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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2016 (the Reporting Period) amounted to approximately RMB1,569,750,558.83, representing a growth of approximately 28.01% as compared to the corresponding period of last year.

The net profit attributable to owners of the parent company for the year ended 31 December 2016 is approximately RMB191,025,395.61, representing an increase of approximately 16.15% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2016 is approximately RMB0.603 (2015: RMB0.532).

The payment of a final dividend of RMB0.15 per share is recommended for the year ended 31 December 2016.

ANNUAL RESULTS

The board (the Board) of Directors of Nanjing Sample Technology Co., Limited (the Company) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the Group) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

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

Consolidated balance sheet

At 31 December 2016

ASSETS	Note	2016	2015
Current assets:			
Cash at bank and on hand		1,227,426,333.37	1,212,720,957.69
Settlement reserves		—	—
Loans to banks and other financial institutions		—	—
Financial assets calculated at fair value with its change included in loss and profit of current year		—	—
Derivative financial assets		—	—
Notes receivable	4	810,000.00	430,000.00
Accounts receivable	4	526,069,368.54	405,045,579.64
Prepayments	4	42,815,450.27	102,561,214.68
Premiums receivable		—	—
Reinsurance accounts receivable		—	—
Receivables from subcontracting reserves		—	—
Interest receivable		394,890.00	806,088.29
Dividends receivable		—	—
Other receivables	4	179,291,491.38	80,821,123.74
Financial assets held under resale agreements		—	—
Inventories		614,699,178.91	524,397,493.94
Divide into assets held for sale		—	—
Non-current assets due within one year		120,000,000.00	—
Other current assets		160,390,998.50	156,802,978.14
Total current assets		2,871,897,710.97	2,483,585,436.12
Non-current assets:			
Loans and advances		—	—
Available-for-sale financial assets		44,520,000.00	44,520,000.00
Held-to-maturity investment		—	—
Long-term receivables		—	—
Long-term equity investments		5,436,528.36	3,475,159.72
Investment Property		215,250,600.00	211,022,900.00
Fixed assets		259,370,746.71	246,314,755.16
Construction in progress		1,271,607.11	25,322,742.02
Construction materials		12,853.20	2,911,916.51
Disposal of fixed assets		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets		15,599,914.81	12,374,724.82
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses		9,358,650.83	12,365,667.87
Deferred income tax assets		28,391,637.47	23,895,454.79
Other non-current assets		—	120,000,000.00
Total non-current assets		579,212,538.49	702,203,320.89

	<i>Note</i>	2016	2015
TOTAL ASSETS		<u>3,451,110,249.46</u>	<u>3,185,788,757.01</u>
LIABILITIES & OWNERS' EQUITY			
Current liabilities:			
Short-term borrowings		611,644,210.96	508,765,000.00
Borrowings from central bank		—	
Deposits from customers and interbank		—	
Loans from banks and other financial institutions		—	
Financial liabilities calculated at fair value with its change included in loss and profit of current year		—	
Derivative financial liabilities		—	
Notes payable		35,288,100.72	81,521,681.76
Accounts payable	5	639,256,306.14	526,961,876.08
Advances from customers	5	48,367,297.32	68,684,255.99
Financial assets sold under repurchase agreements		—	
Handling charges and commissions payable		—	
Payroll payables		4,529,581.34	3,137,558.73
Taxes payable		37,640,637.70	38,877,388.22
Interest payable		1,188,634.41	1,060,086.67
Dividends payable		—	
Other payables	5	77,955,804.95	49,094,015.39
Reinsurance accounts payable		—	
Reserve funds for insurance contracts		—	
Receivables from Vicariousl Traded Securities		—	
Receivables from Vicariousl Sold Securities		—	
Divide into liabilities held for sale		—	
Non-current liabilities due within 1 year		29,110,000.00	27,860,000.00
Other current liabilities		6,601,021.14	
Total current liabilities		<u>1,491,581,580.68</u>	<u>1,305,961,862.84</u>
Non-current liabilities:			
Long-term borrowings		109,100,000.00	138,210,000.00
Bonds payable		—	
Including: preferred shares perpetual capital securities		—	
Long-term payables		—	
Long-term payroll payables		—	
Special payables		—	
Estimated liabilities		—	
Deferred income		10,397,156.83	9,128,698.17
Deferred income tax liabilities		8,969,147.98	9,111,725.27
Other non-current liabilities		—	

