If you are in any doubt

If you have sold or transferred （南京三　科技股份有限公司）

南京三寶科技股份有限公司

DEFINITIONS

E S

[illegible]

- [illegible] (尹 [illegible])
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible] (南京三 科技股份有限公司) [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
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[illegible]

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[illegible]

▲[illegible]

▲[illegible]

▲[illegible]

（南京市投　促　委員　）

▲[illegible]

[illegible]

[illegible]

SAMPLE

南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

(Stock Code: 1708)

Directors:

D

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D

Registered address and principal place of business in the PRC:

II. PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES BY NANJING SAMPLE TECHNOLOGY GROUP COMPANY LIMITED*

1. Domestic Shares Subscription Agreement

Date:

Parties

C D A

Shareholders and potential investors should be aware that the proposed Domestic Shares Subscription is subject to the satisfaction of the conditions precedent set out in this circular, and accordingly, the proposed Domestic Shares Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

2. Ranking of new Domestic Shares to be issued

3. Shareholding structure of the Company

[illegible]

Parties acting or presumed to be acting in concert	Share class	Number of Shares in issue as at the Latest Practicable Date	Percentage of the total number of issued Shares	Total number of Shares held immediately after the Domestic Shares Subscription	Percentage of shareholding immediately after the Domestic Shares Subscription[7]
[illegible] [1]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible] [1]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible] [1 & 2]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible] [3]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible]		[illegible]	[illegible] %	[illegible]	[illegible] %
Other Domestic Shareholders					
[illegible] [4]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible] [5]	[illegible]	[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible]		[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible] [6]		[illegible]	[illegible] %	[illegible]	[illegible] %
[illegible]		[illegible]	[illegible] %	[illegible]	[illegible] %

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

4. Reasons for the Domestic Shares Subscription

[illegible]

Debt financing [illegible]

Rights issue of Domestic Shares and H Shares

Placement of new H Shares in Hong Kong

5. Recent fund raising activities and use of proceeds

[illegible]

6. Proposed amendments to the Articles

[illegible]

(1) [illegible] C [illegible] *20,400,000* [illegible] *(* [illegible] *19,500,000* [illegible] *900,000* [illegible] *),* [illegible] *31.63%* [illegible] C [illegible] *.*

[illegible] C [illegible] *: 64,500,000* [illegible] *44,100,000* [illegible] *68.37%* [illegible] C [illegible] *, 20,400,000* [illegible] *31.63%* [illegible] C [illegible] *.*

(2) [illegible] C [illegible] *, 12,000,000* [illegible] *(* [illegible] *)* C [illegible] *.* [illegible] C [illegible] *B* [illegible] C [illegible] *.*

(3) [illegible] C [illegible] *, 12,000,000* [illegible] *&* [illegible] C [illegible] *.* [illegible] C [illegible] *A* [illegible] *.*

(4) [illegible] C [illegible] *, 4,515,000* [illegible] C [illegible] *B* [illegible] C [illegible] *.* [illegible] *A* [illegible] *.*

(5) [illegible] C [illegible] *, C* [illegible] *96,750,000* [illegible] *(15* [illegible] *10* [illegible] *)* [illegible] *32,250,000* [illegible] *(5* [illegible] *10* [illegible] *),* [illegible] C [illegible] *193,500,000* [illegible] *,* [illegible] *132,300,000* [illegible] *(68.37%* [illegible] C [illegible] *)* [illegible] *:*

54,000,000 [illegible] C [illegible] *.,* [illegible] *27.91%* [illegible] C [illegible] *.*

22,455,000 [illegible] C [illegible] *B* [illegible] C [illegible] *.,* [illegible] *11.60%* [illegible] C [illegible] *.*

49,545,000 [illegible] A [illegible], [illegible] 25.60% [illegible] C [illegible].

4,950,000 [illegible] C C C [illegible]., [illegible] 2.56% [illegible] C [illegible].

1,350,000 [illegible], [illegible] 0.70% [illegible] C [illegible].

61,200,000 [illegible] 31.63% [illegible] C [illegible].

(6) 4 [illegible] C [illegible] 3 A [illegible] 2009, [illegible] C [illegible] 30,600,000 [illegible] C [illegible] 224,100,000 [illegible], [illegible] 132,300,000 [illegible] (59.04% [illegible] C [illegible]) [illegible] :

54,000,000 [illegible] C [illegible]., [illegible] 24.10% [illegible] C [illegible].

22,455,000 [illegible] C [illegible] B [illegible] C [illegible]., [illegible] 10.02% [illegible] C [illegible].

49,545,000 [illegible] A [illegible], [illegible] 36.8( ) *([illegible] *(.1)73.)1% *(-517.62)-357.62 -517

4,950,000 [illegible] C C C [illegible]., [illegible] 2.56%21553.6( )-553.6( )-553.6(

1,391,8000 [illegible],

49,545,000 *A* ,

7. Information on the parties

[illegible]

[illegible]

[illegible]

8. Listing Rules implications

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

9. Takeovers code implications and application for Whitewash Waiver

[illegible]

LETTER FROM THE BOARD

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

EGM AND CLASS MEETINGS

[illegible]

RECOMMENDATION

[illegible]

FURTHER INFORMATION

[illegible]

Nanjing Sample Technology Company Limited*
Sha Min
C[illegible] B

[illegible]

[illegible]

[illegible]

Mr. Ma Jun **Mr. Shum Shing Kei** **Mr. Xu Su Ming** **Mr. Geng Nai Fan**

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[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

BASIS OF OUR OPINION AND RECOMMENDATION

[illegible]

PRINCIPAL FACTORS AND REASONS CONSIDERED

[illegible]

(1) Background of the Domestic Shares Subscription

B [illegible] e [illegible] e [illegible] e G [illegible]

[illegible] **Annual Report 2013**– [illegible] **Interim Report 2014**– [illegible]

	Year ended 31 December 2012 *B'000* (audited)	Year ended 31 December 2013 *B'000* (audited)	Six months ended 30 June 2013 *B'000* (unaudited)	Six months ended 30 June 2014 *B'000* (unaudited)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

%

	As at 31 December 2012 *B'000* **(audited)**	As at 31 December 2013 *B'000* **(audited)**	As at 30 June 2014 *B'000* **(unaudited)**
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

F a c a e a e a a ab e e G

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Rea[illegible] e b c [illegible] D[illegible] e c S a e

[illegible]

O e

(2) Domestic Shares Subscription Agreement

N be e D e c S a e b c bed

S b c ce

D e c S a e a e ed

[illegible]

Co[illegible] a ab e a a [illegible]

[illegible] **Comparables**–[illegible]

[illegible]

Company

Company	Stock code	Principal business	Date of announcement	Subscription Price ($)	Premium/ (Discount) of the subscription price to the closing price of the shares as at the last trading day prior to the release of the announcement (the "LTD Comparables)	Premium/ (Discount) of the subscription price to the closing price of the shares for the last 5 consecutive trading days prior to the release of the announcement (the "5-Days Comparables)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] %	[illegible] %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] %	[illegible] %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] %	[illegible] %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] %	[illegible] %

