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南京三寶科技股份有限公司

NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 1708)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2013 (the "Period") amounted to RMB357,413,551.80, representing a growth of approximately 14.72% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2013 was RMB65,531,817.06, representing a decrease of approximately 10.69% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2013 was approximately RMB0.292 (2012: RMB0.327).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 2013 together with the comparative figures for the six months ended 30 June 2012 as follows:

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

Consolidated income statement (unaudited)

For the six months ended 30 June 2013

ITEMS	Note	Six months ended 30 June	
		2013	2012
I. Total operating income	2	357,413,551.80	311,560,600.70
II. Total operating cost		286,814,457.86	240,209,041.42
Operating cost		232,776,891.08	187,931,687.51
Taxes and surcharges		6,753,145.87	7,489,405.92
Selling expenses		10,314,284.11	8,839,122.10
Administrative expenses		38,033,669.90	27,334,735.75
Finance costs	4	3,139,721.30	7,645,583.22
Impairment losses for assets		(4,203,254.40)	968,506.92
Share of profit of associates and jointly controlled entities		—	4,322,682.62
Other investment income		—	2,249.18
III. Operating profit		70,599,093.94	75,676,491.08
Add: Non-operating income		9,458,592.35	14,157,096.63
Less: Non-operating expenses		149,200.91	211,351.97
IV. Total profit		79,908,485.38	89,622,235.74
Less: Income tax expenses	5	12,782,381.82	16,851,716.26
V. Net profit		67,126,103.56	72,770,519.48
Net profit attributable to the shareholders of the Company		65,531,817.06	73,378,048.07
VI. Other comprehensive income		(76,248.93)	—
VII. Total comprehensive income		67,049,854.63	72,770,519.48
Total comprehensive income attributable to the shareholders of the Company		65,455,568.13	73,378,048.07
Total comprehensive income attributable to minority shareholders		1,594,286.50	(607,528.59)
VIII. Earnings per share:	6		
(1) Basic earnings per share		0.292	0.327
(2) Diluted earnings per share		0.292	0.327
IX. Dividends	7	—	—

Consolidated Balance Sheet*At 30 June 2013*

ASSETS	<i>Note</i>	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Current assets:			
Cash and bank balance		492,550,895.47	449,609,726.85
Notes receivable	8	—	160,000.00
Accounts receivable	8	277,135,992.42	278,576,202.98
Prepayments	8	32,357,996.24	48,417,202.13
Other receivables	8	149,453,009.42	147,128,312.82
Inventories		371,224,037.98	267,316,724.10

	<i>Note</i>	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Total liabilities		<u>795,224,903.56</u>	<u>642,315,818.35</u>
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital surplus		99,627,613.95	99,627,613.95
Surplus reserve		41,898,314.28	41,898,314.28
Undistributed profits		585,597,690.07	564,885,873.01
Difference on translation of foreign currency financial statements		<u>(3,720,351.14)</u>	<u>(3,644,102.21)</u>
Total equity attributable to the shareholders of the Company		947,503,267.16	926,867,699.03
Minority interest		<u>38,612,142.42</u>	<u>37,017,855.92</u>
Total shareholders' equity		<u>986,115,409.58</u>	<u>963,885,554.95</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,781,340,313.14</u>	<u>1,606,201,373.30</u>
Net current assets		<u>682,241,852.65</u>	<u>648,430,672.30</u>
Total assets less current liabilities		<u>1,140,860,234.26</u>	<u>1,063,423,876.72</u>

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and other related regulations (“PRC Accounting Standards”) issued by the Ministry of Finance of the People’s Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 2012. 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 Intelligent traffic, custom logistics and sales of equipment and service business.