	<i>Note</i>	2016	2015
Total non-current liabilities		<u>128,466,304.81</u>	<u>156,450,423.44</u>
Total liabilities		<u>1,620,047,885.49</u>	<u>1,462,412,286.28</u>
Owners' equity:			
Share capital		316,823,400.00	316,823,400.00

Consolidated income statement

For the year ended 31 December 2016

ITEMS	Note	2016	2015
I. Total operating income	7	1,569,750,558.83	1,226,308,423.63
Including: Operating incomes		1,569,750,558.83	1,226,308,423.63
Interest incomes		—	
Earned premiums		—	
Incomes from handling charge and commission		—	
II. Total operating cost	7	1,388,706,754.43	1,088,246,082.23
Including: Operating cost		1,164,041,866.56	888,061,695.23
Interest expenses		—	
Handling charges and commissions		—	
Surrender value		—	
Net payments for insurance claims		—	
Net provision for deposit for insurance contracts		—	
Expenditures for insurance policy dividend		—	
Reinsurance costs		—	
Taxes and surcharges		3,780,162.36	18,908,597.38
Selling and distribution expenses		44,743,761.05	31,520,776.37
Administrative expenses		116,889,889.29	102,485,667.20
Financial expenses	10	25,096,749.50	23,981,002.21
Asset impairment losses		34,154,325.67	23,288,343.84
Add: Gain on fair value change (with - for losses)		4,227,700.00	9,334,000.00
Investment incomes (with - for losses)		22,734,356.44	30,028,575.95
Including: Share of profit of associates and jointly controlled entities		-2,280,696.00	-1,733,893.40
Other investment income		25,015,052.44	31,762,469.35
Currency change gains (with - for losses)		—	
III. Operating profit (with "-" for losses)		208,005,860.84	177,424,917.35
Add: Non-operating income		22,445,696.87	11,168,761.32
Including: gains from disposal of non-current assets		11,160.38	26,631.00
Less: Non-operating expenses		518,119.79	201,276.89
Including: losses from disposal of non-current assets		298,949.18	115,947.87
IV. Total profit (with "-" for total losses)		229,933,437.92	188,392,401.78
Less: Income tax expenses	11	35,916,040.30	21,214,539.66
V. Net profit (with "-" for net losses)		194,017,397.62	167,177,862.12
Including: The net profit of acquiree before combination under common control		—	
Net profit attributable to the owners of parent company		191,025,395.61	164,468,923.01
Minority interests		2,992,002.01	2,708,939.11

ITEMS	Note	2016	2015
VI. Net other comprehensive income after tax		2,443,558.72	34,541,303.77
Net other comprehensive income attributable to the owners of parent company after tax		2,443,558.72	34,541,303.77
(I) Other comprehensive income that can not be reclassified into profit and loss in the future		—	
1. Changes recalculating and setting the net liabilities or net assets of benefit plan		—	
2. Share of other comprehensive income in the investees can not be reclassified into profit and loss at equity method		—	
(II) Other comprehensive incomes that can be reclassified into loss and profit in the future		2,443,558.72	34,541,303.77
1. Share of other comprehensive income in the investees can be reclassified into profit and loss at equity method		—	
2. Profit and loss on the change in fair value of available-for-sale financial assets		—	
3. Held-to-maturity investment reclassified to loss and profit of available-for-sale financial assets		—	
4. Valid part of hedging loss and profit of cash flow		—	
5. Converted difference in foreign currency statements		2,443,558.72	-801,147.35
6. Other		—	35,342,451.12
Other net comprehensive incomes after-tax attributable to minority shareholders		—	
VII. Total comprehensive income		196,460,956.34	201,719,165.89
Total comprehensive income attributable to the owner of parent company		193,468,954.33	199,010,226.78
Total comprehensive income attributable to minority shareholders		2,992,002.01	2,708,939.11
VIII. Earnings per share:			
(1) Basic earnings per share	12	0.603	0.532
(2) Diluted earnings per share		0.603	0.532
IX. Dividend	13	95,047,020.00	63,364,680.00

Notes to the financial statements

For the year ended 31 December 2016

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Co., Limited*) (the Company, together with its subsidiaries, the Group) as established in the People's Republic of China (the PRC) and as approved to be reorganised into a joint stock limited company on 28 December 2000.

