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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 2018**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2018 (the "Period") amounted to RMB860,887,967.66, representing a growth of approximately 22.70% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the parent company for the six months ended 30 June 2018 was RMB99,304,107.15, representing an increase of approximately 20.18% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2018 was approximately RMB0.313 (2017: RMB0.261).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., 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 2018 together with the comparative figures of 2017 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 2018

ASSETS	Note	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Current assets:			
Cash at bank and on hand		611,980,560.41	763,119,652.92
Settlement reserves		—	—
Loans to banks and other financial institutions		—	—
Held-for-trading financial assets		103,996,791.07	103,884,925.95
Derivative financial assets		—	—
Notes receivable and accounts receivable	8	908,361,593.36	606,573,547.98
Prepayments	8	369,759,703.43	66,721,485.56
Premiums receivable		—	—
Reinsurance accounts receivable		—	—
Receivables from subcontracting reserves		—	—
Other receivables	8	597,200,500.29	484,891,213.33
Financial assets held under resale agreements		—	—
Inventories		338,912,562.64	247,195,165.80
Contract assets		802,640,944.59	795,624,201.99
Held-for-sale assets		—	—
Non-current assets due within one year		—	—
Other current assets		158,744,639.70	40,268,878.13
Total current assets		3,891,597,295.49	3,108,279,071.66

ASSETS	<i>Note</i>	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Non-current assets:			
Loans and advances		—	—
Debt investment		—	—
Other debt investment		—	—
Long-term receivables		—	—
Long-term equity investments		57,097,285.01	43,822,612.31
Other equity instruments investment		7,897,276.00	7,897,276.00
Other non-current financial assets		—	—
Investment property		219,390,300.00	219,390,300.00
Fixed assets		218,545,140.16	229,877,091.68
Construction in progress		7,345,318.88	874,604.36
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets		12,256,711.18	32,884,438.58
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses		6,328,750.62	8,152,163.37
Deferred income tax assets		32,090,353.90	32,303,033.76
Other non-current assets		—	1,707,300.00
		<hr/>	<hr/>
Total non-current assets		560,951,135.75	576,908,820.06
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TOTAL ASSETS		4,452,548,431.24	3,685,187,891.72
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LIABILITIES & OWNERS' EQUITY	<i>Note</i>	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Current liabilities:			
Short-term borrowings		802,221,860.88	345,300,000.00
Borrowings from central bank		—	—
Deposits from customers and interbank		—	—
Loans from banks and other financial institutions		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable and accounts payable	9	1,061,806,631.38	914,764,165.52
Advances from customers		—	—
Contract liabilities	9	90,499,585.83	116,843,058.33
Financial assets sold under repurchase		—	—
Handling charges and commissions payable		—	—
Payroll payables		745,981.26	6,416,109.99
Taxes payable		22,258,394.39	45,030,437.72
Other payables	9	112,605,234.66	38,864,895.89
Reinsurance accounts payable		—	—
Reserve funds for insurance contracts		—	—
Receivings from vicariously traded securities		—	—
Receivings from vicariously sold securities		—	—
Held-for-sale liabilities		—	—
Non-current liabilities due within 1 year		—	11,250,000.00
Other current liabilities		3,219,597.99	6,147,751.60
Total current liabilities		<u>2,093,357,286.39</u>	<u>1,484,616,419.05</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Non-current liabilities:			
Long-term borrowings		220,990,000.00	67,850,000.00
Bonds payables		—	—
Including: preferred shares		—	—
perpetual capital securities		—	—
Long-term payables		—	—
Long-term payroll payables		—	—
Estimated liabilities		—	—
Deferred income		37,513,455.42	37,991,374.17
Deferred income tax liabilities		9,048,044.83	9,228,730.88
Other non-current liabilities		—	—
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Total non-current liabilities		<u>267,551,500.25</u>	<u>115,070,105.05</u>
		<hr/>	<hr/>
Total liabilities		<u>2,360,908,786.64</u>	<u>1,599,686,524.10</u>
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Owners' equity:			
Share capital		316,823,400.00	316,823,400.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual capital securities		—	—
Capital reserves		444,930,544.69	444,930,544.69
Less: treasury stocks		—	—
Other comprehensive income		29,903,479.44	27,277,917.91
Special reserves		—	—
Surplus reserves		84,326,994.53	84,326,994.53
Provision for general risk		—	—
Undistributed profits		1,098,388,675.01	1,078,088,852.07
		<hr/>	<hr/>
Total owners' equity attributable to the parent company		1,974,373,093.67	1,951,447,709.20
Minority interest		117,266,550.93	134,053,658.42
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Total owners' equity		<u>2,091,639,644.60</u>	<u>2,085,501,367.62</u>
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TOTAL LIABILITIES AND OWNERS' EQUITY		<u>4,452,548,431.24</u>	<u>3,685,187,891.72</u>