Company	Stock code	Principal business	Date of announcement	Subscription Price ($)	Premium/ (Discount) of the subscription price to the closing price of the shares as at the last trading day prior to the release of the announcement (the "LTD Comparables)	Premium/ (Discount) of the subscription price to the closing price of the shares for the last 5 consecutive trading days prior to the release of the announcement (the "5-Days Comparables)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%

Company	Stock code	Principal business	Date of announcement	Subscription Price ($)	Premium/ (Discount) of the subscription price to the closing price of the shares as at the last trading day prior to the release of the announcement (the "LTD Comparables)	Premium/ (Discount) of the subscription price to the closing price of the shares for the last 5 consecutive trading days prior to the release of the announcement (the "5-Days Comparables)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
Maximum					[illegible]%	[illegible]%
Minimum					[illegible]%	[illegible]%
Average					[illegible]%	[illegible]%
The Company				**5.67**	**-5.81%**	**-6.19%**

[illegible]

[illegible]

O e e D e c S a e S b c

[illegible]

(3) Dilution effect on the shareholding interests of the existing public Shareholders

C a e e a e o d c e o e C o a a a e o e D o e c S a e S b c o

[illegible]

Parties acting in concert	Share class	(i) As at the Latest Practicable Date		(ii) Immediately after the completion of the Domestic Shares Subscription	
			Approx. %		Approx. %
			%		%
			%		%
			%		%
			%		%

(4) Financial effects of the Domestic Shares Subscription

E ec e e a e a e a d deb a

E ec c a a

(5) Proposed amendments to the Articles

(6) The Whitewash Waiver

[illegible]

[illegible]

RECOMMENDATION

Messis Capital Limited
Robert Siu
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I. SUMMARY OF THE FINANCIAL INFORMATION

[illegible]

[illegible]

Consolidated Income Statement

(A [illegible])

ITEMS	Six months ended 30 June 2014	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
	( )	(A)	(A)	(A)
VI. Other comprehensive income	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VII. Total comprehensive income	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VIII. Earnings per share:				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IX. Dividend	[illegible]	[illegible]	[illegible]	[illegible]
X. Dividend per share	[illegible]	[illegible]	[illegible]	[illegible]

Consolidated Balance Sheet

(A [illegible])

ASSETS	As at 30 June 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
	([illegible])	(A[illegible])	(A[illegible])	(A[illegible])
Current assets:				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total current assets	[illegible]	[illegible]	[illegible]	[illegible]
Non-current assets:				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total non-current assets	[illegible]	[illegible]	[illegible]	[illegible]
TOTAL ASSETS	[illegible]	[illegible]	[illegible]	[illegible]
LIABILITIES & SHAREHOLDERS' EQUITY				
Current liabilities:				
S[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total current liabilities	[illegible]	[illegible]	[illegible]	[illegible]

	As at 30 June 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
	[illegible]	[illegible]	[illegible]	[illegible]
Non-current liabilities:				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total non-current liabilities	[illegible]	[illegible]	[illegible]	[illegible]
Total liabilities	[illegible]	[illegible]	[illegible]	[illegible]
Shareholders' equity:				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total shareholders' equity	[illegible]	[illegible]	[illegible]	[illegible]
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	[illegible]	[illegible]	[illegible]	[illegible]
Net current assets	[illegible]	[illegible]	[illegible]	[illegible]
Total asset less current assets	[illegible]	[illegible]	[illegible]	[illegible]

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2013:

Consolidated Balance Sheet
At 31 December 2013
(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	*Note V*	**2013**	**2012**
Current assets:			
Cash at bank and on hand	*(I)*	579,052,891.83	449,609,726.85
Notes receivable	*(II)*	3,300,000.00	160,000.00
Accounts receivable	*(III)*	343,612,285.44	278,576,202.98
Prepayments	*(V)*	96,418,562.53	48,417,202.13
Other receivables	*(IV)*	92,493,603.10	147,128,312.82
Inventories	*(VI)*	283,576,874.55	267,316,724.10
Total current assets		1,398,454,217.45	1,191,208,168.88
Non-current assets:			
Long-term equity investments	*(VII)*	101,386,244.94	101,386,244.94
Fixed assets	*(VIII)*	197,473,466.90	172,765,938.02
Construction in progress	*(IX)*	166,580,798.69	105,149,762.35
Construction materials	*(X)*	1,906,895.00	3,978,173.60
Intangible assets	*(XI)*	21,828,164.51	24,364,756.07
Long-term deferred expenses	*(XII)*	2,886,273.36	755,341.29
Deferred income tax assets	*(XIII)*	11,348,029.95	6,592,988.15
Total non-current assets		503,409,873.35	414,993,204.42
TOTAL ASSETS		1,901,864,090.80	1,606,201,373.30
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	*(XV)*	285,000,000.00	138,000,000.00
Notes payable	*(XVI)*	6,115,952.00	29,246,066.85
Accounts payable	*(XVII)*	316,606,125.09	269,751,512.77
Advances from customers	*(XVIII)*	25,481,574.39	25,300,107.19
Staff remuneration payables	*(XIX)*	392,855.74	221,508.60
Taxes payable	*(XX)*	35,754,695.27	52,212,021.92
Other payables	*(XXI)*	25,303,089.24	28,046,279.25
Non-current liabilities due within 1 year	*(XXII)*	50,000,000.00	–
Total current liabilities		744,654,291.73	542,777,496.58

	Note V	**2013**	**2012**
Non-current liabilities:			
Long-term borrowings	*(XXIII)*	76,250,000.00	80,000,000.00
Deferred income tax liabilities	*(XIII)*		

Balance Sheet of the Company
At 31 December 2013
(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	*Note XIII*	2013	2012
Current assets:			
Cash at bank and on hand		55,204,087.55	98,224,649.04
Notes receivable		3,300,000.00	160,000.00
Accounts receivable	*(I)*	75,046,647.45	79,441,459.36
Prepayments		4,201,686.65	6,489,125.55
Other receivables	*(II)*	76,285,519.18	135,865,532.27
Inventories		12,206,761.45	5,203,767.52
Total current assets		226,244,702.28	325,384,533.74
Non-current assets:			
Long-term equity investments	*(III)*	419,463,932.94	337,463,932.94
Fixed assets		40,074,630.90	44,349,731.63
Construction in progress		166,271,592.51	98,701,702.73
Intangible assets		15,326,731.48	15,712,132.24
Deferred income tax assets		2,399,462.52	3,533,564.81
Total non-current assets		643,536,350.35	499,761,064.35
TOTAL ASSETS		869,781,052.63	825,145,598.09
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		120,000,000.00	60,000,000.00
Notes payable		–	10,364,179.25
Accounts payable		39,173,723.12	38,148,903.58
Advances from customers		8,661,423.63	1,075,684.00
Staff remuneration payables		115,517.73	109,191.50
Taxes payable		2,957,650.84	16,112,899.77
Other payables		2,543,515.70	735,876.91
Non-current liabilities due within 1 year		40,000,000.00	–
Total current liabilities		213,451,831.02	126,546,735.01