The shares of the Company were listed on the Growth Enterprise Market (the GEM) of The Stock Exchange of Hong Kong Limited (the Stock Exchange) on 9 June 2004. On 22 November 2010, the Company's H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the Main Board).

The addresses of the registered office and principal place of business of the Company are located at No. 10 Maqun Avenue, Qiyia District, Nanjing City.

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design, installation; electronic products, computer development, manufacture, sale of self-production products, system integration; computer technology consulting and information services; research and development of ITS-based basic information collection technology and equipment. The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and other application areas.

The reporting currency of the Company is Renminbi (RMB). The reporting currency for the overseas businesses is the currency of the place in which they operate.

The currency used by the Group in the preparation of the financial statements is RMB.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (Hong Kong Companies Ordinance) and the accounting policies and estimates of Notes III (Significant Accounting Policies, Accounting Estimates) as set out in the Company's annual report 2016.

Change in major accounting policies and accounting estimates

1. Change in major accounting policies

The Regulations for the Accounting Treatment of VAT (《增值稅會計處理規定》) (Cai Hui [2016] No.22) as issued by the Ministry of Finance on 3 December 2016, which is applicable to relevant transactions that happened on or after 1 March 2016. The Company makes changes in accounting policies in accordance with the requirement.

The accounting policies adopted by the Company before the change: Before this change, the property tax, land use tax, vehicles and vessels use tax and stamp duty arising from operating activities are accounted for in the administrative expenses and the administrative expenses are listed in the income statement. Consumption tax, city maintenance and construction tax, resource tax, education surcharge are accounted for in business tax and surcharges and are listed in Income tax and surcharges in the income statement.

The accounting policy adopted by the Company after the change: According to the Notice of Cai Hui [2016] No.22 issued by the Ministry of Finance Regulations for the Accounting Treatment of VAT that require the name of statement item of the business tax and surcharges is adjusted to tax and surcharges. The sales tax, the city

maintenance and construction tax, the resource tax, the education surcharge, the property tax, the land use tax, the vehicles and vessels use tax, the stamp duty and the relevant tax arising from operating activities are accounted to this statement item. The business tax and surcharges in the income statement are adjusted to tax and surcharges.

The change of the accounting policy of the Company is to make adjustment to the statement items in accordance with the Notice of Cai Hui [2016] No. 22 issued by the Ministry of Finance on the Regulations for the Accounting Treatment of VAT 《增值稅會計處理規定》 which does not affect the profit or loss of the current period and does not involve the retrospective adjustment of the previous years. The main impact of the implementation of the provision by the Company is as follows:

Detail and cause of change in accounting policies	Statement item and amount affected
(i) Business tax es and surcharges (營業稅金及附加) in the income statement is changed to Tax es and surcharges (稅金及附加).	Tax es and surcharges
(ii) Starting from 1 Ma 2016, property tax, land use tax, vehicles and vessels tax and stamp duty, arising from operating activities of the Company, are reclassified from the category of administrative expenses to tax es and surcharges. No adjustment is required for tax es incurred prior to 1 Ma 2016. No adjustment is required for comparative figures.	Increased tax es and surcharges for 2016 by RMB715,995.89 and reduced administrative expenses for the 2016 by RMB715,995.89.
(iii) Value-added tax for which revenue (or profit) has been recognized but the relevant obligation to pay value-added tax has not yet occurred and which is required to be recognized as output tax of value-added tax in subsequent period is reclassified from tax payable to other current liabilities (or other non-current liabilities). No adjustment is required for comparative figures.	Increased the closing balance of other current liabilities by RMB6,601,021.14 and reduced the closing balance of tax payable by RMB6,601,021.14.
(i) The debit balance of the breakdown items of VAT Payable, Outstanding VAT, Credit tax available for deduction, Credit tax pending verification and Outstanding VAT credit under the entry tax payable are reclassified from tax payable to other current assets (or other non-current assets). No adjustment is required for comparative figures.	Increased the closing balance of other current assets by RMB8,924,959.12 and increased the closing balance of tax es payable by RMB8,924,959.12.