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Principal operating income	353,393,182.32	308,611,488.88
Other operating income	4,020,369.48	2,949,111.82
Total operating income	<u>357,413,551.80</u>	<u>311,560,600.70</u>
Principal operating cost	231,651,266.63	187,406,911.45
Other operating cost	1,125,624.45	524,776.06
Total operating cost	<u>232,776,891.08</u>	<u>187,931,687.51</u>

(2) Principal operations (by product)

Name of Products	Six months ended 30 June		Six months ended 30 June	
	2013 (Unaudited)		2012 (Unaudited)	
	operating income	operating cost	operating income	operating cost
Intelligent traffic	217,793,824.56	155,907,504.19	234,275,037.83	161,164,290.38
Customs logistics	41,764,576.83	20,897,644.75	11,358,543.16	6,035,515.50
Sales of equipment	75,032,169.56	44,428,528.73	61,361,497.63	20,105,851.47
Service	18,802,611.37	10,417,588.96	1,616,410.26	101,254.10
Total	<u>353,393,182.32</u>	<u>231,651,266.63</u>	<u>308,611,488.88</u>	<u>187,406,911.45</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 intelligent system business. In addition, the Company's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

4. FINANCE COSTS

Item	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Interest expenses	5,114,492.24	10,039,336.55
Less: interest income	2,643,565.24	2,816,083.81
Exchange (gains)/losses	527,139.49	(301,800.76)
Others	141,654.81	724,131.24
Total	<u>3,139,721.30</u>	<u>7,645,583.22</u>

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

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Current income tax calculated based on tax law and related regulations	15,784,567.10	19,050,104.51
Deferred income tax adjustment	(3,002,185.28)	(2,198,388.25)
Total	<u>12,782,381.82</u>	<u>16,851,716.26</u>

On 31 October 2011, 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, its tax rate was 15% during the reporting period.

On 21 October 2008, Jiangsu Intellitrans Company Limited, a subsidiary of 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. This company continued to obtain the High and New Technology Enterprise certificate on 30 September 2011, with 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 tax rate was 15% during the reporting period.

On 22 December 2009, Jiangsu Raifu Intelligent Tech. Co., Ltd., a subsidiary of 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. After the High and New Technology review on 5 November 2012, the Company continued to be the High and New Technology Enterprise. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate is 15% during the reporting period.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period attributable to the shareholders of the Company of RMB65,531,817.06 (2012: RMB73,378,048.07) and weighted average number of issued ordinary shares of approximately 224,100,000 (2012: 224,100,000) during the period.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the periods ended 30 June 2013 and 2012.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Accounts receivable	296,315,430.43	300,274,605.67
Less: Provision for doubtful and bad debts for accounts receivables	19,179,438.01	21,698,402.69
Notes receivable	—	160,000.00
Prepayments	32,357,996.24	48,417,202.13
Other receivables	151,170,601.25	150,587,250.24
Less: Provision for doubtful and bad debts for other receivables	1,717,591.83	3,458,937.42
Total	<u>458,946,998.08</u>	<u>474,281,717.93</u>

The aging analysis of accounts receivable

Types	At 30 June 2013 (Unaudited)		At 31 December 2012 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	151,287,209.61	4,132,553.07	187,709,825.96	5,131,178.99
1 to 2 years	134,746,404.46	10,340,843.65	99,715,135.37	7,569,296.27
2 to 3 years	7,609,737.54	2,156,224.21	4,895,229.51	1,417,629.70
Over 3 years	2,672,078.82	2,549,817.08	7,954,414.83	7,580,297.73
Total	296,315,430.43	19,179,438.01	300,274,605.67	21,698,402.69

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 180 days of issuance, except for certain well-established customers.

9. TRADE AND OTHER PAYABLES

	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)
Accounts payables	337,511,173.96	269,751,512.77
Advances from customers	27,882,397.58	25,300,107.19
Other payables	31,494,352.17	28,046,279.25
Total	396,887,923.71	323,097,899.21

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total operating income

For the six months ended 30 June 2013 (the “Review Period”), the total operating income of the Group amounted to RMB357,413,551.80, representing an increase of approximately 14.72% over that of the corresponding period of last year. It was mainly attributed to the active development of the customs logistics business and the improvement of revenue from service business by the Group during the period under review.

Gross profit margin

The gross profit margin for the Review Period decreased from approximately 40% to 35% as compared with the corresponding period of last year. The decrease was mainly due to the rise in prices for sourcing of the raw materials and the increase in labour costs resulted by the further business development by the Group during the period under review.

Selling expenses

Selling expenses for the six months ended 30 June 2013 was RMB10,314,284.11, representing an increase of approximately 16.69% as compared with the corresponding period of last year. The increase was mainly attributed to the increase in revenue.

