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南京三寶科技股份有限公司  
NANJING SAMPLE TECHNOLOGY CO., LTD.\*

(a jointly 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 2015

### FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2015 (the "Review Period") amounted to approximately RMB1,226,308,424, representing a growth of approximately 35.17% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the year ended 31 December 2015 was approximately RMB164,468,923, representing an increase of approximately 19.22% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2015 was approximately RMB0.532 (2014: RMB0.616).

The payment of a final dividend of RMB0.3 per share is recommended for the year ended 31 December 2015.

### ANNUAL RESULTS

The board (the "Board") of Directors of Nanjing Sample Technology Company 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 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

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

## Consolidated balance sheet

A 31 Decembre 2015

ASSETS	<i>N e</i>	2015	2014
<b>Current assets:</b>			
Cash at bank and on hand		1,212,720,957.69	900,982,056.56
Notes receivable	3	430,000.00	7,842,580.10
Accounts receivable	3	405,045,579.64	234,683,339.39
Prepayments	3	102,561,214.68	42,448,774.83
Interest receivable		806,088.29	—
Other receivables	3	80,821,123.74	78,119,619.28
Inventories		539,754,737.11	577,127,799.95
Other current assets		156,802,978.14	7,444,600.40
<b>Total current assets</b>		<b>2,498,942,679.29</b>	<b>1,848,648,770.51</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		44,520,000.00	119,506,244.94
Long-term equity investments		3,475,159.72	709,053.12
Investment Property		211,022,900.00	—
Fixed assets		246,314,755.16	412,553,068.26
Construction in progress		25,322,742.02	6,738,396.67
Construction materials		2,911,916.51	4,027,060.50
Intangible assets		12,374,724.82	19,506,004.56
Long-term deferred expenses		12,365,667.87	12,881,878.40
Deferred income tax assets		23,895,454.79	10,193,466.27
Other non-current assets		120,000,000.00	—
<b>Total non-current assets</b>		<b>702,203,320.89</b>	<b>586,115,172.72</b>
<b>TOTAL ASSETS</b>		<b>3,201,146,000.18</b>	<b>2,434,763,943.23</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings		508,765,000.00	524,000,000.00
Notes payable		81,521,681.76	36,520,312.90
Accounts payable	4	526,961,876.08	406,030,216.39
Advances from customers	4	84,041,499.16	60,493,872.25
Staff remuneration payables		3,137,558.73	397,375.48
Taxes payable		38,877,388.22	36,188,173.83
Interest payable		1,060,086.67	—
Other payables	4	49,094,015.39	47,765,320.26
Non-current liabilities due within 1 year		27,860,000.00	70,000,000.00
<b>Total current liabilities</b>		<b>1,321,319,106.01</b>	<b>1,181,395,271.11</b>

	<i>N e</i>	2015	2014
<b>Non-current liabilities:</b>			
Long-term borrowings		138,210,000.00	70,000,000.00
Deferred income		9,128,698.17	9,622,739.47
Deferred income tax liabilities		9,111,725.27	636,670.96
		<u>156,450,423.44</u>	<u>80,259,410.43</u>
<b>Total non-current liabilities</b>		<b>156,450,423.44</b>	<b>80,259,410.43</b>
		<u>1,477,769,529.45</u>	<u>1,261,654,681.54</u>
<b>Total liabilities</b>		<b>1,477,769,529.45</b>	<b>1,261,654,681.54</b>
<b>Shareholders' equity:</b>			
Share capital		316,823,400.00	224,100,000.00
Capital surplus		417,042,894.68	99,627,613.95
Other comprehensive income		30,662,281.62	(3,879,022.15)
Surplus reserve		72,085,199.91	51,644,250.39
Undistributed profits	5	832,932,029.03	752,268,735.54
		<u>1,669,545,805.24</u>	<u>1,123,761,577.73</u>
Total equity attributable to the shareholders of the Company		<b>1,669,545,805.24</b>	<b>1,123,761,577.73</b>
Minority interest		53,830,665.49	49,347,683.96
		<u>1,723,376,470.73</u>	<u>1,173,109,261.69</u>
Total shareholders' equity		<b>1,723,376,470.73</b>	<b>1,173,109,261.69</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,201,146,000.18</b>	<b>2,434,763,943.23</b>
<b>Net current assets</b>	13	<b>1,177,623,573.28</b>	<b>667,253,499.40</b>
<b>Total assets less current liabilities</b>	14	<b>1,879,826,894.17</b>	<b>1,253,368,672.12</b>