2. Change in major accounting estimates

For the sake of more accurately reflecting the financial position of the Company's accounts receivable, providing more objective, true and fair financial and accounting information about accounts receivable, and objectively and fairly reflecting the operating results, the Company has assessed the safety of its collection of customer receivables and characteristics of receivables since listing of the Company, and taking reference from the bad debt provision for accounts receivables of some listed companies in the same industry to make re-assessment on the risk of bad debt provision of the risk groups of receivables and changed the accounting estimates for provision of bad debts for some groups. After such change in accounting estimates, the provision of bad debts is more in line with the actual situation of the Company's accounts receivable, more accurately reflects the risk of bad debts and the provision of bad debts is more prudent. The changes in accounting estimates are as follows:

Original method of provision of bad debts		Current method of provision of bad debts	
Accounts receivable due from governments	Discounting method	Engineering and sales receivables	Aging analysis method
Accounts receivable due from non-governments	Aging analysis method	Engineering and sales receivables	Aging analysis method
Retention monies	No provisions are made	Construction guarantee deposits	No provision of bad debts are made
		Others	Aging analysis method
Tax refund receivable	Aging analysis method	Tax refund receivable	No provisions of bad debts are made

Note: The proportions of bad debt provision under the aging analysis method remained unchanged.

In accordance with the requirements of China Accounting Standards for Business Enterprises No. 28 Changes in Accounting Policies and Accounting Estimates and Corrections of Errors, the Company's changes in accounting estimates are applied on a prospective basis and no retrospective adjustment is made.

Difference in the bad debts provision before and after the changes in accounting estimates related to bad debts provision

Groups	Affected amount before the changes Provision amount of original provision method	Affected amount after the changes Groups Provision amount of existing provision method	Affected amount
Government group	6,937,326.91	Engineering and sales receivables 10,135,857.52	3,198,530.61
Retention monies		Construction guarantee deposits Others 11,224,881.54	11,224,881.54
Tax refund receivable	<u>6,008,440.64</u>	Tax refund receivable	<u>-6,008,440.64</u>
Total	<u><u>12,945,767.55</u></u>	<u><u>21,360,739.06</u></u>	<u><u>8,414,971.51</u></u>

The impact of changes in accounting estimates related to the above bad debts provision for accounts receivable on the profit before tax amounted to RMB8,414,971.51 and on the net profit of the Group for year 2016 amounted to RMB7,753,569.85 representing 4.00% of the net profit of 2016 and 0.42% of the owner's equity (net assets) of 2016.

3. PRIOR YEAR ADJUSTMENT

In the course of preparation of the Group's annual financial statements for the year ended 31 December 2016, the Directors made certain adjustments to rectify errors relating to the Group's annual financial statements for the years ended 31 December 2015 and 2014. The project cost incurred for the customs integrated systems projects as recognised into inventories, while the progress payment received as recognised into advances from customers but not recognised in settlement, resulting to an increase to both inventories and advances from customers in 2015 and the years before. According to Accounting Standards for Business Enterprises No. 15 Construction Contracts and Accounting Standards for Business Enterprises No. 30 Presentation of Financial Statements, the settlement received from the contracts should be recognised in the settlement, and as deduction for inventory in the financial statements.

According to the requirement of China Accounting Standards for Business Enterprises, the Company made retrospective adjustments for the accounting errors of the above matter. Effects on the financial statements are summarised as follows:

Item		31 December 2015	31 December 2014
Inventory	Before adjustment	539,754,737.11	577,127,799.95
	After adjustment	524,397,493.94	567,661,250.58
	Affected amount	-15,357,243.17	-9,466,549.37
Advances from customers	Before adjustment	84,041,499.16	60,493,872.25
	After adjustment	68,684,255.99	51,027,322.88
	Affected amount	15,357,243.17	9,466,549.37

The above accounting errors had no impact to the statement items for 2016 as well as to the shareholders' equity and net profit of the Company for the prior years.