	Note XIII	**2013**	**2012**
Non-current liabilities:			
Long-term borrowings		40,000,000.00	80,000,000.00
Other non-current liabilities		11,910,000.00	11,910,000.00
Total non-current liabilities		51,910,000.00	91,910,000.00
Total liabilities		265,361,831.02	218,456,735.01
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital reserve		98,283,776.53	98,283,776.53
Surplus reserve		46,153,350.13	41,898,314.28
Undistributed profits		235,882,094.95	242,406,772.27
Total shareholders' equity		604,419,221.61	606,688,863.08
TOTAL LIABILITIES AND			

ITEMS	*Note V*	**2013**	**2012**
VI. Other comprehensive income	*(XLIV)*	(132,748.50)	(959.95)
Items to be re-categorized into profit and loss when satisfied the stipulated conditions in the subsequent accounting period		(132,748.50)	(959.95)
Converted difference in foreign currency statements		(132,748.50)	(959.95)
Items not re-categorized into profit and loss in the subsequent accounting Period		–	–
VII. Total comprehensive income		129,994,730.03	169,217,603.60
Total comprehensive income attributable to the shareholders of the Company		126,273,007.82	167,926,670.76
Total comprehensive income attributable to minority shareholders		3,721,722.21	1,290,932.84
VIII. Earnings per share:			
(1) Basic earnings per share	*(XLIII)*	0.564	0.749
(2) Diluted earnings per share	*(XLIII)*	0.564	0.749
IX. Dividend	*(XLII)*	44,820,000.00	22,410,000.00

Income Statement of the Company
For the year ended 31 December 2013
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	*Note XIII*	2013	2012
I. Operating income	*(IV)*		

Consolidated Cash Flow Statement
For the year ended 31 December 2013
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2013	2012
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		826,914,131.31	812,326,078.60
Refund of taxes and surcharges		9,546,287.67	10,842,839.22
Cash received relating to other operating activities	*(XLV).1*	196,312,804.91	194,432,378.86
Sub-total of cash inflows from operating activities		1,032,773,223.89	1,017,601,296.68
Cash paid for goods and services		661,015,700.91	501,429,917.72
Cash paid to and on behalf of employees		41,544,671.79	41,312,338.98
Payments of taxes changes		70,288,459.26	88,152,255.78
Cash paid relating to other operating activities	*(XLV).2*	207,973,906.15	209,093,581.52
Sub-total of cash outflows from operating activities		980,822,738.11	839,988,094.00
Net cash flows from operating activities		51,950,485.78	177,613,202.68
II. Cash flows from investing activities			
Cash received from disposal of investments		64,600,000.00	64,600,000.00
Cash received from returns on investments		–	680,733.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		58,177.78	1,359,602.93
Net cash received from disposal of subsidiaries and other operating entities		–	–
Cash received relating to other investing activities	*(XLV).3*	–	6,133,000.00
Sub-total of cash inflows from investing activities		64,658,177.78	72,773,336.26
Cash paid to acquire fixed assets, intangible assets and other long-term assets		120,401,501.97	172,117,737.87
Cash paid to acquire investments		–	25,400,000.00
Net increase of pledged loans		–	–
Net cash paid to acquire subsidiaries and other operating entities		–	–
Cash paid relating to other investing activities		–	–
Sub-total of cash outflows from investing activities		120,401,501.97	197,517,737.87
Net cash flows from investing activities		(55,743,324.19)	(124,744,401.61)

ITEMS	*Note V*	2013	2012
III. Cash flows from financing activities			
Cash received from capital contributions		8,000,000.00	28,000,000.00
Including: Cash received from minority shareholders investment by subsidiary		8,000,000.00	28,000,000.00
Cash received from borrowings		390,000,000.00	288,000,000.00
Sub-total of cash inflows from financing activities		398,000,000.00	316,000,000.00
Cash repayments of borrowings		196,750,000.00	356,300,000.00
Cash payments for interest expenses and distribution of dividends or profits		58,233,168.19	38,399,839.81
Sub-total of cash outflows from financing activities		254,983,168.19	394,699,839.81
Net cash flows from financing activities		143,016,831.81	(78,699,839.81)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(134,756.84)	5,327.27
V. Net increase in cash and cash equivalents		139,089,236.56	(25,825,711.47)
Add: Cash and cash equivalents at beginning of period		389,224,229.07	415,049,940.54
VI. Cash and cash equivalent at end of period		528,313,465.63	389,224,229.07

Cash Flow Statement of the Company
For the year ended 31 December 2013
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	*Note XIII*	2013	2012
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		242,873,335.62	323,336,129.16
Refund of taxes and surcharges		8,670,064.76	9,917,003.02
Cash received relating to other operating activities		16,345,281.70	39,478,657.12
Sub-total of cash inflows from operating activities		267,888,682.08	372,731,789.30
Cash paid for goods and services		164,470,271.30	131,170,761.16
Cash paid to and on behalf of employees		17,540,133.62	18,384,362.95
Payments of taxes and surcharges		32,189,563.26	37,293,480.52
Cash paid relating to other operating activities		17,121,940.66	47,213,757.05
Sub-total of cash outflows from operating activities		231,321,908.84	234,062,361.68
Net cash flows from operating activities		36,566,773.24	138,669,427.62
II. Cash flows from investing activities			
Cash received from disposal of investments		64,600,000.00	64,600,000.00
Cash received from returns on investments		–	680,733.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,500.00	1,309,802.93
Sub-total of cash inflows from investing activities		64,608,500.00	66,590,536.26
Cash paid to acquire fixed assets, intangible assets and other long-term assets		67,977,239.52	99,357,978.46
Cash paid to acquire investments		82,000,000.00	65,400,000.00
Sub-total of cash outflows from investing activities		149,977,239.52	164,757,978.46
Net cash flows from investing activities		(85,368,739.52)	(98,167,442.20)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

	2013									
	Attributable to the shareholders of the Company									
ITEMS	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Others	Minority interest	Total shareholders' equity
I. Closing balance of prior year	224,100,000.00	99,627,613.95	–	–	41,898,314.28	–	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
II. Opening balance of current year	224,100,000.00	99,627,613.95	–	–	41,898,314.28	–	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
III. Changes during the period	–	–	–	–	4,255,035.85	–	77,330,720.47	(132,748.50)	11,721,722.21	93,174,730.03
(I) Net profits	–	–	–	–	–	–	126,405,756.32	–	3,721,722.21	130,127,478.53
(II) Other comprehensive income	–	–	–	–	–	–	–	(132,748.50)	–	(132,748.50)
Subtotal (1) and (2)	–	–	–	–	–	–	126,405,756.32	(132,748.50)	3,721,722.21	129,994,730.03
(III) Shareholders contribution and capital reduction	–	–	–	–	–	–	–	–	8,000,000.00	8,000,000.00
1. Capital contribution by shareholders	–	–	–	–	–	–	–	–	8,000,000.00	8,000,000.00
(IV) Profit appropriation	–	–	–	–	4,255,035.85	–	(49,075,035.85)	–	–	(44,820,000.00)
1. Appropriation to surplus reserves	–	–	–	–	4,255,035.85	–	(4,255,035.85)	–	–	–
2. Appropriation to shareholders	–	–	–	–	–	–	(44,820,000.00)	–	–	(44,820,000.00)
(V) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–	–	–
(VI) Special reserve	–	–	–	–	–	–	–	–	–	–
(VII) Others	–	–	–	–	–	–	–	–	–	–
IV. Closing balance of current period	224,100,000.00	99,627,613.95	–	–	46,153,350.13	–	642,216,593.48	(3,776,850.71)	48,739,578.13	1,057,060,284.98