Administrative expenses

The administrative expenses recorded an increase of approximately 39.14% from RMB27,334,735.75 in the corresponding period of last year to RMB38,033,669.90 for the Review Period. The increase was mainly attributable to the increase in salary cost and investment in research and development projects.

Inventories

At 30 June 2013, the inventories of the Group was RMB371,224,037.98, representing an increase of approximately 38.87% as compared to that of the beginning of the period. The increase in inventories was due to more projects were under construction during the period under review.

Construction in progress

At 30 June 2013, the Group's construction in progress was approximately RMB788.44 million, representing an increase of approximately 30.1% over that of the beginning of the 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 2013 was RMB682,241,852.65 (At 31 December 2012: RMB648,430,672.30).

As at 30 June 2013, the bank balances and cash of the Group amounted to RMB492,550,895.47 (At 31 December 2012: RMB449,609,726.85).

Capital Structure

As at 30 June 2013, the total bank borrowings of the Group was RMB288,000,000.00 (At 31 December 2012: RMB218,000,000.00).

Pledge of Assets of the Group

As at 30 June 2013, the bank deposits of RMB39,909,576.82 (At 31 December 2012: RMB60,385,498)

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 2013, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECT

Business Review

Integrated Businesses

As for the customs logistic business, the Group enhanced the integration of market resources, improved project operation efficiency and achieved significant result in market expansion. During the period under review, the Group successfully obtained several projects such as “LED induction system for Suzhou Industrial Park Comprehensive Bonded Zone”, “intelligent checkpoint system for Qingzhou Container Terminal”, “Section II information system project for Longtan Comprehensive Bonded Zone” and “RFID project for whole vehicle import port of Zhangjiagang Bonded Area”. The Group also actively engaged in the top-level design and technological innovation of Jin Guan Project (Phase II) of the General Administration of Customs and well-prepared for the smooth implementation of the undertook tasks of “IOT application for specific equipment with tax relief or exemption” and “IOT application for the regulation of export articles for official or private use”.

As for expressway traffic business, the Group increased development efforts in new market segments while maintaining the existing market advantages, successfully secured projects such as “SHJD-1 sections mechanical and electrical engineering construction for Shiyan to Baihe Expressway (Hubei-Shaanxi border) of Hubei Province”, “whole process monitoring implementation project for coastal highway Nantong section”, “SDJD section reconstruction project of No.41 Highway Yongjia Shatou-Shangtang section”, “HD checkpoint system project for Xiamen expressway and entry and exit points of bus station”, “tunnel mechanical and electrical reconstruction project for Zhejiang No.54 Highway Qingyuan County Jushui-Houshanqiao section”, “EF section road mechanical and electrical engineering project of Xiamen-Chengdu Expressway Zhangzhou section and Changtaimeigong-Chenxiang expressway”, “mechanical and electrical engineering project for Hubei Huanggang-Ezhou expressway” during the period under review. The final inspection of mechanical and electrical engineering project of Hangxinjing highway extension line (Zhijiang Bridge) has been completed, mechanical and electrical engineering projects of the highway between Longquan, Zhijiang and Qingyuan (Zhejiang and Fujian circles) have been completed and opened to traffic and ED6 section mechanical and electrical engineering project of Ningde, Fujian to Wuyishan (Fujian and Jiangxi circles) expressway has completed trial-operation testing.

Product Supply

With the rapid development of information technology, the increasingly close combination of IOT industry with emerging information technologies such as cloud computing, high-speed mobile communication technology and intelligent identification has presented an intelligent, low-carbon and humanised development trend. During the period under review, the Group focused on the application of latest achievements of IOT research, carried out pilot application of preliminary research result of “IOT application for specific equipment with tax relief or exemption” at Wuxi Qiaolian Machine Tool Plant and applied readers and electronic tags on Nanjing Customs specific tax relief equipment purchased by enterprises. During the reporting period, the Group was named as the service unit for the real-name service management information system of construction workers in Nanjing (referred as “e-luzhufu” project) and became the equipment supplier of “e-luzhufu” project while the relevant equipment had been put into use in six construction sites in Nanjing. During the period under review, the Group was awarded the 2012 “Outstanding Reader Enterprise” in the category of China IOT RFID.