4. TRADE AND OTHER RECEIVABLES

	2016	2015
Accounts receivable	597,057,802.27	453,196,963.88
Less: Provision for doubtful and bad debts for accounts receivables	70,988,433.73	48,151,384.24
Notes receivable	810,000.00	430,000.00
Prepayments	42,815,450.27	102,561,214.68
Other receivables	193,379,092.03	84,094,848.43
Less: Provision for doubtful and bad debts for other receivables	14,087,600.65	3,273,724.69
Total	<u>748,986,310.19</u>	<u>588,857,918.06</u>

7. 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

Items	2016	2015
Principal operating income	1,552,415,561.15	1,209,665,836.23
Other operating income	17,334,997.68	16,642,587.40
Total operating income	<u>1,569,750,558.83</u>	<u>1,226,308,423.63</u>
Principal operating cost	1,161,583,783.81	884,676,032.61
Other operating cost	2,458,082.75	3,385,662.62
Total operating cost	<u>1,164,041,866.56</u>	<u>888,061,695.23</u>

(2) Principal operations (by product)

Name of Products	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
System integration	892,699,500.03	643,766,071.64	801,936,325.32	591,974,433.37
Intelligent terminal sales	244,519,495.87	198,229,607.14	197,139,115.52	149,946,506.97
Service	124,042,585.77	46,718,096.26	109,497,069.71	47,566,186.38
Cross-border trade and service	291,153,979.48	272,870,008.77	101,093,325.68	95,188,905.89
Total	<u>1,552,415,561.15</u>	<u>1,161,583,783.81</u>	<u>1,209,665,836.23</u>	<u>884,676,032.61</u>

8. SEGMENTS INFORMATION

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

9. GROSS PROFIT

	2016	2015
Operating income	1,569,750,558.83	1,226,308,423.63
Operating cost	<u>1,164,041,866.56</u>	<u>888,061,695.23</u>
Gross profit	<u><u>405,708,692.27</u></u>	<u><u>338,246,728.40</u></u>

10. FINANCIAL EXPENSES

Items	2016	2015
Interest expenses	40,359,379.08	37,958,929.16
Less: interest income	13,171,285.97	12,284,515.48
Exchange gain and loss	-3,423,032.36	-3,890,110.84
Others	<u>1,331,688.75</u>	<u>2,196,699.37</u>
Total	<u><u>25,096,749.50</u></u>	<u><u>23,981,002.21</u></u>

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

11. INCOME TAX EXPENSES

Items	2016	2015
Current income tax	39,627,567.65	32,678,377.01
Deferred income tax	<u>-3,711,527.35</u>	<u>-11,463,837.35</u>
Total	<u><u>35,916,040.30</u></u>	<u><u>21,214,539.66</u></u>

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

Item	2016	2015
Total profit	<u>229,933,437.92</u>	<u>188,392,401.78</u>
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	34,490,015.69	26,603,755.60
Effect of different tax rates applicable to subsidiaries	410,242.92	1,372,551.96
Income tax adjustments on prior periods	-835,253.75	4,186,875.01
Additional deduction for qualified research and development expenses	-1,969,161.67	-2,062,500.00
Effect on investment income under equity method	257,849.08	216,736.68
Expenses, costs and losses not deductible for tax purposes	1,936,501.52	1,235,397.07
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	<u>1,625,846.50</u>	<u>-10,338,276.66</u>
Income tax expenses	<u>35,916,040.30</u>	<u>21,214,539.66</u>

12. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by consolidated net profit for the current year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding:

Items	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company	191,025,395.61	164,468,923.01
Weighted average number of ordinary shares outstanding of the Company	316,823,400.00	309,096,450.00
Basic earnings per share (Yuan/share)	<u>0.603</u>	<u>0.532</u>

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2016 and 2015.

The calculation of the weighted average number of ordinary shares:

Items	2016	2015
Ordinary shares issued at the beginning of the year	316,823,400	224,100,000
Add: Weighted average number of ordinary shares issued during the current period	–	84,996,450.00
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
Weighted average number of ordinary shares issued at the end of the period	<u>316,823,400</u>	<u>309,096,450</u>

Note: 92,723,400 shares were issued in January 2015, the weighted average number of ordinary shares issued for the year 2015 was 84,996,450 shares.