Consolidated Income Statement

For the six months ended 30 June 2018

ITEMS	Note	Six months ended 30 June	
		2018	2017
I. Total operating income	2	860,887,967.66	701,614,820.26
Including: Operating income		860,887,967.66	701,614,820.26
Interest income		—	—
Earned premiums		—	—
Income from handling charge and commission		—	—
II. Total operating cost		744,331,462.06	623,340,580.37
Including: Operating cost	2	641,875,924.96	532,875,212.65
Interest expenses		—	—
Handling charges and commissions		—	—
Surrender value		—	—
Net payments for insurance claims		—	—
Net provision for insurance contracts		—	—
Expenditures for insurance policy dividend		—	—
Reinsurance costs		—	—
Taxes and surcharges		4,162,229.43	3,943,948.32
Selling and distribution expenses		20,215,782.33	22,621,780.67
Administrative expenses		26,584,826.90	25,693,262.08
Research & development expenses		24,324,492.52	22,382,654.55
Financial expenses	4	19,594,742.20	12,286,533.75
Including: Interest expenses	4	18,071,560.02	16,789,861.41
Interest income	4	797,097.69	-4,246,638.91
Asset impairment losses		—	—
Credit impairment losses		7,573,463.72	3,537,188.35
Add: Other income		—	—
Investment income (with “-” for losses)		1,340,884.89	11,699,394.14
Including: Investment income from associates and joint ventures		—	—
Income from net exposure to hedging (with “-” for losses)		—	—
Gain on fair value change (with “-” for losses)		—	—
Income on disposal of assets (with “-” for losses)		—	—
Currency exchange gains (with “-” for losses)		—	—
III. Operating profit (with “-” for losses)		117,897,390.49	89,973,634.03
Add: Non-operating income		1,909,030.95	5,988,759.68
Less: Non-operating expenses		53,337.54	29,400.04

ITEMS	Note	Six months ended 30 June	
		2018	2017
IV. Total profit (with “-” for total losses)		119,753,083.90	95,932,993.67
Less: Income tax expenses	5	19,260,012.64	15,633,475.23
V. Net profit (with “-” for net losses)		100,493,071.26	80,299,518.44
(I) Classified by business continuity		—	—
1. Net profit from the continuing operations (with “-” for net losses)		100,830,421.44	73,608,877.71
2. Net profit from the discontinued operations (with “-” for net losses)		-337,350.18	6,690,640.73
(II) Classified by ownership		—	—
1. Minority interests		1,188,964.11	-2,331,960.16
2. Net profit attributable to the shareholders of parent company		99,304,107.15	82,631,478.60
VI. Net other comprehensive income, net of tax		2,625,561.53	1,120,471.53
Net other comprehensive income attributable to the owners of parent company, net of tax		2,625,561.53	1,120,471.53
(I) Other comprehensive income that will not be reclassified to profit or loss		—	—
1. Changes of re-measurement of defined benefit plans		—	—
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		—	—
3. Changes in fair value of other equity instruments investment		—	—
4. Changes in fair value of the company's own credit risk		—	—
(II) Other comprehensive income that will be reclassified to profit and loss		2,625,561.53	1,120,471.53
1. Other comprehensive income under equity method that can be reclassified into profit and loss		—	—
2. Changes in fair value of other debt investments		—	—
3. The amount of financial assets reclassified into other comprehensive income		—	—
4. Credit impairment provisions for other debt investment		—	—