Statement of Changes in Equity of the Company

For the year ended 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

	2013							
ITEMS	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Total shareholders' equity
I. Closing balance of prior year	224,100,000.00	98,283,776.53	–	–	41,898,314.28	–	242,406,772.27	606,688,863.08
II. Opening balance of current year	224,100,000.00	98,283,776.53	–	–	41,898,314.28	–	242,406,772.27	606,688,863.08
III. Changes during the period	–	–	–	–	4,255,035.85	–	(6,524,677.32)	(2,269,641.47)
(I) Net profits	–	–	–	–	–	–	42,550,358.53	42,550,358.53
(II) Other comprehensive income	–	–	–	–	–	–	–	–
Subtotal (1) and (2)	–	–	–	–	–	–	42,550,358.53	42,550,358.53
(III) Shareholders contribution and capital reduction	–	–	–	–	–	–	–	–
(IV) Profit appropriation	–	–	–	–	4,255,035.85	–	(49,075,035.85)	(44,820,000.00)
1. Appropriation to surplus reserves	–	–	–	–	4,255,035.85	–	(4,255,035.85)	–
2. Appropriation to shareholders	–	–	–	–	–	–	(44,820,000.00)	(44,820,000.00)
3. Others	–	–	–	–	–	–	–	–
(V) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–
(VI) Special reserve	–	–	–	–	–	–	–	–
(VII) Others	–	–	–	–	–	–	–	–
						–		
IV. Closing balance of current period	224,100,000.00	98,283,776.53	–	–	46,153,350.13	–	235,882,094.95	604,419,221.61

Statement of Changes in Equity of the Company

For the year ended 31 December 2012

(All amounts in Renminbi yuan unless otherwise stated)

	2012							
ITEMS	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Total shareholders' equity
I. Closing balance of prior year	224,100,000.00	101,655,183.03	–	–	34,049,480.44	–	194,177,267.22	553,981,931.19
II. Opening balance of current year	224,100,000.00	101,655,183.03	–	–	34,049,480.44	–	194,177,267.22	553,981,931.19
III. Changes during the period	–	(3,371,406.50)	–	–	7,848,833.84	–	48,229,504.55	52,706,931.89
(I) Net profits	–	–	–	–	–	–	78,488,338.39	78,488,338.39
(II) Other comprehensive income	–	–	–	–	–	–	–	–
Subtotal (1) and (2)	–	–	–	–	–	–	78,488,338.39	78,488,338.39
(III) Shareholders contribution and capital reduction	–	–	–	–	–	–	–	–
(IV) Profit appropriation	–	–	–	–	7,848,833.84	–	(30,258,833.84)	(22,410,000.00)
1. Appropriation to surplus reserves	–	–	–	–	7,848,833.84	–	(7,848,833.84)	–
2. Appropriation to shareholders	–	–	–	–	–	–	(22,410,000.00)	(22,410,000.00)
3. Others	–	–	–	–	–	–	–	–
(V) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–
(VI) Special reserve	–	–	–	–	–	–	–	–
(VII) Others	–	(3,371,406.50)	–	–	–	–	–	(3,371,406.50)
IV. Closing balance of current period	224,100,000.00	98,283,776.53	–	–	41,898,314.28	–	242,406,772.27	606,688,863.08

Notes to the Financial Statements

For the year ended 31 December 2013

I. CORPORATE INFORMATION

(I) General information

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 business registration number of the Company is 320100400023227 and the legal representative of the Company is Sha Min.

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.

(II) The nature of the industry

The Group is engaged in the information technology application (IT application) service industry.

(III) Scope of business

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.

(IV) Principal business

The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and health safely and other application areas.

(V) Basic organizational structure of the Company

The Company has established Shareholders' General Meeting, the Board of Directors and the Supervisory Committee. The Company has: Investment Department, Finance Department, Software Development Department, Hardware Development Department, Planning and Design Department, Engineering Technology Research Institute, Technology Management Department, Quality Management Department, Administration and Human Resources Department, Procurement Department, Legal Affairs Department, Traffic Monitoring and Control Department, Customs Logistics Monitoring Department, Office of the President and other functional departments.

(V) Accounting treatments for business combinations involving entities under and not under common control

1. Business combinations involving entities under common control

The assets and liabilities acquired by the Group in business combination shall be measured at the carrying value of the acquiree on the date of combination. If there is an inconsistency between the accounting policies adopted by the acquirees and those of the Company, the adjustment will be made by the Group according to the Group's accounting policies at the date of the combination, and the adjusted carrying value will be recognised on this basis.

The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital premium in capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The direct expenses incurred in business combination, including the audit fee, appraisal fee and legal service fee paid by the Group in connection with business combination shall be charged to the profit or loss when incurred.

The administrative charges and commission incurred upon issuance of equity securities in business combination shall be offset against the premium income from equity securities. If such amount cannot be offset by premium income, it shall be adjusted in retained earnings.

2. Business combinations involving entities not under common control

The assets paid and liabilities incurred or committed as a consideration of business combination by the Group were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period.

The Group shall allocate the cost of combination on the date of acquisition and recognize the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the acquiree.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Group shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the period after review.

Profit or loss attributable to minority shareholders of a subsidiary is presented separately in the consolidated balance sheet within shareholders' equity and in the consolidated income statement below the net profit line item. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

For acquisition of subsidiaries due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since prior periods.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement. In a business combination involving entities not under common control achieved in stages, the Company remeasures its previously held equity interest in the acquiree on the acquisition date in light of the fair value of such equity interest on the date of acquisition. The difference between the fair value and the carsgwrlween thenicrecognise

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(VII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Group are recognised as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognised as cash equivalents.

(VIII) Foreign currency transactions

1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss for the current period, except for those differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency for acquisitions, construction or production of the qualified assets, which should be capitalised as cost of the assets. Foreign currency non-monetary items measured in historic cost shall still be translated using the spot exchange rate when the transaction occurred, and do not change the original amount. Foreign currency non-momentary items measured in fair value shall be translated using the spot exchange rate at the date when the fair value was determined. Exchange differences arising from the differences of exchange rate are included in profit or loss or capital reserve for the current period.

2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; shareholders' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date. The translation difference of foreign currency financial statements after the above translation, is stated as a separate item under the "shareholders' equity" item in balance sheet.

For disposal of overseas operation, the translation difference as stated in the items under shareholders' equity in balance sheet and in the foreign currency financial statements relating to overseas operation, is accounted for in the profit and loss account in the current period; for partial disposal of overseas operation, the translation difference for the foreign currency financial statements relating to the disposed overseas operation is proportionally calculated, and is accounted for in the profit and loss account in the current period.