**Consolidated income statement***For the year ended 31 December 2015*

ITEMS	<i>N e</i>	2015	2014
<b>I. Total operating income</b>	6	<b>1,226,308,423.63</b>	907,225,991.66
<b>II. Total operating cost</b>		<b>1,088,246,082.23</b>	763,727,347.95
Including: Operating cost		<b>888,061,695.23</b>	610,857,619.95
Taxes and surcharges		<b>18,908,597.38</b>	11,430,581.82
Selling and distribution expenses		<b>31,520,776.37</b>	25,668,659.74
General and administrative expenses		<b>102,485,667.20</b>	95,488,723.80
Financial expenses	9	<b>23,981,002.21</b>	26,340,633.46
Asset impairment losses		<b>23,288,343.84</b>	(6,058,870.82)
Add: Gain on fair value change			

## Consolidated cash flow statement

For the period ended 31 December 2015

ITEMS	2015	2014
<b>I. Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	1,083,188,379.61	799,114,111.87
Refund of taxes and surcharges	4,347,101.05	3,242,111.67
Cash received relating to other operating activities	174,086,370.10	61,812,271.98
Sub-total of cash inflows from operating activities	1,261,621,850.76	864,168,495.52
Cash paid for goods and services	931,121,850.67	467,121,635.93
Cash paid to and on behalf of employees	50,383,224.36	45,360,613.05
Payments of tax charges	64,770,493.08	55,008,305.13
Cash paid relating to other operating activities	62,255,938.14	113,622,195.93
Sub-total of cash outflows from operating activities	1,108,531,506.25	681,112,750.04
<b>Net cash flows from operating activities</b>	<b>153,090,344.51</b>	<b>183,055,745.48</b>
<b>II. Cash flows from investing activities</b>		
Cash received from disposal of investments	78,986,244.94	–
Cash received from returns on investments	28,196,280.08	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	106,691.86	76,361.29
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	360,000,000.00	–
Sub-total of cash inflows from investing activities	467,289,216.88	76,361.29
Cash paid to acquire fixed assets, intangible assets and other long-term assets	32,154,572.13	107,317,226.69
Cash paid to acquire investments	8,500,000.00	18,470,000.00
Net increase of pledged loans	–	–
Net cash paid to acquire subsidiaries and other operating entities	–	–
Cash paid relating to other investing activities	630,000,000.00	–
Sub-total of cash outflows from investing activities	670,654,572.13	125,787,226.69
<b>Net cash flows from investing activities</b>	<b>(203,365,355.25)</b>	<b>(125,710,865.40)</b>

ITEMS	2015	2014
<b>III. Cash flows from financing activities</b>		
Cash received from capital contributions	413,979,069.07	–
Including: Cash received from minority shareholders investment by subsidiary	–	–
Cash received from borrowings	635,000,000.00	665,000,000.00
Sub-total of cash inflows from financing activities	<u>1,048,979,069.07</u>	<u>665,000,000.00</u>
Cash repayments of borrowings	493,930,000.00	412,250,000.00
Cash payments for interest expenses and distribution of dividends or profits	101,323,609.16	55,774,668.86
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries	–	1,400,000.00
Sub-total of cash outflows from financing activities	<u>595,253,609.16</u>	<u>468,024,668.86</u>
<b>Net cash flows from financing activities</b>	<u><u>453,725,459.91</u></u>	<u><u>196,975,331.14</u></u>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u><u>2,086,438.39</u></u>	<u><u>114,581.09</u></u>
<b>V. Net increase in cash and cash equivalents</b>	405,536,887.56	254,434,792.31
Add: Cash and cash equivalents at beginning of period	782,748,257.94	528,313,465.63
<b>VI. Cash and cash equivalent at end of period</b>	<u><u>1,188,285,145.50</u></u>	<u><u>782,748,257.94</u></u>