ITEMS	Note	Six months ended 30 June	
		2018	2017
5. Reserves for cash flows hedges		—	—
6. Converted difference in foreign currency statements		2,625,561.53	1,120,471.53
7. Other		—	—
Net other comprehensive income attributable to minority shareholders, net of tax		—	—
VII. Total comprehensive income		103,118,632.79	81,419,989.97
Total comprehensive income attributable to the owner of parent company		101,929,668.68	83,751,950.13
Total comprehensive income attributable to minority shareholders		1,188,964.11	-2,331,960.16
VIII. Earnings per share:			
(1) Basic earnings per share (yuan/share)	6	0.313	0.261
(2) Diluted earnings per share (yuan/share)		0.313	0.261

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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 calculation methods used in the preparation of the unaudited interim financial statements has changed versus to those adopted in the annual financial statements for the year ended 31 December 2017. During the reporting period, the changes of the Company’s accounting policies, accounting estimates or accounting errors are listed as follows:

- (i) According to revised “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting”, “Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation” and “Accounting Standards for Business Enterprises No. 14 – Revenue” by the Ministry of Finance in 2017, “Notice on Revising the Format of General Financial Statements for the year of 2018” issued in 2018 and the application guidance of above-mentioned accounting standards, the format of financial statements were revised
- (ii) According to the rules of the new financial instrument standards, in the year of the first implementation of the new financial instrument standards, enterprises can choose whether to adjust the comparative data of the previous financial statements for making retrospective adjustment according to the relevant provisions of the new financial instrument standards. If an enterprise chooses to adjust the comparative data of the previous financial statement, it should be able to rely on the facts and circumstances of the previous period, and the comparative data should reflect all the requirements of the new financial instrument standards. The format of the financial statements is made reference to and based on the assumption that the company has chosen this type of treatment. Therefore, the relevant data of the current period and the comparative data of prior period in the financial statements are presented in accordance with the new financial instrument standards.
- (iii) According to the rules of the new income standards, the comparative data of the previous financial statements will not be adjusted in the first year of the implementation of the new income standards, which is to make direct adjustment of the retained earnings at the beginning of the period instead of making retrospective adjustments on the first implementation date in accordance with the new income standards. The comparative data of the previous financial statements will not be affected. Therefore, the relevant data in the financial statements for the current period are presented and disclosed in accordance with the new income standards, and the relevant comparative data of the prior period are presented and disclosed based on the original income standards.

Items listed in original financial statements	Closing balance as at 31 December 2017	Items listed in current financial statements	Closing balance as at 1 January 2018	Adjusted amount
Available-for-sale financial assets	111,782,201.95	Held-for-trading financial assets	103,884,925.95	–
		Other equity instruments investment	7,897,276.00	
Notes receivable	16,708,270.20	Notes receivable and accounts receivable	606,573,547.98	–
Accounts receivable	589,865,277.78			
Interest receivable	–			
Dividends receivable	–	Other receivables	484,891,213.33	–
Other receivables	484,891,213.33			
Inventories	1,042,819,367.79	Inventories	247,195,165.80	–
		Contract assets	795,624,201.99	
Advances from customers	116,843,058.33	Contract liabilities	116,843,058.33	–
Notes payable	30,056,123.84	Notes payable and accounts payable	914,764,165.52	
Accounts payable	884,708,041.68			
Interest payable	675,962.63			
Dividends payable	6,688,575.00	Other payables	38,864,895.89	–
Other payables	31,500,358.26			
Total current assets	3,004,394,145.71	Total current assets	3,108,279,071.66	103,884,925.95
Total non-current assets	680,793,746.01	Total non-current assets	576,908,820.06	-103,884,925.95