13. DIVIDENDS

Items	2016	2015
Final dividend proposed of RMB0.15 per share (2015: RMB0.3 per share)	<u>47,523,510.00</u>	<u>95,047,020.00</u>

The directors recommend the payment of final dividend of RMB47,523,510 at RMB0.15 per share (2015: RMB0.3 per share) for the year ended 31 December 2016 on 31 March 2017.

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the annual general meeting.

Items	2016	2015
Final dividend in respect of the previous year, approved and paid during the year	<u>95,047,020.00</u>	<u>63,364,680.00</u>
Total	<u>95,047,020.00</u>	<u>63,364,680.00</u>

14. NET CURRENT ASSETS

	2016	2015
Current assets	2,871,897,710.97	2,498,942,679.29
Less: current liabilities	<u>1,491,581,580.68</u>	<u>1,321,319,106.01</u>
Net current assets	<u>1,380,316,130.29</u>	<u>1,177,623,573.28</u>

15. TOTAL ASSETS LESS CURRENT LIABILITIES

	2016	2015
Total assets	3,451,110,249.46	3,201,146,000.18
Less: current liabilities	<u>1,491,581,580.68</u>	<u>1,321,319,106.01</u>
Total assets less current liabilities	<u>1,959,528,668.78</u>	<u>1,879,826,894.17</u>

16. CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

17. POST BALANCE SHEET EVENTS

- (1) On 16 February 2017, the Company and Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) (Sample Group) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to dispose of and Sample Group has conditionally agreed to acquire 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) (Jiangsu Cross-border), a non-wholly owned subsidiary of the Company. The total Consideration for the Disposal is RMB59,000,000. The Disposal constituted a discloseable and connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
- (2) Save as the above post balance sheet event, as of the reporting date, there is no other significant post balance sheet events of the Company which needs to be disclosed but has not been disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2016 was approximately RMB1,569,750,558.83, representing an increase of approximately 28.01% over last year. The increase was mainly due to the rapid growth of income from the cross-border trade and service business as compared to that of last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2016 was approximately 25.85%, representing a decrease of approximately 1.73% over last year. The decrease was mainly due to the increase in the proportion of cross-border trade and services business with low gross margin in the total operating income.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2016 was approximately RMB44,743,761.05, representing an increase of approximately 41.95% over last year. The increase was mainly attributable to the active expansion of cross-border trade and services business by the Group and the increase of remuneration for the relevant sales staff during the Period.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2016 was approximately RMB116,889,889.29, representing an increase of approximately 14.05% over last year. The increase was mainly attributable to the increases of investment on research and development and the remuneration for the relevant management staff during the Referred Period.

Net Profit Attributable to Owners of the Company

For the year ended 31 December 2016, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB191,025,395.61, representing an increase of 16.15% over last year. The increase was mainly attributable to the increase in operating income and the corresponding increase in operating profit of the Group during the Referred Period.

Construction in Progress

As at 31 December 2016, the Group's construction in progress amounted to RMB1,271,607.11 which recorded a decrease of 94.98% as compared with that of the same period last year. The decrease was mainly due to the completion and acceptance of the Company's IOT Engineering Center modification project.

Other Non-current Assets and Non-current Assets due within one year

As at 31 December 2016, the Group has transferred the accounting entry in relation to the assets management plan respectively taken by the Company and Jiangsu Ruifu Intelligent Tech. Co., Limited, a wholly-owned subsidiary of the Company, from other non-current assets to non-current assets due within one year. Details of which can be referred to the announcement dated 21 March 2015.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2016, the shareholders' equity of the Group was approximately RMB1,768,266,749.37. Current assets were approximately RMB2,871,897,710.97, comprising cash and bank balances of approximately RMB1,227,426,333.37. Non-current liabilities were approximately RMB128,466,304.81. Current liabilities were approximately RMB1,491,581,580.68, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2016, net assets per share of the Group was approximately RMB5.58 (31 December 2015: RMB5.27). The short-term borrowings of the Group were RMB611,644,210.96.

PLEDGE OF ASSETS

As at 31 December 2016, bank deposits of RMB46,148,367.38 were pledged to the bank for projects in progress (2015: RMB24,435,812).

GEARING RATIO

For the year ended 31 December 2016, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2015: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

Since the Group mainly conducts its business in the PRC and most of the sales and purchases of the Group are denominated in RMB, the Group's operating results are not exposed to an foreign currency risk.