## **Notes to the financial statements**

*For the year ended 31 December 2015*

### **1. GENERAL**

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited\*) (the “Company”, together with its subsidiaries, the “Group”) was established in the People’s Republic of China (the “PRC”) and was 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, Qixia 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 health safety 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 2015.

#### **Change in major accounting policies and accounting estimates**

##### **(1) Change in major accounting policies**

There were no changes in major accounting policies of the Group during the reporting period.

##### **(2) Change in major accounting estimates**

There were no changes in major accounting estimates of the Group during the reporting period.

### 3. TRADE AND OTHER RECEIVABLES

	2015	2014
Accounts receivable	<b>453,196,963.88</b>	261,979,554.14
Less: Provision for doubtful and bad debts for accounts receivables	<b>48,151,384.24</b>	27,296,214.75
Notes receivable	<b>430,000.00</b>	7,842,580.10
Prepayments	<b>102,561,214.68</b>	42,448,774.83
Other receivables	<b>84,094,848.43</b>	79,656,493.02
Less: Provision for doubtful and bad debts for other receivables	<b>3,273,724.69</b>	1,536,873.74
Total	<b><u>588,857,918.06</u></b>	<b><u>363,094,313.60</u></b>

#### The aging analysis of accounts receivable

Types	2015		2014	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	331,003,412.85	10,368,895.12	106,752,852.16	3,462,176.24
1 to 2 years	50,626,354.38	4,101,926.16	126,652,359.26	9,876,519.70
2 to 3 years	47,186,046.85	14,010,676.43	19,039,435.14	4,556,994.18
Over 3 years	24,381,149.80	19,669,886.53	9,534,907.58	9,400,524.63
Total	<b><u>453,196,963.88</u></b>	<b><u>48,151,384.24</u></b>	<b><u>261,979,554.14</u></b>	<b><u>27,296,214.75</u></b>

#### 4. TRADE AND OTHER PAYABLES

	2015	2014
Accounts payables	526,961,876.08	406,030,216.39
Advances from customers	84,041,499.16	60,493,872.25
Other payables	49,094,015.39	47,765,320.26
Total	<u>660,097,390.63</u>	<u>514,289,408.90</u>

#### Age analysis of accounts payables

	2015	2014
Within 1 year	417,279,924.55	311,538,597.59
1 to 2 years	47,602,801.88	53,600,434.23
Over 2years	62,079,149.65	40,891,184.57
Total	<u>526,961,876.08</u>	<u>406,030,216.39</u>

#### 5. UNDISTRIBUTED PROFITS

	2015	2014
Undistributed profit at the beginning of the year	752,268,735.54	642,216,593.48
Add: Current net profit attributable to shareholders of the Company	164,468,923.01	137,953,042.32
Less: Provision of statutory surplus reserves	20,440,949.52	5,490,900.26
Less: Ordinary shares dividends payable	63,364,680.00	22,410,000.00
Closing balance of undistributed profit	<u>832,932,029.03</u>	<u>752,268,735.54</u>

## 6. 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	2015	2014
Principal operating income	<b>1,209,665,836.23</b>	901,027,948.26
Other operating income	<b>16,642,587.40</b>	6,198,043.40
Total operating income	<b><u>1,226,308,423.63</u></b>	<u>907,225,991.66</u>
Principal operating cost	<b>884,676,032.61</b>	607,862,625.44
Other operating cost	<b>3,385,662.62</b>	2,994,994.51
Total operating cost	<b><u>888,061,695.23</u></b>	<u>610,857,619.95</u>