Items listed in original financial statements	Jan-Jun 2017	Items listed in current financial statements	Jan-Jun 2017	Adjusted amount
Administrative expenses	48,075,916.63	Administrative expenses	25,693,262.08	–
		Research & development expenses	22,382,654.55	
Asset impairment losses	3,537,188.35	Credit impairment losses	3,537,188.35	–

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	
	2018 (Unaudited)	2017 (Unaudited)
Principal operating income	851,720,476.54	692,828,958.99
Other operating income	9,167,491.12	8,785,861.27
Total operating income	<u>860,887,967.66</u>	<u>701,614,820.26</u>
Principal operating cost	641,278,848.58	532,266,513.27
Other operating cost	597,076.38	608,699.38
Total operating cost	<u>641,875,924.96</u>	<u>532,875,212.65</u>

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	operating income	operating cost	operating income	operating cost
	System integration	401,420,611.05	294,114,766.65	441,411,302.71
Intelligent terminal sales	370,194,210.18	331,694,842.63	76,726,253.45	62,551,630.74
Service	80,105,655.31	15,469,239.30	35,504,238.61	15,736,685.44
Cross-border trade and service	–	–	139,187,164.22	129,933,633.67
Total	<u>851,720,476.54</u>	<u>641,278,848.58</u>	<u>692,828,958.99</u>	<u>532,266,513.27</u>

Notes: On 26 May 2017, the Group completed the disposal of 82.61% equity interest of Jiangsu Cross-border e-Commerce Services Co., Limited. For details of the Disposal, please refer to the Company's announcement dated 16 February 2017.

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 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	
	2018 (Unaudited)	2017 (Unaudited)
Interest expenses	18,071,560.02	16,789,861.41
Less: interest income	-797,097.69	4,246,638.91
Exchange gain or loss	2,929.18	-1,234,593.71
Others	723,155.31	977,904.96
Total	<u>19,594,742.20</u>	<u>12,286,533.75</u>

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Current income tax calculated based on tax law and related regulations	19,228,018.83	15,839,433.36
Deferred income tax adjustment	31,993.81	-205,958.13
Total	<u>19,260,012.64</u>	<u>15,633,475.23</u>

On 7 December 2017, 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 27 December 2017, 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 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 shareholders of the parent company of RMB99,304,107.15 (2017: RMB82,631,478.60) and weighted average number of issued ordinary shares of 316,823,400 (2017: 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 2018 and 2017.

7. DIVIDENDS

The proposed distribution of final cash dividend of RMB 0.25 per share for the year ended 31 December 2017, the proposed distribution to all shareholders on the basis of one bonus share for every two shares held from undistributed profits as at 31 December 2017 and the proposed distribution to all shareholders on the basis of one share for every one share held by way of capitalization of capital reserve as at 31 December 2017, were approved by the Company's shareholders on 29 June 2018.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Accounts receivable	1,004,414,075.46	682,256,806.84
Less: Provision for bad debts for accounts receivables	99,862,649.19	92,391,529.06
Notes receivable	3,810,167.09	16,708,270.20
Prepayments	369,759,703.43	66,721,485.56
Other receivables	615,855,847.49	505,235,756.92
Less: Provision for bad debts for other receivables	18,655,347.20	20,344,543.59
Interest receivable	-	-
Dividends receivable	-	-
Total	<u>1,875,321,797.08</u>	<u>1,158,186,246.87</u>