(IX) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of the financial instruments

According to the purposes of acquisition and holding of financial assets and of the financial liabilities committed, the management classifies the financial instruments as: financial assets or financial liabilities carried at fair value through profit or loss for the current period, including financial assets or liabilities for trading (financial assets or financial liabilities directly designated as carried at fair value through profit or loss for the current period); held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

2. Recognition and measurement of financial instruments

(1) Financial assets or financial liabilities carried at fair value through profit or loss for the current period

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn), its transaction costs are included in the profit or loss for the period.

The interest or cash dividend which was gained in the period are recognized as investment income. At the balance sheet date, the variation in the fair value of the financial asset or financial liability shall be included in the profit or loss for the period.

(3) Accounts receivable

The receivables that are formed in sale of goods or rendering of services to external parties, and the receivables, except for the debt instruments quoted in an active market, due to the Group from other entities, including accounts receivable, other receivables, notes receivable, prepayments, etc., are initially recognised at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognised at their present value.

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount is charged to profit or loss for the period.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value when obtained (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

The interests or cash dividends to be obtained during the period the available-for-sale financial assets are held shall be recorded into investment income. By the end of the reporting period, financial assets are measured at fair value, and the change in fair value shall be recorded into capital reserves (other capital reserves).

When disposed of, the difference between the consideration obtained and the carrying amount of the financial assets shall be recorded into investment income; meanwhile, the corresponding portion of accumulated change in fair value previously recorded into shareholders' equity shall be transferred to profit or loss.

(5) Other financial liabilities

Other financial liabilities are initially measured at fair value plus relevant transaction costs, and subsequently measured at amortised cost.

3. Recognition and measurement of transfer of financial assets

A financial asset shall be derecognised while the Group has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be derecognised if the Group has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making a judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition. The transfer of financial assets could be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

(1) The carrying amount of the financial asset transferred;

(2) The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the shareholders' equities (in cases where the transferred financial asset is available-for-sale financial asset).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognised part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

(1) The carrying amount of the derecognised portion;

(2) The sum of consideration of the derecognised portion and the corresponding portion of accumulated change in fair value previously recorded into shareholders' equity (in cases where the transferred financial assets are available-for-sale financial assets).

Financial assets will still be recognised if they fail to satisfy the conditions for termination of recognition, with the consideration received recognised as a financial liability.

4. Conditions for derecognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability is derecognized; an agreement is entered between the Group and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognized in full or in part, and the financial liabilities whose terms have been amended shall be recognised as a new financial liability.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Where the Group repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognised part and derecognised part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

5. Method of determining the fair values of financial assets and liabilities

All the financial assets and liabilities measured at fair value of the Group refer to the quotation in an active market at the end of the period.

6. Impairment provision of financial assets (excluding accounts receivable)

The Group shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

(1) Impairment provision for available-for-sale financial asset:

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively at the end of the period, they will be recognised as impaired, the cumulative loss arising from decline in fair value that had been recognised directly in the shareholders' equity shall be removed from the shareholders' equity and recognised as impairment or loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss for the current period.

Impairment losses recognised for an investment in an available-for-sale equity instrument shall not be reversed through profit or loss.

(2) Impairment provision for held-to-maturity investments:

The measurement of the impairment loss for held-to-maturity investments shall be treated with reference to that for the accounts receivable.

(X) Accounts receivable

1 Accounts receivable that are individually significant and subject to separate provision

Individually significant accounts receivable: the amount of accounts receivable are individually more than RMB10 million (including RMB10 million) and other receivables are individually more than RMB5 million (including RMB5 million).

Individually significant accounts receivable are subject to separate impairment test, and if there are objective evidence that they are impaired, the impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount. Accounts receivable which are not impaired according to the separate impairment test, shall be categorised into the corresponding groups for provision of bad debts.

2 *Accounts receivable that are subject to provision by groups*

Basis for determination of groups is as follow:

Group 1	Accounts receivable due from governments
Group 2	Accounts receivable due from non-governments
Group 3	Accounts receivable within the scope of combination
Group 4	Retention monies receivable
Group 5	Other receivables

Methods for provision of bad debts by groups

Group 1	Discounting method
Group 2	Aging analysis method
Group 3	No provisions are made
Group 4	No provisions are made
Group 5	Aging analysis method

Where aging analysis method is used for provision of bad debts for groups:

Aging	**Provision ratios for accounts receivable (%)**	**Provision ratios for other receivables (%)**
Within 1 year (including 1 year)	3	5
1 to 2 years	8	10
2 to 3 years	30	50
Over 3 years	100	100

Accounting method is used for provision of bad debts for groups which are accounts receivable due from governments. The customer groups of governments refer to the customs, public security and traffic departments of the PRC government. For these customer groups , according to historical information, the average terms of credit is 3 to 5 years, and thus their liabilities are discounted at the interest rate of the PRC government bond in the same period to calculate the recoverable amount. Comparison will be made between the discounted value and the carrying amount. Provision will be made for bad debts if there is any impairment.

(XI) Inventories

1. Classification of inventories

Inventories include goods in transit, raw materials, circulating materials, commodity stocks and goods in processing contract and assets formed by construction contracts, etc.

2. Cost of inventories

Cost of inventories is determined using the weighted average method.

3. Basis for the determination of net realisable value and the method of provisions for impairment of inventories

At the end of the period, after a thorough inspection of the inventories, provision for decline in value of inventories will be made and adjusted at the lower of the cost and the net realizable value.

Net realisable value of held-for-sale commodity stocks, such as goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of inventories that has been made. The reversed amount will be included in the current profits and losses.

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realisable value of inventories is determined based on the market price as of the balance sheet date.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

Low-value consumables and packaging materials are amortised using the immediate write-off method.

(XII) Long-term equity investments

1. Determination of cost of investment

(1) Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Group pays cash, transfers non-cash assets, bear debts or issue equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the acquiree on the date of combinations. Capital premium within the capital reserve is adjusted by differences between initial investment cost of long-term equity

(2) Long-term equity investments acquired by other means

The initial cost of investment of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial cost of investment of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

The initial cost of investment of a long-term equity investment contributed by the investors shall be the value stipulated in the investment contract or agreement (except for cash dividends or profits which are declared but not distributed) except for cases where the value stipulated in the contract or agreement is not fair.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the non-monetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial cost of investment of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes and expenses payable.

The initial cost of investment of a long-term equity investment obtained by the Company through debt restructurings shall be ascertained based on their fair value.

2. *Subsequent measurement and recognition of profit or loss*

(1) Subsequent measurement

Long-term equity investment in subsidiaries of the Company is accounted for by cost method, subject to adjustment pursuant to equity method during preparation of the consolidated financial statement.

Cost method is used to account for a long-term equity investment where the investor does not have joint control or significant influence over the investee, and the investment is not quoted in an active market and its fair value cannot be reliably measured.