### (2) Principal operations (by product)

Name of Products	2015		2014	
	Operating income	Operating cost	Operating income	Operating cost
System integration	<b>801,936,325.32</b>	<b>591,974,433.37</b>	659,440,413.49	468,399,613.56
Intelligent terminal sales	<b>197,139,115.52</b>	<b>149,946,506.97</b>	153,238,871.31	106,518,857.97
Service	<b>109,497,069.71</b>	<b>47,566,186.38</b>	88,348,663.46	32,944,153.91
Cross-border trade and service	<b>101,093,325.68</b>	<b>95,188,905.89</b>	—	—
Total	<b><u>1,209,665,836.23</u></b>	<b><u>884,676,032.61</u></b>	<u>901,027,948.26</u>	<u>607,862,625.44</u>

## 7. 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 was derived principally therefrom. Accordingly, no separate segments are presented.

## 8. GROSS PROFIT

	2015	2014
Operating income	1,226,308,423.63	907,225,991.66
Operating cost	888,061,695.23	610,857,619.95
Gross profit	<u>338,246,728.40</u>	<u>296,368,371.71</u>

## 9. FINANCIAL EXPENSES

Items	2015	2014
Interest expenses	37,958,929.16	31,964,668.86
Less: interest income	12,284,515.48	6,331,440.47
Exchange gain and loss	(3,890,110.84)	(200,923.15)
Others	2,196,699.37	908,328.22
Total	<u>23,981,002.21</u>	<u>26,340,633.46</u>

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

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	2015	2014
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Reconciliation between total profit and income tax expenses is as follows:

<b>Item</b>	<b>2015</b>	2014
Total profit	<u>188,392,401.78</u>	<u>167,671,333.23</u>
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	<b>26,603,755.60</b>	23,574,567.96
Effect of different tax rates applicable to subsidiaries	<b>1,372,551.96</b>	1,189,877.41
Income tax adjustments on prior periods	<b>4,186,875.01</b>	3,309,015.56
Additional deduction for qualified research and development expenses	<b>(2,062,500.00)</b>	(1,987,500.00)
Effect on investment income under equity method	<b>216,736.68</b>	11,368.36
Expenses, costs and losses not deductible for tax purposes	<b>1,235,397.07</b>	795,239.38
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	<b>(10,338,276.66)</b>	817,616.41
Income tax expenses	<u><b>21,214,539.66</b></u>	<u>27,710,185.08</u>

## 11. 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:

<b>Items</b>	<b>2015</b>	2014
Consolidated net profit attributable to ordinary shareholders of the Company	<b>164,468,923.01</b>	137,953,042.32
Weighted average number of ordinary shares outstanding of the Company	<b>309,096,450.00</b>	224,100,000.00
Basic earnings per share (yuan/share)	<u><b>0.532</b></u>	<u>0.616</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 2015 and 2014.

The calculation of the weighted average number of ordinary shares:

<b>Items</b>	<b>2015</b>	2014
Ordinary shares issued at the beginning of the year	<b>224,100,000.00</b>	224,100,000.00
Add: Weighted average number of ordinary shares issued during the current period	<b>84,996,450.00</b>	—
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><b>309,096,450.00</b></u>	<u>224,100,000.00</u>

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

## 12. DIVIDENDS

Items	2015	2014
Final dividend proposed of RMB0.3 per share (2014: RMB0.2 per share)	<u>95,047,020.00</u>	<u>63,364,680.00</u>

The directors recommend the payment of final dividend of RMB95,047,020 at RMB0.3 per share (2014: RMB0.2 per share) for the year ended 31 December 2015 on 23 March 2016.