The aging analysis of accounts receivable

Types	At 30 June 2018 (Unaudited)		At 31 December 2017 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	788,251,611.44	23,647,548.35	442,566,172.65	13,276,985.19
1 to 2 years	99,757,990.39	7,980,639.23	135,936,791.28	10,874,943.31
2 to 3 years	68,814,302.88	20,644,290.86	50,734,631.93	15,220,389.58
Over 3 years	47,590,170.75	47,590,170.75	52,969,522.58	52,969,522.58
Total	<u>1,004,414,075.46</u>	<u>99,862,649.19</u>	<u>682,207,118.44</u>	<u>92,341,840.66</u>

The aging analysis of notes receivable

Items	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Within 1 year (including one year)	3,810,167.09	16,708,270.20
1 to 2 years	-	-
2 to 3 years	-	-
Over 3 years	-	-
Total	<u>3,810,167.09</u>	<u>16,708,270.20</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Accounts payable	981,898,936.90	884,708,041.68
Notes payable	79,907,694.48	30,056,123.84
Contract liabilities	90,499,585.83	116,843,058.33
Other payables	33,399,384.66	31,500,358.26
Interest payable	-	675,962.63
Dividend payable	79,205,850.00	6,688,575.00
Total	<u>1,264,911,451.87</u>	<u>1,070,472,119.74</u>

The aging analysis of accounts payable

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Within 1 year	760,713,252.23	605,337,158.32
1 to 2 years	101,651,809.56	147,055,481.98
Over 2 years	119,533,875.11	132,315,401.38
Total	<u>981,898,936.90</u>	<u>884,708,041.68</u>

The aging analysis of notes payable

Items	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Within 1 year	79,907,694.48	30,056,123.84
1 to 2 years	-	-
Over 2 years	-	-
Total	<u>79,907,694.48</u>	<u>30,056,123.84</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total operating income

For the six months ended 30 June 2018 (the “Review Period”), the total operating income of the Group amounted to RMB860,887,967.66, representing an increase of approximately 22.70% over that of the corresponding period of last year. It was mainly attributed to the active development of the intelligent terminal sales and service business during the Review Period.

Gross profit margin

The gross profit margin for the Review Period increased from approximately 24.05% to 25.44% as compared with the corresponding period of last year.

Selling expenses

Selling expenses for the six months ended 30 June 2018 was RMB20,215,782.33, representing a decrease of approximately 10.64% as compared with the corresponding period of last year. The decrease was mainly attributed to the increase in publicity of the Group by self-media resulted to reduction in business promotion expenses.

Administrative expenses

The administrative expenses recorded an increase of approximately 3.47% from RMB25,693,262.08 in the corresponding period of last year to RMB26,584,826.90 for the Review Period. The increase was mainly attributed to active expansion of business channels.

Prepayments

As at 30 June 2018, the Group’s prepayments amounted to RMB369,759,703.43, representing an increase of approximately 454.18% as compared to that of 31 December 2017. The increase was mainly due to the increases of prepayments of materials procurement and projects prepayments resulted by the rapid business development.

Other payables

As at 30 June 2018, the Group’s other payables were RMB112,605,234.66, representing an increase of approximately 189.74% as compared to that of 31 December 2017. The increase was mainly due to the declaration of final dividend of a total of RMB79,205.850 for the year of 2017 (based on 316,823,400 shares, RMB0.25 per share) during the reporting period.

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group's working capital (being current assets less current liabilities) as at 30 June 2018 was RMB1,798,240,009.10 (At 31 December 2017: RMB1,623,662,652.61).

As at 30 June 2018, the bank balances and cash of the Group amounted to RMB611,980,560.41 (At 31 December 2017: RMB763,119,652.92).

Capital Structure

As at 30 June 2018, the total bank borrowings of the Group was RMB1,023,211,860.88 (At 31 December 2017: RMB424,400,000.00), which included secured bank borrowings of RMB70,990,000. During the period under review, the increase in bank borrowings is mainly in support of the rapid growth of the Group's business, especially the intelligent terminal sales business, and the funds obtained were mainly used for project procurement and prepayments for projects.