Information Service

During the period under review, the Group enhanced the promotion of “Cloud Biaoju” Brand in the logistics security information services business and further expanded the coverage of intelligent terminal device while the operation data volume of users had begun to take shape. Of which, the pharmaceutical service project of Jiangsu Province Hospital progressed smoothly and has realized real-time tracking on the safety and environmental data of carrier and transport unit in the pharmaceutical cold-chain transportation process through trial implementation. During the period under review, the Group built a unified data platform, “Cloud ID”, developed commodity credit SaaS services and formally launched the official website of self-developed “Tiantian Credit”. Such platform uses RFID/CVV2 technology to provide products with a unique electronic identifier, establish commodity credit database, provide consumers with counterfeiting and traceability services through smartphone/interactive terminals and provide value-added services such as commodity information display, anti-channel conflict and consumer behavior data collection for enterprises and the Group entered into service agreements with a number of enterprises. The Group also continued to advance the establishment of standardized packing food traceability platform, actively created demand, constructed off-line POS system platform for O2O e-commerce, provided value-added service and expanded the platform coverage.

Research and Development

During the period under review, the Group enhanced the research and development efforts in high-frequency and microwave technology, completed the research for active products and the testing for high-frequency products and obtained 4 software copyrights and 1 patent. The Group formulated the solution for cloud monitoring on specific equipment with tax relief or exemption based on its technological advantage. Such solution extracts the collective demand of customs and financial institutions on asset management and conducts real-time monitoring on asset and equipment with tax relief or exemption using advanced technology including radio frequency identification, 3G transmission, GIS, video analysis and cloud computing and forms real-time equipment monitoring cloud images to safeguard the security of assets, improve monitoring standards and provide solid technical support for the scientific management of regulatory authorities. The Group set up a trusted channel for enterprises,

customs and financial institutions through an approach of supervision, understanding and trust; and the research and development projects of “customs area checkpoint monitoring and operation maintenance platform 2.0” and “SOA logistics monitoring platform 2.0” were established and have achieved preliminary results.

During the period under review, the Group strengthened the international cooperation of IOT advance technology and carried out exchange on projects with ROLTA Company in the United States to explore opportunities for cooperation between China and United States in the aspect of urban intelligent traffic and smart city construction and will jointly launch a demonstration project to promote the industrialization of the research results.

During the period under review, the Group carried out communication and cooperation with various companies and established “joint laboratory for research and development of cloud computing technology, “joint laboratory for research and development of reader’s chip” and “industrialization base for the application of intelligent transportation RFID”, which marked the breakthrough in the building of technology research platform and technical cooperation and exchange platform.

Prospect

For the second half of the year, the Group will continue adhering to the customer-oriented philosophy, follow the operating guideline of constructing unified data platform to provide personalized service, adopt smart city construction as major line of business, actively acquire end customer resources and form a unified service platform through means such as data storage and big data analysis. The Group will actively establish a public data cloud platform to provide development platform, data storage and analysis services for our various department. In order to provide effective support for the Group’s operations, the Group will cultivate a dynamic professional team which can fit into the market through fostering technological product innovation by laboratory market mechanism dynamics. The Group will also explore OTO business model opportunity and rapidly realize the service model of traceability and certification, orders integration and supply chain finance.

The Group will advance the construction project of Intelligent Command Center of Nanjing Customs; promote the construction of joint prevention and control platform for environmental protection motor vehicles of Jiangsu and the experimental work of electronic joint prevention, control and law enforcement platform for atmospheric dust in Nanjing; ride on the experiences accumulated by the “Cloud Biaoju” team in the cold-chain transport of pharmaceutical industry to further promote the brand to other regions; and accelerate the top-level design and research and development progress of provincial-level food circulation monitoring platform, construct information system for provincial-level food safety supervision platform and establish demonstration point for standardized packaged food traceability system.

The Group will also increase investment in the research and development of RFID technology, establish and consolidate the leading position of the Group in the RFID area; strengthen the optimization of active products, expand product range of the Company and fully implement the “e-luzhufu” project; and expand the pilot application of the Company’s RFID products in the financial industry and the application of relevant products in overseas markets.

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 2013.

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.

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

30 August 2013
Nanjing, the PRC

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Guo Ya Jun; the non-executive Director is Mr. Ma Jun and the independent non-executive Directors are Mr. Xu Suming, Mr. Shum Shing Kei and Mr. Geng Nai Fan.

* *For identification purpose only*