Long-term equity investments with joint control or significant influence on the investee are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

Treatment of the changes in shareholders' equity other than the share of the investee's net profit and loss: As for the changes in shareholders' equity other than the share of the investee's net profit and loss, the Company shall calculate its proportion, provided that the Company's proportion of shareholding in the investee remains unchanged, adjust the book value of the long-term equity investment and increase or decrease the capital reserve (other capital reserve).

(2) Recognition of profit or loss

4. Impairment test method and impairment provision

Where a long-term equity investment is of below significant influence and is not quoted in an active market and its fair value cannot be reliably measured, its impairment loss shall be determined based on the difference between the carrying amount of the equity investment and the present value of the estimated future cash flows

The useful life and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	30	5	3.17
Machinery and equipment	10	5	9.50
Transportation equipment	5	5	19.00
Electronic and office equipment	3-10	5	9.5-31.67

3. Impairment testing methods and provision for impairment methods on fixed assets

The Group will judge if there is any indication of impairment as at the end of each period in respect of fixed assets.

If there is any indicator that a fixed asset may be impaired, recoverable amount shall be estimated. The recoverable amount of a fixed asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the fixed asset.

On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

5. Explanation on other matters

Fixed assets of the Group are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, whereas the value stipulated in the contract or agreement is not fair, the fair value shall be the cost. Where the payment for a fixed asset is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of fixed assets shall be recognized on the basis of the present value of the purchase price. Fixed assets will be derecognized on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the Company shall recognise the amount of the Ipoisposal oessposal or whenf*0 Tw(the mini

The recoverable amount of a construction in progress is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the construction in progress.

If the recoverable amount of a construction in progress is less than its carrying amount, the carrying value of the construction in progress will be reduced to its recoverable amount. The written-down amount will be included in profit and loss for the period and the corresponding impairment loss on the construction in progress will be provided for.

Once an impairment loss is made for a construction in progress, it shall not be reversed in subsequent accounting periods.

(XV) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refers to the borrowing interests, amortisation of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Group that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalisation are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

(1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalisation) have been incurred;

(2) borrowing costs have been incurred;

(3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of such part of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognised as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.

4. Calculation of capitalisation of borrowing costs

The interest costs of specifically borrowed loans (net of the interest income earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and their ancillary costs are capitalized before the qualifying asset under acquisition and construction or production is ready for the intended use or sale.

The to-be-capitalised amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement (based on the average for each month end) of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined based on the effective interest method and an adjustment shall be made to the amount of interests in each period.

(XVI) Intangible assets

1. Valuation method of intangible assets

(1) Intangible assets are initially measured at cost upon acquisition;

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

3. Judgement basis for the intangible assets with indefinite useful lives

As of the balance sheet date, there weren't intangible assets with indefinite useful lives.

4. Impairment provision for intangible assets

For the intangible assets with finite useful life, if there is an obvious sign of impairment, an impairment test will be conducted at the period-end.

For the intangible assets with infinite useful life, an impairment test will be conducted at each period-end.

An impairment test is conducted for the intangible assets to estimate its recoverable amount. Where there is any indicator that an intangible asset may be impaired, the recoverable amount of an intangible asset will be assessed by the Group on an individual basis. If assessment of the recoverable amount for individual assets is difficult, the recoverable amount of an asset group will be determined based on the asset group to which the intangible asset belongs.

The recoverable amount of an intangible asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the intangible asset.

If the recoverable amount of an intangible asset is less than its carrying amount, the carrying value of the fixed asset will be reduced to its recoverable amount. The written-down amount will be included in profit and loss for the period and the corresponding impairment loss on intangible asset will be provided for.

After the impairment loss for the intangible asset is recognised, the corresponding adjustment will be made to the depreciation or amortization costs of the impaired intangible asset in subsequent periods, so as to amortise systematically the adjusted carrying amount (net of estimated net residual value) of the intangible asset over its remaining useful lives.

Once the impairment loss is recognised for an intangible asset, it will not be reversed in the subsequent periods.

5. Specific criteria for the division of research phase and development phase for internal research and development projects of the Company

The expenses for internal research and development projects of the Group are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

6. Specific criteria for development phase qualified for capitalization

The expenses in the development phase for internal research and development projects are recognized as intangible assets if the following conditions are fulfilled:

(1) it is technically feasible to complete such intangible asset so that it will be available for use or for sale;

(2) there is intention to complete the intangible asset for use or sale;

(3) the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;

(4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

(5) the expenses attributable to the development stage of the intangible asset can be measured reliably.

Expenses incurred during the development stage which do not meet the above conditions, are accounted for in profit or loss for the current period when it is incurred. Expenses incurred during the research phase are accounted for in the profit or loss for the current period when it is incurred.

(XVII) Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. Long-term prepaid expenses are amortized evenly over the estimated benefit period.

Type	Amortization method	Amortization period	Note
Renovation fee	Straight-line method	5 years	Benefit period
e-Card fee	Straight-line method	5 years	Benefit period

(XVIII) Estimated liabilities

When the Group is involved in litigations, guarantees provided to debts, loss-making contracts or restructuring which are likely to require to deliver assets or to provide labour in the future and whose amounts can be measured reliably, estimated liabilities will be recognised.

1. Recognition criteria for estimated liabilities

The Group shall recognise the obligations related to contingencies as estimated liabilities, when all of the following conditions are satisfied:

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

2. Method of measuring the estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized

2. Recognition of revenue from use by others of assets and principles of measurement

Revenue from use by others of assets shall be recognised when it is probable that the economic benefit associated with the transaction can flow into the Company, and the amount of revenue can be measured reliably:

(1) The amount of interest income will be calculated and determined by the time when others use the enterprise's monetary capital and the effective interest rate.

(2) Income from the use of the assets is calculated and determined with reference to the agreed chargeable hours and calculation method stipulated in the relevant contracts or agreements.

3. Recognition of revenue from rendering of services and principles of measurement

Revenue from rendering of services of the Company mainly consists of technological development revenue and maintenance revenue, of which:

(1) Technological development revenue is recognized as realized after completion of technological developing projects undertaken and inspection of the client;

(2) Maintenance revenue is recognized as realized at the total revenue as stipulated in relevant contracts amortised over period of rendering of services thereunder.

4. Recognition of revenue from general system integration and principles of measurement

General system integration projects of the Company are integration projects for customs logistics. Revenue of such projects is recognized on a one-off basis, which is to be recognized as realized at receiving the payment or receipt after rendering the services and inspection of the party receiving the services.

5. Recognition of revenue from construction contract using percentage of completion method and principles of measurement

(1) Specific criteria for judging recognition of revenue of the Company from construction contract are determined based on governing construction contracts.

Revenue from intelligent transportation construction development projects of the Company in progress are recognized using percentage of completion method. Specific principles are as follows:

① When outcome of contracts of intelligent transportation construction development projects can be reliably measured, revenue and expenses related to such contracts are recognized on the balance sheet date using percentage of completion method. The percentage of completion is determined as the proportion of work under such contracts performed to total work estimated in such contracts.

② When outcome of contracts of intelligent transportation construction development projects cannot be reliably measured, it shall be treated as following respectively:

— If cost of the contracts is recoverable, sales revenue of the projects are recognized based on the actual recoverable contractual cost, which is recognized as current contractual expenses;

— If cost of the contracts is unrecoverable, it is recognized as current contractual cost at occurrence and is not recognized as sales revenue of the projects.