As at 30 June 2018, 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 2018, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB343,506,643.50 (including: investment properties of RMB219,390,000.00, fixed assets of RMB115,815,469.96, intangible assets of RMB8,301,173.54) were pledged to banks to secure outstanding bank loans of approximately RMB70,990,000.00.
- (ii) The bank deposits of RMB46,602,670.16 were pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2018, the Group has an aggregate of 336 employees (At 30 June 2017: 357 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB27,793,577.74 (corresponding period of 2017: RMB30,732,095.96).

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 borrowings less cash and cash equivalents divided by equity) of the Group as at 30 June 2018 was 23.19% (At 31 December 2017: Zero). This was mainly attributed to the increase of bank borrowings for the project procurement and project prepayments in support of the rapid growth of the Group's business, especially the intelligent terminal sales business.

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 4 April 2018, the Company entered into a Limited Partnership Agreement, pursuant to which, the Company, as a limited partner, has agreed to make a capital contribution to the limited partnership of RMB50,000,000 ("the Investment"). Details of the Investment can be referred to the Company's announcement dated 4 April 2018.

On 19 April 2018, the Company entered into the Share Subscription Agreement with Hong Kang Life Insurance Co., Ltd. ("Hong Kang Life"), pursuant to which the Company agreed to subscribe for not more than 34,000,000 shares ("the Subscription") in Hong Kang Life at the price of RMB1.85 per share, for a total consideration of not more than RMB62,900,000. As at the date of this announcement, the Subscription is under the process of approval by relevant regulatory authorities (including CIRC). Details of the Subscription can be referred to the Company's announcement dated 19 April 2018.

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 2018, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business development

In the expressway intelligent transportation business domain, the Group continued to consolidate and improve its existing business by refining the management of every project segment and developing new projects. During the period under review, the Group commenced and launched the "electrical and mechanical integration project of Meishan Dual Innovation Center Phase II in Tianfu New District (Meishan Huawei Big Data Center)", the municipal engineering and electrical installation project in Suiyang District, Shangqiu City, the Ancillary project of Liwei Road of Qinhan Main Road, the HD security monitoring camera construction phase of II Nanjing Public Security Bureau Pukou Branch and the electrical and mechanical engineering project of Wenzhou Ring Expressway Southwest Line (Yangyi to Gexiang). The Group extended the intelligent transportation concept to every business segment, actively exploring business opportunities to construct intelligent service areas along expressways and achieve breakthroughs in project management.

In the city intelligent transport business domain, the Group strengthened its capability to fulfil its core mission of offering comprehensive solutions. To this end, it continued to integrate elements such as data collection terminals for internet-of-things (IoT) and intelligent information management platforms, creating the basis for ecological transport services in intelligent cities. To support its user demand-oriented scheme, the Group conducted in-depth research on traffic model algorithms via both self-development and external cooperation. By forming two research teams dedicated to the big data model and software development, the Group further enhanced its understanding of the transportation sector. Meanwhile, the Group endeavored to shift its core competence from project implementation to an ability to seize on industry demand, analyze big data, and extend the application of big data analysis to new business segments such as vehicle operation. During the period under review, the Group's market competitiveness was prominently demonstrated when its Big Data Analysis Platform for Traffic Police was awarded the Excellent Solution Prize in the 5th Intelligent Transportation Cup.

In the customs logistic business domain, the Group continued to devote significant effort to integrating market resources, improving operating efficiency, and providing customers with quality solutions. It introduced innovations in the mobile internet customs clearance model with the launch of mobile logistics application services and resolved certain barriers pertaining to customs clearance logistics. These developments gained wide industry attention and enabled the Group to further expand its market. During the period under review, the Group implemented its building operation service platform. Also, its research and development project on a cloud storage service support platform for the Group's vast amount of IoT data was inspected and passed. These significant achievements in the fields of IoT data handling and cloud computing are creating a solid foundation for the technical application of large-scale IoT.