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

The Company has issued an announcement on 16 February 2017 which announced a discloseable and connected transaction regarding a proposed disposal of 82.61% equity interest in Jiangsu Cross-border, a non-wholly-owned subsidiary of the Company, by the Company to Sample Group. The consideration of the Disposal is RMB59,000,000. The Disposal is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Disposal can be referred to the Company's announcement dated 16 February 2017.

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

CAPITAL COMMITMENT

As at 31 December 2016, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, total employees' remuneration of the Group was approximately RMB65,755,498.05 (2015: RMB52,802,000) and the number of employees was 477 (2015: 442). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group could grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW

Business development

In the e press a intelligent transportation business domain, while the Group continuously consolidated the improvement of the existing business, it continued to promote refined management in all phases

and bus stops. Also, it actively promoted the implementation of the modern logistics service hub project of Huaihai Economic Zone and the distributed solar photovoltaic power generation project of XCMG Group.

In the customs logistics business domain, the Group focused on the promotion of the after-sale service and the sales in eastern China and southern China, it also actively explored the sales of new projects in the central and western region, eastern China and Bohai Bay area. During the period under review, the Group successfully won the bid of the integrated information project of Huanghua Comprehensive Bond Zone, further expanding the integrated information domain. It also won the application project of nationwide supervision of penalties and goods confiscation of the General Administration of Customs, and such project in 42 direct customs areas across China. On the other hand, the Group further improved the transformation and upgrade of the business model, it maintained the large scale of integrated project and developed innovative business, it achieved innovation in mobile internet passage model through the launching of mobile logistics application services, solved some barriers in the customs clearance logistics, obtained wide reporting in different media at different levels, the market response was rigorous. At the same time, it realized a technological breakthrough in the Cloud Toll-Gate system, it achieved centralized and visible treatment with the use of big data treatment, and obtained a high degree of stability and maintainability.

In the cross border trade and service domain, the Group used the integrated services of cross border foreign trade as the starting point, continued to provide integrated services including customs clearance, inspection, payment and refund of tax, settlement of foreign exchange and trade certification etc. During the period under review, while the Group provided quality foreign trade integrated services to small and medium enterprises, it also devoted efforts to study the development of new business activities in foreign trade.

Research and development

During the period under review, the Group effectively promoted the implementation of the Cooperation R&D of Sensor of Granule from Final Gas Exhaustion Suitable for Diesel Vehicle OBD Monitoring project together with the Finnish company Pegasor which was a Jiangsu provincial policy guidance planning (international technology cooperation) project. The Finnish company Pegasor is the cooperation part of that project, it possesses international advanced motor vehicle granule emission online real time detection techniques. Through cooperation and digestion of the techniques introduced, the Group has studied and made an OBD monitoring granule sensor suitable for Chinese diesel vehicles, which can carry out real time monitoring of granules emitted by diesel vehicles. When the emission of the last gas exhaustion exceeds the limit, the sensor can rapidly and accurately determine the defective part, and make real time alert via the intelligent transportation information network, so that the administration department can make the corresponding measures, and thus effectively avoid excessive H₂O emission of motor vehicles. The achievement obtained from the sino-Finnish cooperation project was recognized by all the R&D experts of the related department.

During the period under review, the Group joined the work of the national internet-of-things standard working group led by the Standardization Institute of the Ministry of Industrial Information. The Group took part in the drafting of the national standard Internet-of-things Information Sharing and Exchange

Part 1: Overall Structure and Internet-of-things Information Sharing and E change Part 2: Universal Technical Requirements and an official announcement as made to in its opinion on the drafts, this obtained a historic breakthrough. It is also actively participating in the compilation of the national standard Internet-of-things for Intelligent City Application Guide. During the period under review, the Group joined the completion of the 2016 Appraisal of Coordination Innovation Centre of Technology and Application of Internet of Things of Jiangsu Province (江蘇省物聯網技術與應用協同創新中心) led by Nanjing Post and Telephone University and the compilation and submission of the comprehensive inspection documentation of that centre, at present that centre already passed the inspection of the Education Bureau of Jiangsu province.