(2) Business characteristics relevant to revenue from construction contract using percentage of completion method and general principles of measurement

Intelligent transportation business of the Company is carried out by direct sales through tender, in which the Company directly provides customers with complete system integrating services, specifically: to design industrial solutions by itself, develop or direct procurement of software systems by itself, purchase in the market or produce by itself general equipment, engage factories certified to manufacture hardware equipment of correspondent systems to manufacture special hardware equipment and finally combine these three elements into a complete information system through overall coordination, management, installation and adjustment. Duration of intelligent transportation projects of the Company, being the period from commencement of work to the completion, is generally 12 months, where the shortest can be 6 months and the longest more than 24 months. As these projects involves higher contractual amount and spread over more than one balance sheet date and accounting period, their revenue is recognized according to their construction contracts.

(XX) Government grant

1. Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, and are classified into government grant related to asset and government grant related to income.

2. Methods of accounting treatment

Government grants relating to the purchase of fixed assets, intangible assets and other long-term assets should be presented as deferred income and recognized as non-operating income evenly over the useful life of the assets constructed or procured;

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Group in subsequent periods, the grant shall be recognized as deferred income, and recognized in non-operating income over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred by the Group, the grant shall be recognized immediately in profit or loss for the current period.

(XXI) **Deferred tax assets and liabilities**

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Save as the exceptions, deferred tax liabilities shall be recognised for the taxable temporary difference.

The exceptions for not recognition of deferred tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

(XXII) **Related party**

A party under control or common control or significant influence exercised by or with control or common control or significant influence on the Company, or in concert with the Company under control or common control or significant influence exercised by another party is deemed as a related party. A related party can be a natural person or a corporate entity. An enterprise merely under common control of the State but without any other related party connections does not constitute a related party of the Company.

The related parties for the Company including but not limited to:

(1) the parent company of the Company;

(2) the subsidiaries of the Company;

(3) Other enterprises of a common parent;

(4) The investor with common control over the Company;

(5) The investor with significant influence over the Company;

(6) The jointly controlled entities of the Company, including their subsidiaries;

(7) The associates of the Company, including their subsidiaries;

(8) major individual investors of the Company and their close family members;

(9) Key management personnel of the Company or its parent company and their close family members;

(10) Other enterprises under the control, common control or significant influence of the Company's major individual investors, key management personnel or their close family members.

(XXIII) Change in major accounting policies and accounting estimates

1. Change in accounting policies

In these financial statements, the Group has early adopted "Accounting Standards for Business Enterprises No. 9 – Employee Benefits" (Revised) (《企業會計準則第9號 — 職工薪酬》(修訂)), "Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements" (Revised) (《企業會計準則第30號 — 財務報表列報》(修訂)), "Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement" (《企業會計準則第39號 — 公允價值計量》), "Accounting Standards for Business Enterprises No. 40 – Joint Arrangements" (《企業會計準則第40號 — 合營安排》) and "Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements" (Revised) (《企業會計準則第33號 — 合併財務報表》(修訂)) which were issued by Ministry of Finance in January and February 2014.

(1) "Accounting Standards for Business Enterprises No. 9 – Employee Benefits" (Revised)

Pursuant to "Accounting Standards for Business Enterprises No. 9 – Employee Benefits" (Revised), the enterprise shall divide the retirement benefit plan into defined contribution scheme and defined benefit scheme. Defined contribution scheme refers to the retirement benefit plan in which the Group would no longer undertake further payment responsibility after the payment of fixed charges to an independent fund; while the defined benefit scheme refers to the retirement benefit plan other than the defined contribution scheme. During the accounting period when the staff provides service, the enterprise shall calculate the amount payable according to the defined contribution scheme and confirmed the liabilities, and the liabilities would be calculated into current profits and loss or assets. In respect of the defined benefit scheme, the Group calculated the responsibilities generated from the defined contribution scheme using the projected unit credit method and appropriate actuarial assumptions, and attributed the generated welfare responsibilities to the service period of the staff pursuant to the formula determined on basis of the defined benefit scheme, and calculated it into the current profit and loss, while the changes generated from the re-calculation of the net liabilities or net assets of the defined contribution scheme would be included in the other comprehensive income. In addition, the standards also regulate the enterprise provided employees short-term remuneration and other long-term employee benefits.

(2) "Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements" (Revised)

"Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements" (Revised) further standardizes the presentation of its financial statements. In addition, the standard requires the presentation of other comprehensive income in the income statement should be divided into two categories: (1) items that are not to be re-categorized into profit and loss; (2) items to be re-categorized into profit and loss when stipulated conditions are satisfied in the subsequent accounting period.

2. Change in major accounting estimates

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

(XXIV) Correction to previous errors

There was no correction to previous errors during the reporting period.

III. TAXATION

(I) Main types of taxes and corresponding rates

Tax Name	Tax basis	Standard tax rate
Value-added Tax ("VAT")	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	17%, 6%
Business tax	Based on taxable revenue	3%
City maintenance and construction tax	Based on business tax paid and VAT payable	7%
Enterprise income tax	Based on taxable profits	25%
Education surcharge	Based on business tax paid and VAT payable	3%
Local education surcharge	Based on business tax paid and VAT payable	2%

Enterprise income tax

Name of the company	Tax rate	Notes
The Company	15%	High and new technology enterprise
Jiangsu Intellitrans Company Limited	15%	High and new technology enterprise
Jiangsu Raifu Intelligent Tech. Co., Ltd.	15%	High and new technology enterprise
Sample Technology (H.K.) Co., Limited	16.5%	Overseas company
Federal International Enterprise Limited	16.5%	Overseas company
Nanjing City Intelligent Transportation Co., Ltd.	exempted	Software company
Other subsidiaries	25%	

(II) Tax preferential and approval document

1. VAT

The VAT preferential policy relating to the sales revenue of software products are: (1) In accordance with the requirements of the document (財稅[2000]25號) of Ministry of Finance and State Administration of Taxation, from 24 June 2000 to the end of 2010, as for the sales of the self-developed and produced software products by the VAT general tax payers, after the VAT is levied at a statutory tax rate of 17%, the VAT refund policies will be applied for the excess of the actual VAT burden over 3%. The refunded tax will be used by the enterprise for the research and development of software products and the expansion of production, not as the taxable income for the enterprise income tax and will not levied the enterprise income tax. (2) On 28 January 2011, the State Council issued the Circular on the Certain Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry (國發[2011]4號), pursuant to which, the are:

2. Enterprise income tax

On 31 October 2011, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the enterprise income tax rate for the Company is 15% in 2013.

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 effective tax rate is 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 Enterprise review on 5 Novemebr 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.

On 17 September, 2012, Nanjing City Intelligent Transportation Co., Ltd. a subsidiary of the Company, obtained the Software Enterprise Verification Certificate issued by the Jiangsu Economic and Information Commission (江蘇省經濟和信息化委員會) and was identified as software enterprise. According to the relevant provisions of the notice on a number of preferential policies on enterprise income tax by the Ministry of Finance, State Administration of Taxation, the software enterprises can enjoy 2-Year Free and 3-Year Half of enterprise income tax incentives. According to the notice issued by the tax authorities in-charge of the company, the company is exempted from enterprise income tax in 2012 and 2013.