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	2015	2014
Final dividend in respect of the previous year, approved and paid during the year	<u>63,364,680.00</u>	<u>22,410,000.00</u>
Total	<u>63,364,680.00</u>	<u>22,410,000.00</u>

## 13. NET CURRENT ASSETS

	2015	2014
Current assets	2,498,942,679.29	1,848,648,770.51
Less: current liabilities	<u>1,321,319,106.01</u>	<u>1,181,395,271.11</u>
Net current assets	<u>1,177,623,573.28</u>	<u>667,253,499.40</u>

## 14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2015	2014
Total assets	3,201,146,000.18	2,434,763,943.23
Less: current liabilities	<u>1,321,319,106.01</u>	<u>1,181,395,271.11</u>
Total assets less current liabilities	<u>1,879,826,894.17</u>	<u>1,253,368,672.12</u>

## 15. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

## 16. POST BALANCE SHEET EVENTS

### (1) Investment in new company

On 28 January 2016, Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司) was incorporated with registered capital of RMB10,000,000 which the Company will contribute RMB3,000,000 (30%). The Company shall make the contribution of RMB1,500,000 before on 29 February 2016 and RMB1,500,000 before 28 February 2017.

### (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 2015 was approximately RMB1,226,308,424, representing an increase of approximately 35.2% over last year. The increase was mainly due to the rapid growth of income from system integration as compared to that of last year. In addition, the cross-border trade and service business that newly developed by the Group has brought new income for the Group.

#### *Gross Profit*

Gross profit margin of the Group for the year ended 31 December 2015 was approximately 27.6%, representing a decrease of approximately 5.1% over last year. The decrease was mainly due to the gross profit margin of cross-border trade and service business is comparatively lower.

#### *Selling and Distribution Costs*

Selling and distribution costs of the Group for the year ended 31 December 2015 was approximately RMB31,520,776, representing an increase of approximately 22.8% over last year. The increase was mainly attributable to the active exploration of new market by the Group during the Period.

#### *General and Administrative Expenses*

General and administrative expenses of the Group for the year ended 31 December 2015 was approximately RMB102,485,667, representing an increase of approximately 7.3% over last year. The increase was mainly attributable to the increase of investment on research and development during the Review Period.

#### *Net Profit Attributable to Shareholders of the Company*

For the year ended 31 December 2015, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB164,468,923, representing an increase of 19.2% over last year. The increase was mainly attributable to the increase in operating income and the increase in operating profit of the Group during the Review Period as compared to that of last year.

#### *Construction in Progress*

As at 31 December 2015, the Group's construction in progress amounted to RMB25,322,742 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the new construction of R&D centre for smart city project and modification project.

### *Other Current Assets*

As at 31 December 2015, the Group's other current assets amounted to RMB156,802,978 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the entrusted loan made by the Company during the Review Period, details of which can be referred to the announcement dated 28 October 2015.

### *Fixed Assets and Investment Property*

During the Review Period, the Company has leased out part of the self-use property, therefore the nature of the asset has been changed from fixed assets to investment property which resulted the significant changes of the fixed assets and investment property as compared to that of the same period last year.

### *Other Non-current Assets*

As at 31 December 2015, the Group's other non-current assets amounted to RMB120,000,000 which was mainly due to the assets management plan respectively taken by the Company and Jiangsu Ruifu Intelligent Tech. Co., Limited, a wholly-owned subsidiary of the Company, details of which can be referred to the announcement dated 21 May 2015.

### *Available-for-sale Financial Assets*

As at 31 December 2015, the Group's available-for-sale financial assets amounted to RMB44,520,000 which was recorded a decrease of 62.7% as compared to that of last year. The decrease was mainly due to the Company transferred its 19% equity interests in Zhong Jian Zhi Kang Supply Chain Service Company Limited to Hong Shi International Health Industry Company Limited, details of which can be referred to the announcement dated 25 August 2015.

## **FINANCIAL RESOURCES AND LIQUIDITY**

For the year ended 31 December 2015, the shareholders' equity of the Group was approximately RMB1,669,545,805. Current assets were approximately RMB2,498,942,679, comprising cash and bank balances of approximately RMB1,212,720,958. Non-current liabilities were approximately RMB156,450,423. Current liabilities were approximately RMB1,321,319,106, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2015, net assets per share of the Group was approximately RMB5.27 (31 December 2014: RMB5.01). The short-term borrowings of the Group were RMB508,765,000.

