



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

(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 “Review 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 was 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 was 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 was stated in Renminbi (“RMB”) yuan)

## Consolidated balance sheet

As at 31 December 2016

ASSETS		2016	2015
<b>Current assets:</b>			
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 by 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
<b>Total current assets</b>		<b>2,871,897,710.97</b>	<b>2,483,585,436.12</b>
<b>Non-current assets:</b>			
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
<b>Total non-current assets</b>		<b>579,212,538.49</b>	<b>702,203,320.89</b>

	— /	2016	2015
<b>TOTAL ASSETS</b>		<b><u>3,451,110,249.46</u></b>	<b><u>3,185,788,757.01</u></b>
<b>LIABILITIES &amp; OWNERS' EQUITY</b>			
<b>Current liabilities:</b>			
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 by 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		—	—
Receivings from Vicariously Traded Securities		—	—
Receivings from Vicariously 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	—
<b>Total current liabilities</b>		<b><u>1,491,581,580.68</u></b>	<b><u>1,305,961,862.84</u></b>
<b>Non-current liabilities:</b>			
Long-term borrowings		109,100,000.00	138,210,000.00
Bonds payables		—	—
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		—	—

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

## Consolidated income statement

For the period ended 31 December 2016

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

ITEMS	— /	2016	2015
<b>VI. Net other comprehensive income after tax</b>		<b>2,443,558.72</b>	34,541,303.77
Net other comprehensive income attributable to the owners of parent company after tax		<b>2,443,558.72</b>	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		<b>2,443,558.72</b>	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		<b>2,443,558.72</b>	-801,147.35
6. Other		—	35,342,451.12
Other net comprehensive incomes after-tax attributable to minority shareholders		—	—

## Notes to the financial statements

For the period 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”) 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 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) was issued by the Ministry of Finance on 3 December 2016, which is applicable to relevant transactions that happened on or after 1 May 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:

<b>Detail and cause of change in accounting policies</b>	<b>Statement item and amount affected</b>
(i) “Business taxes and surcharges (營業稅金及附加)” in the income statement is changed to “Taxes and surcharges (稅金及附加)”.	Taxes and surcharges
(ii) Starting from 1 May 2016, property tax, land use tax, vehicles and vessels tax and stamp duty, arising from	

## 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

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	Groups	Affected amount after the changes	Affected amount
	Provision amount of original provision method		Provision amount of existing provision method	
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>–</u>	<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 was recognised into inventories, while the progress payment received was 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 recognized 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	<b>597,057,802.27</b>	453,196,963.88
Less: Provision for doubtful and bad debts for accounts receivables	<b>70,988,433.73</b>	48,151,384.24
Notes receivable	<b>810,000.00</b>	430,000.00
Prepayments	<b>42,815,450.27</b>	102,561,214.68
Other receivables	<b>193,379,092.03</b>	84,094,848.43
Less: Provision for doubtful and bad debts for other receivables	<b>14,087,600.65</b>	3,273,724.69
Total	<b><u>748,986,310.19</u></b>	<b><u>588,857,918.06</u></b>



## 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	<u>17,334,997.68</u>	<u>16,642,587.40</u>
Total operating income	<u><u>1,569,750,558.83</u></u>	<u><u>1,226,308,423.63</u></u>
Principal operating cost	1,161,583,783.81	884,676,032.61
Other operating cost	<u>2,458,082.75</u>	<u>3,385,662.62</u>
Total operating cost	<u><u>1,164,041,866.56</u></u>	<u><u>888,061,695.23</u></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	<u>291,153,979.48</u>	<u>272,870,008.77</u>	<u>101,093,325.68</u>	<u>95,188,905.89</u>
Total	<u><u>1,552,415,561.15</u></u>	<u><u>1,161,583,783.81</u></u>	<u><u>1,209,665,836.23</u></u>	<u><u>884,676,032.61</u></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 was 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>

—, : 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:

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

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

### 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	<u>2,871,897,710.97</u>	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	<u>3,451,110,249.46</u>	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 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 margin

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 Review Period.

Net profit

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 Review 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.

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 May 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 were denominated in RMB, the Group's operating results were not exposed to any 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 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**

### **Business development**

In the expressway intelligent transportation business domain, while the Group continuously consolidated the improvement of the existing business, it continued to promote refined management in all phases RMB1958, medecme, msine tuninn of experiizaerdss ties

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

In the customs logistics business domain, the Group focused on the promotion of the after-sale service

Part 1: Overall Structure” and “Internet-of-things Information Sharing and Exchange Part 2: Universal Technical Requirements” and an official announcement was made to invite 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

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 industry 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 industry 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.

The audit committee comprises three independent non-executive Directors, namely Mr. Shum Shing Kei (the Chairman of the audit committee), Mr. Hu Hanhui 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 2016 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 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 May 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 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 26 April 2017 to 26 May 2017 (both days 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 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 5 June 2017.