During the period under review, the Group completed the acceptance inspection of one provincial industrial information industry transformation (software) project and the 863 Plan project. It also actively promoted and established the implementation of several government projects including the provincial prospective industrial academic research joint project, provincial policy guidance planning (international technology cooperation), provincial industrial information industry transformation fund project, municipal software and information service sector fund project, municipal e-commerce fund project etc. During the period under review, the Group completed most of the technical R&D work of Guo Biao UHF readers, and started the preparation work for the inspection by third party on the consistency and functionality of Guo Biao reader protocol; it participated in the formulation and promotion of the proposals, such as Shenhou Express Rail Cooperation Project and Ping An Bank Note Management project, etc.

During the period under review, the Group and Fudan University etc jointly organized the 24th Session China Japan Korea Automatic Identification Technique Conference in Zhuhai, and delivered the speech about the main theme in the conference; it actively prepared and joined the World Internet-of-things Expo (Wu i), and awarded the new technology and new product achievement golden prize announced by the organizing committee.

BUSINESS OUTLOOK

Future business development plan

In 2017, the Group will concentrate efforts in the two core industries of intelligent transportation and intelligent logistics, centralize the resources of the Group, use the internet-of-things information techniques as its core to build the ecological system of an intelligent city, and promote the transformation of the business model of the Company.

In 2017, 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 informatization of management platform and municipal and communal services, so as to proactively procure the construction of the public management and communal service ecological system for intelligent city. As for public transportation business, while maintaining a steady development, the Group will explore the feasibility of combining with the new business model of PPP, at the same time it will further make use of the advantages of team project management, build up excellent project management capability as preparation for the management of the ever-growing large projects. Regarding the customs logistics

business, the Group will continue to consolidate its own strength, and increase market share, further increase its market share of the customs logistics business, lift the degree of satisfaction of customers. In the PPP business aspect, the Group will first further implement and determine the 2016 projects, at the same time it will actively explore new cooperation projects, including the construction of intelligent transportation platform at city level, construction and operation of PPP project of large parking in city, etc, and use them as new profit growth of the intelligent transportation ecosystem. In 2017, the Group will build an elite team with clear concepts, clear targets and high execution power to make good use of its strengths in management, and it will make the pattern the end products and the structure of data platform in the industrial chain of the internet-of-things related to underground spaces.

Research and development strategies

In 2017, the Group will continue to rely on the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, carry out prospective R&D related to the core industries, strengthen cooperation with the relevant companies, universities and colleges, R&D institutes, consolidate the R&D strengths of all parties, focus on the business development needs of the core industries of the Company, conduct R&D and introduce a group of new products to the market; make planning on the ecosystem of the Company, make good use of the industrial status and influences of the national engineering centre, expand resource cooperation in the industries or related domains, supplement the businesses of the ecosystem through cooperation with external parties; enhance the competitiveness of the products and services of the Company, the barrier of competition of the industries and protect the development strategies of the internet-of-things industry of the Company through core technologies, accumulation of intellectual property rights and upgrade and repetitive computing of core products.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will expire on 31 December 2018 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

Save as the disclosed above, no Directors and Supervisors has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the rules governing the listing of securities on the Stock Exchange (the Listing Rules)) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has other conflicts of interests with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference. The primary duties of the audit committee are to supervise the financial reporting process and internal control of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Final Dividend

The Board resolved to recommend to the shareholders (the Shareholders) of the Company at the forthcoming annual general meeting of the Company to be held on 26 March 2017 (2017 AGM) a final dividend of RMB0.15 per share to be paid on or about 25 August 2017 to those shareholders whose names appear on the register of members of the Company on 13 June 2017 (the Record Date).

Pursuant to the relevant tax rules and regulations of the People's Republic of China (PRC), a corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, the Company has an obligation to withhold for payment the corporate profit tax from the payment of the final dividend of RMB0.15 per share to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members on the Record Date. The term non-resident enterprises when used in this announcement shall have the meaning as defined under the relevant tax rules and regulations of the PRC. No corporate tax at the rate of 10% will be withheld in respect of dividends to natural persons whose names are registered on the H shares register of members of the Company on the Record Date.

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

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from 26 April 2017 to 26 May 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 April 2017.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 6 June 2017 to 13 June 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 5 June 2017.