## **PLEDGE OF ASSETS**

As at 31 December 2015, bank deposits of RMB24,435,812 were pledged to the bank for projects in progress (2014: RMB118,233,799).

## **GEARING RATIO**

For the year ended 31 December 2015, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2014: 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 were denominated in RMB, the Group's operating results were not exposed to any foreign currency risk.

## **SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT**

On 25 August 2015, the Company and Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司) entered into a share transfer agreement by which the Company's 19% equity interest in Zhong Jian Zhi Kang Supply Chain Service Company Limited(中健之康供應鏈服務有限責任公司) were transferred to Hong Shi International Health Industry Company Limited at a consideration of RMB 75,680,000. The Disposal was completed on 4 November 2015.

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

## **CAPITAL COMMITMENT**

As at 31 December 2015, the Group did not have any material capital commitment.

## **CONTINGENT LIABILITIES**

As at 31 December 2015, the Group did not have any material contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, total employees' remuneration of the Group was approximately RMB52,802,000 (2014: RMB45,847,000) and the number of employees was 442 (2014: 405). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would 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**

### **Strategic business**

As for the expressway system integration business, the Group continued to increase its market share and gain influence in the industry as its primary goal, and by actively bidding for major and significant projects, and initiatively developing strategic cooperation in the industry, the Group won bids of key projects, expanded the customer resources, secured its business income and improved customer satisfaction in the industry. During the period under review, the Group successfully signed contracts concerning projects such as traffic engineering project of widening and renovating and expanding Huizhou-Shenzhen Expressway (Huizhou section), electrical and mechanical engineering monitoring and toll collecting communication system project of Meizhou Bay-Chongqing Expressway (Putian section), electrical and mechanical works for tunnels of Ruili-Longchuan section of Ruili-Tengchong Expressway, electrical and mechanical works for Bazhong-Nanchong-Guang'an (ChuanYu boundary) and electrical and mechanical works for Shouchang, Jiande- Baisha, Kahua of Hangxinjing Highway (Zhejiang-Jiangxi boundary) (Quzhou section); and the Group made remarkable improvement in the depth and width in the market resources of expressway system integration. During the period under review, the Group promoted the implementation of all the projects according to the progress of the awarded projects, and completed the electrical and mechanical engineering project of the Eastern section of Chengdu Second Ring Expressway, network monitoring and renovating project of Guizhou Jing Qing Long to Sheng Jing Guan Section, and renovating works of the Guiyang Northeastern Ring Expressway (Jianpo-Xiaobi section), which had reopened for service. In respect of Guiyang Jianpo-Xiaobi project, we adopted a new business model of establishing a joint venture with other industry players to carry out the project, which enabled us to communicate and learn from first-tier domestic integrator and completed the work at guaranteed quality within a short period of time, which represented a new record of the Company.

Leverage on the resources accumulated in customs logistics, the Group actively launched cross-border trading and services business, and realised the full control and monitoring of the process of goods delivery from the suppliers to on-the-track monitoring service, to customs clearance was achieved. This prevented false trading in the greatest extent. Such model differentiated with other competitors, competitive barriers to entry was enhanced.

During the reporting period, the Group all-round developed PPP project, and successfully entered into letter of intent of co-operation for Xuzhou City North Bus Terminal Urban Public Transport Functional integrated PPP project and construction contract with Huaihai Economic Zone of Modern Logistics Service Hub. On the other hand, the Group actively carried out implementation and preparation work of acceptance of affiliated project of West Third Ring Road of Xuzhou, it is expected that it will be completed by the first quarter of 2016. At the same time, the universal terminal project in Xuzhou Gangxuang building operation area was actively promoted.

