu Cross-border”), a non-wholly owned subsidiary of the Company. The total consideration for the disposal pursuant to the Equity Transfer Agreement is RMB59,000,000 (equivalent to approximately HK\$65,555,555.56). On 15 May 2017, the resolution regarding the disposal was considered and passed by the Shareholders of the Company at the extraordinary general meeting of the Company. On 26 May 2017, all required procedures for the Equity Transfer were completed. The disposal would improve the operational efficiency of the principal business of the Group by relocating more resources to such businesses.

Research and Development

During the period under review, the Group participated in various significant projects, namely the “Internet +”, “Application Demonstration of the Integrated Monitoring System of the City’s Intelligent Transportation based on IOT Technologies” and “Logistic Supply Chain Cloud Service Platform based on IOT Technologies”, a provincial industrial information industry transformation and upgrade fund project in Jiangsu for manufacturing services related to the intelligent logistic demonstration. Meanwhile, researches on sensing technology safety and platform verification of IOT technologies (the “863 Plan”), a State high-technology research and development project undertaken by the Group with Dongnan University, were inspected and duly passed by the Technology Department and highly appraised by the leaders and professionals during the period under review.

During the period under review, “Application and Industrialization of Wireless Multimedia Sensing and Transmission Technology in Ubiquitous Environment”, a project undertaken by the Group with Nanjing University of Posts and Telecommunication, was awarded the third prize of science and technology in Jiangsu in 2016. During the period under review, the Group’s “RFID Technology in City Intelligent Traffic Integrated Management System” project and “Integration and Application of the RFID Technology in City Intelligent Transportation, Customs Logistics Management “ project were awarded China’s RFID outstanding application results Award and the National Gold Project Golden Ants System Integration Award, respectively.

Future Prospect

In the second half of the year, as for the expressway intelligent transportation business, the Group will proactively deploy more market resources, seek market potential and continue the refined management on every segment of the projects to ensure that the projects underway are progressed on track. We will explore the feasibility of the integration with the new business model, PPP, while giving further full play to our strength on project management, to keep up our excellent work on project management and get prepared for the increasing large projects.

In the second half of the year, as for the city intelligent transportation business, the Group will focus on the analysis of big data related to transportation and the decision-making platform, and continue to enrich the product lines of the Company. We will put more effort on the research of the government PPP projects, strengthen our marketing team and actively participate in planning, design and consultation of the government projects. We will gradually expand to the business sectors, such as intelligent healthcare and intelligent community with our existing business foundation to change the situation of rather high level of client concentration and improve the ability to avoid risks.

In the second half of the year, as for the customs logistic business, the Group will continue to expand integrated service business, safeguard the online function and marketing of the key projects. The Group will continue to consolidate its own strength, cultivate more market breadth, further increase its market share of the customs logistics business, and earn higher level of customer satisfaction.

In the second half of the year, the Group will use intelligent transportation as its core, continue to consolidate the total solutions including the sourcing of goods over the internet-of-things, the informationalization of management platform and municipal and communal services, so as to actively procure the construction of the public management and communal service ecological system for intelligent city. At the same time, the Group will continue to cater to the demand of end customers and develop data resources as its business development direction, and improve and advance the business model in accordance with the market trend. With enhancing customer satisfaction as our starting point, we will optimize the platform and products on an ongoing basis, improve user experience and strengthen the Company's influence in the industry.

Change of Director

On 15 May 2017, Mr. Gao Lihui has been appointed as an independent non-executive director of the Company to fill the vacancy arising from the retirement of Mr. Geng Nai Fan from his position of independent non-executive director of the Company.

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 2017.

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. Gao Lihui and Mr. Hu Hanhui. The audit committee of the Company has reviewed the unaudited results of the Group for the Review Period and has provided advice and comments thereon.

PROPOSE ISSUE OF A SHARES

On 13 April 2017, the Company announced that the Company will apply to the CSRC and other relevant PRC regulatory authorities in accordance with Chinese laws and regulations and other regulatory requirements to issue not more than 40,000,000 A shares at par value of RMB1.00 each to the qualified inquiring subscribers and domestic natural persons, legal persons and investors who have opened securities accounts on the Shanghai Stock Exchange (excluding those prohibited by laws and regulations) and will also apply to Shanghai Stock Exchange for listing and trading of such A shares. The proposed issue of A shares was approved at the Company's extraordinary general meeting and the H shareholders' class meeting and domestic shareholders' class meeting, all held on 12 June 2017 for a valid period of 12 months from 12 June 2017. As at the date of this announcement, the Company is in the stage of receiving pre-listing tutoring of proposed initial public offering and listing of A shares. The Company will make further announcement to inform the shareholders and potential investors of the Company of the progress of Issue of A Shares, as and when appropriate and necessary.

Please refer to the circular of the Company dated 17 May 2017 in relation to the proposed issue of A Shares.

Corporate Governance Code

For the six months ended 30 June 2017, 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

18 August 2017
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. Shum Shing Kei, Mr. Gao Lihui and Mr. Hu Hanhui.

* *For identification purpose only*