Research and development

During the period under review, the Group participated in and promoted the NDRD's "Internet +" project, Provincial Economic & Information Commission's information and technology industrial project, the Provincial Intellectual Property Office's strategic project for corporate intellectual property, and the Provincial high-value patent cultivation project. A capital injection project undertaken by the Group for the development of a modern service industry (software) in Jiangsu Province was also inspected and passed during the aforesaid period.

During the period under review, the Group applied for 1 patent for invention and was granted patents for each of inventions and new utility models. As a participant in the national IoT basic standards working group led by the China Electronics Standardization Institute under the Ministry of Industry and Information Technology, the Group led the drafting of a "Internet-of-things Information Sharing and Exchange Part 4: Data Interface" national standard, which is expected to be completed and submitted in the second half of the year. The period under review also saw the Group receive the "Pan Gu Award" for innovative achievement from the China Electronic Information Industry, recognizing the Group's "application of the RFID security smart lock in the intelligent cross-border e-commerce IoT of customs". The award highlighted the high regard in which the Company's products are held by experienced peers, particularly in terms of innovative applications, and demonstrated Sample Technology's leading position in the electronic information industry. During the period under review, the Company engaged Yu Aibing,

a foreign academician of the Chinese Academy of Engineering, as a “strategic consultant of its related entity, National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center”, to be responsible for procuring rapid development of the center.

Future prospects

In the second half of the year, in the intelligent transportation domain, the Group will continue to consolidate the sourcing of goods over the internet-of-things and the “internet +” informationalization of its management platform, and will provide big data-based data services related to transportation. It will act consistently to improve municipal and communal service product lines and create total solutions. The Group will also pursue innovation in new city transportation business activities, taking commercial vehicles as target customers of new “data+cash flow” business activities, providing safe operational data services, building up after-sales market-related services for commercial vehicles, creating a new profit model for intelligent transportation, and enhancing its intelligent transportation public service capabilities based on the intelligent city concept.

In the second half of the year, the Group’s customs logistics business will continue to consolidate its strengths while increasing its market share and improving customer satisfaction. It will draw upon new IT and internet-of-things technologies to realize interaction between customs data and service applications, and will pursue whole process visibility for the entire process of customs clearance logistics monitoring, the data service business and the service supply chain. This will ready the Group for the next step of providing quality services to import and export companies, and facilitating the reform and integration of monitoring and clearance to reduce enterprises’ logistics costs and help create an efficient and convenient customs clearance environment.

In the second half of the year, regarding intelligent logistics, the Group’s successful development of “Jiangsu Province Technical Standards for Vehicle Mounted Active Prevention and Control Terminals” will form a basis for providing technical and resource support for share-participating companies and partners and establishing a safety monitoring platform for hazardous chemicals logistics. This will further improve and consolidate the intelligent logistics ecology of Sample Technology. In the meantime, the Group will maintain its position in Jiangsu as it expands its business across China. In the years ahead, it will promote its accumulated technologies and experience in such sectors as IoT, internet of vehicles and internet+, assist regulatory authorities to enhance management standards for “Two-passenger and One-dangerous Vehicles”, improve industrial barriers, and continue to increase its overall competitiveness.

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 2018.

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.

Corporate Governance Code

For the six months ended 30 June 2018, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Change in Constitutional Document

During the period under review, in view of the changes in regulatory requirements and economic environment and in light of the actual situations of the Company and to reflect the change in the registered capital of the Company as a result of the proposed distribution of bonus shares and capitalization shares, the shareholders of the Company approved the amendment of the Company's Articles of Association, details of which was disclosed in the Company's circular dated 1 June 2018. Save as disclosed, there has been no significant change in the Company's Articles of Association during the period under review.

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

24 August 2018
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*