As for the customs logistic business, during the period under review, the Group focused on transformation of customs business. Kept optimizing the transformation plan, the Group finally formulated a series solution which can be reproduced and promoted, including technology, pre-sale service, operation and after-sale service. Based on business transformation, the Group optimized and upgraded existing technology and products and advanced the operation and service pilot project through investment in order to realize the prospect and business scale of current market, which was the basis of forecast and analysis report of our business transformation. The Group put emphasis on the after-sale maintenance service and sales in Eastern and Southern China while actively promoted the sales of new projects in Middle and the Western China and Bohai Circle region. During the period under review, the Group successfully signed contracts of projects such as intelligent customs project in Linyi comprehensive bonded area, Phase One International Logistics Center project of Shouguang Chenming Modern Logistic Co., Ltd., monitoring system for customs special monitoring area in Jilin bonded logistics center, contracts for application and software development for inspection and quarantine monitoring system, renovating project (Phase Two) for intelligent cargo customs in China (Shanghai) Pilot Free Trade Zone and Phase One intelligent information system project in Ganzhou comprehensive bonded area. During the period under review, the Group actively started the construction of customs service platform and finalized commercial cloud customs service platform proposal, product framework design and commercial model design. Team building and detail product design will be the next step of the Company.

### **Information service**

During the period under review, the Group strengthened its ability to provide information service for customs and foreign trade enterprises on the basis of smart electronic lock provision. We actively explored market. On the basis of the operation of smart locks for Shanghai and Guangdong customs, we finished the second phase of Shanghai project. In addition, we got new operation contracts of smart electronic locks from Hangzhou and Jiangxi. The number of activated smart locks and trainees reached historical high. During the period under review, the Group actively advanced customs integrated solution and system construction, and developed a system able to read and write international protocol and provide technology support, together with software integration and operation and management of related system, which is capable to connect external system.

As for the intelligent urban transportation business, the Group put effort in building and improving the structure of platform system and developed user service. The model of urban smart traffic project successfully implemented in Nanjing by the Company was actively promoted in other cities of the entire province. During the period under review, the Group actively participated in the comprehensive management and operation service platform (Public Private Partnership) project of Nanjing static traffic and automotive electronic identification GB project, and actively promoted the implementation of the projects. On the other hand, the project of Critical Technology R&D and Application Demonstration of Intelligent Traffic System of Nanjing City was undertaken by the Group, which has passed the inspection and acceptance by the Ministry of Science and Technology of China. Such project formed part of the Youth Olympic Science and Technology Pillar Program, and was demonstrated successfully on Youth Olympics, which ensured the smooth flow of traffic during the Youth Olympic Games, and also provided continue technical support and protection in urban traffic management, especially urban management in Nanjing during the post-Youth Olympic era.

## **Research and Development**

During the period under review, the Group finished the draft of “Development Plan for Next Three Years of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center”, which was prepared according to the existing operation assessment indicator system of the National Engineering Center and covered eight major aspects, namely manpower planning, financial positions, project profile, technological output, technological achievements transformation, conference, open topic and major research. Meanwhile, the renovation of website and laboratory equipment was completed and the Group acquired some new equipment and prepared for the CNAS certification. During the period under review, the Group joined the State IOT Task Force led by Institute of Standardization under Ministry of Industry and Information Technology. We were responsible for setting a set of standards for data interface. In addition, the Group cooperated with Southeast University and completed and successfully applied for the third batch of industrial professors in the province. We have started to prepare the white paper about RFID technology and industrial development with Southeast University.

During the period under review, the Group’s two provincial software projects, one National Science & Technology Pillar Program and one Nanjing City of Joint Distribution Funding Project was accepted. Meanwhile, the Group actively advanced and developed various government projects, such as provincial industry transformation (software) project, provincial technological achievements transformation project, State “863 Plan” project, provincial industrial academic research forwarding joint project, provincial technological project, provincial technological planning project, national IOT major application demonstration project and Nanjing e-commerce special funding project. During the period under review, the Group completed the R&D of 5 prototypes of RFID readers and writers under international standards. All of these readers are under testing.

## BUSINESS PROSPECTS

### Strategic business

The image is a scan of a document page. At the top left, the text "BUSINESS PROSPECTS" is visible in a bold, sans-serif font. Below it, the text "Strategic business" is also visible in a similar font. The remainder of the page is filled with a dense, chaotic pattern of black and white noise, making the rest of the text completely illegible. There are some faint, scattered characters and symbols throughout the noisy area, but they do not form any recognizable text.

## **Information Service**

In 2016, for the customs logistics sector, the Group will continuously dedicate marketing efforts to other regions with the innovative service model of Shanghai customs, so as to provide all-in-one intelligent on-the-track monitoring service based on its intelligent customs and intelligent electronic customs locks for various customs departments. The Group will also provide value-added services; optimize the general resolution of informationalization and intelligentization within the customs area; introduce new businesses such as cross-border e-commerce platform, individual solidier, storage and other IOT application projects; and focus on “Cloud Customs” corporate services.

In 2016, for the city traffic service, the Group will dedicate to make investment in, construct, operate and manage smart cities with focus on the service on two ecosystems, smart car business and cross-border e-commerce. With IOT + mobile network technology, the Group can definitely provide quality lifestyle comprehensive service platform to the clients. As the Group will continue to promote the application of environmental-friendly E-cards, it will provide intelligent travelling, intelligent parking, intelligent training and vehicle trading integrated services based on electronic environmental friendly labelling, data collecting stations and geomagnetic technologies for inner city traffic departments, environment protection departments, vehicle enterprises as well as the public.

## **Research and Development**

In 2016, the Group will continue to engage the State’s RFID System Engineering technology R&D Centre to carry out prospective technology research in relation to its core businesses, and will cooperate with respective enterprises, colleges and research centers, to focus all research and development efforts on the expansion of its core businesses, and will research, develop and launch new lines of product. In accordance with the Company’s ecosystem business planning, the Group will fully leverage on the positions and influence of National Engineering Center to strengthen the resources sharing and cooperation with other institutions within the industry or related fields through external cooperation in order to complement the ecosystems. With its core technologies and intelligent properties and the upgraded and repetitive computing of core products, the Group will endeavor to enhance the competitive power of its products and services, and to raise the competition threshold within the industry, so as to support the IOT and mobile internet business strategies of the Company.

## **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 were expired on 31 December 2015 and the further renewal of a term of 3 years shall be subject to the approval at the forthcoming 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.

The audit committee comprises three independent non-executive Directors, namely Mr. Shum Shing Kei (the Chairman of the audit committee), Mr. Xu Suming and Mr. Geng Nai Fan. The audit committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE AUDITOR**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regards did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

## **DIRECTORS’ AND SUPERVISORS’ INTERESTS IN CONTRACTS**

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

## **CORPORATE GOVERNANCE CODE**

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

## **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed in the financial statements, the Company did not commit any future plan for material investment or capital assets.

## **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 enquiry 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 2015.

## **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 27 May 2016 ("2016 AGM") a final dividend of RMB0.3 per share to be paid on or about 26 August 2016 to those shareholders whose names appear on the register of members of the Company on 13 June 2016 (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 RMB0.3 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 any 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 27 April 2016 to 27 May 2016 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 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 26 April 2016.

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 2016 to 13 June 2016 (both days 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 3 June 2016.

## PUBLICATION OF ANNUAL REPORT

The 2015 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.sampletech.com.cn> in due course.

By Order of the Board  
**Nanjing Sample Technology Company Limited\***  
**Sha Min**  
*Chairman*

Nanjing, the PRC  
23 March 2016

*At a meeting held on 23 March 2016, the Board of Directors of the Company, consisting of M. Sha Min (Chairman), M. Chang Yung, M. Zhu Xiang, the non-executive Directors M. Ma Jun; and the independent non-executive Directors M. Xu Shuming, M. Geng Nai Fan and M. Shum Shing Kei.*

\* For identification only