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.

IV. Business combinations and combined financial statements

(All amounts are stated in RMB Yuan unless otherwise stated)

(I) Subsidiaries

1. Subsidiaries acquired from establishment or investment

Name of subsidiary	Type of subsidiary	Registered and operating place	Nature of business	Registered capital ('0000)	Scope of business	Actual investment at end of period ('0000)	Equity interest held by the Company (%)	% voting rights held (%)	Consolidated or not	Minority interests ('000)
Sample Technology (H.K.) Co., Limited	Wholly-owned subsidiary	HK	Consultation and investment	USD10	Consultation for and investment in electronic products and computer networks	77.7	100	100	Yes	-
Nanjing Sample Logistic Company Limited	Wholly-owned subsidiary	PRC	Computer software	6,000	Development, manufacturing and sales of electronic products, computer and software and communications products	6,000	100	100	Yes	-
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Wholly-owned subsidiary	PRC	Internet of Things technology	100,000	Research and development as well as application of the Internet of Things technology	100,000	100	100	Yes	-
Jiangsu Sample Information Technology Co., Ltd.	Wholly-owned subsidiary	PRC	Internet of Things technology	50,000	Research and development as well as application of the Internet of Things technology	50,000	100	100	Yes	-
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Wholly-owned subsidiary	PRC	InteD(as well aso8581 1.2ATION OF oTc[4iD(manu:5f)TjT2. -0tment in e in e in e in e in e in e in e in e in wnet of Things)TjT*(technology)Tj17.3488 4.125 TD[(50,000)-7193.5(100)-7193.1(10uo0(DevelopmenO engt)							

3. Subsidiaries acquired in a business combination involving enterprises not under common control

Name of subsidiary	Type of subsidiary	Registered and operating place	Nature of business	Registered capital ('0000)	Scope of business	Actual investment at end of period ('0000)	Equity interest held by the Company (%)	% voting rights held (%)	Consolidated or not	Minority interests (yuan)
Jiangsu Intellitrans										

(IV) New member of consolidation or member be deconsolidated in the reporting period

1. New subsidiary be consolidated in the reporting period

Name	Net assets at the end of 2013	Net profit for 2013
Xuzhou Sample Intelligent Technology Development Co., Ltd.	70,000,000.00	–
Jiangsu Cross-border e-Commerce Services Co., Ltd.	20,000,000.00	–

2. No subsidiary be deconsolidated in the reporting period

(V) No business combination involving enterprises under common control happened during the period

(VI) No business combination involving enterprises not under common control happed during the reporting period

(VII) No reduction of subsidiary resulting from the disposal of interest which was loss of controlling power during the reporting period by sales

(VIII) No reverse acquisition happened during the reporting period

(IX) No combination by way of absorption happened during the reporting period

(X) The exchange rate for main items of consolidation sheet of foreign entity.

The foreign entities of the Group include Sample Technology (H.K.) Co., Limited and Federal International Enterprise Limited. The exchange rates used in the translation of items of the financial statements are as follows:

In the balance sheet, except for "long-term equity investments" and other long –term assets

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS:

(All amounts are stated in RMB Yuan unless otherwise stated)

(I) Cash at bank and on hand

	2013			2012		
Items	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
Cash on hand						
RMB			127,605.39			307,543.34
Bank deposits						
RMB			494,268,472.92			269,779,091.83
Hong Kong Dollars ("HKD")	43,140,914.93	0.7862	33,917,387.32	43,338,708.31	0.8108	35,137,593.90
Sub-total			528,185,860.24			304,916,685.73
Others						
RMB			50,739,426.20			144,385,497.78
Total			579,052,891.83			449,609,726.85

Of which, details of restricted cash are listed as below:

Items	2013	2012
Deposits for bank accepted bills of exchange	3,058,956.00	14,343,605.04

(II) Notes receivable

1. Classification of notes receivable

Type	2013	2012
Bank accepted bills of exchange	3,300,000.00	160,000.00

2. Particulars of the top five of bills endorsed by the Company but not yet due by the end of the year

Drawer	Issuing date	Maturity date	Amount	Notes
Nanjing Xingang East District Construction and Development Co., Ltd.	2013-11-15	2014-5-15	1,000,000.00	Bank accepted bills of exchange
Nanjing Xingang East District Construction and Development Co., Ltd.	2013-11-15	2014-5-15	1,000,000.00	Bank accepted bills of exchange
Nanjing Xingang East District Construction and Development Co., Ltd.	2013-11-15	2014-5-15	500,000.00	Bank accepted bills of exchange
Nanjing Xingang Development Corporation	2013-11-25	2014-5-25	500,000.00	Bank accepted bills of exchange
Nanjing Xingang East District Construction and Development Co., Ltd.	2013-11-15	2014-5-15	200,000.00	Bank accepted bills of exchange
Total			3,200,000.00	

(III) Accounts receivable

1. The aging analysis of accounts receivable

	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
Aging	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)

In the groups, provision for bad debts for accounts receivable due from governments are made using discounting method:

	2013		2012	
Category	**Closing balance**	**Provision for bad debts**	**Closing balance**	**Provision for bad debts**
Due from governments	33,483,226.96	754,024.68	29,541,171.16	297,701.89

In the groups, provision for bad debts for accounts receivable due from non-governments are made using aging analysis:

	2013			2012		
	Closing balance			Closing balance		
Aging	**Amount**	**Percentage (%)**	**Provision for bad debts**	**Amount**	**Percentage (%)**	**Provision for bad debts**
Within 1 year	205,586,617.16	59.35	6,266,150.33	165,267,096.26	61.04	4,958,012.88
1 to 2 years	78,643,006.63	22.70	6,028,635.66	93,184,327.03	34.42	7,454,746.16
2 to 3 years	55,640,350.53	16.06	16,692,105.17	4,705,813.51	1.74	1,411,744.05
Over 3 years	6,505,239.84	1.89	6,505,239.84	7,576,197.71	2.80	7,576,197.71
Total	346,375,214.16	100.00	35,492,131.00	270,733,434.51	100.00	21,400,700.80

3. *There were no actual write-off of accounts receivable in the reporting period*

4. *There were no amount due from shareholders who holds 5% or more voting right of the Company included in balance of accounts receivable at the end of the year.*

5. Particulars of the top five of accounts receivable at the end of the year

Name of unit	Relationship with the Company	Closing balance	Age	Percentage of the total accounts receivable (%)
Headquarter fos K4strucatioe of ZhejiaingZhuyoingExpressway e				

(IV) Other receivables

1. The aging analysis of other receivables

	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
Types	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (including one year)	46,497,321.30	50.06	85,937.91	0.18	117,660,234.79	78.14	3,449,433.05	2.93
1 to 2 years	28,884,522.43	31.10	271,268.01	0.94	14,250,361,35	9.46	9,504.37	0.07
2 to 3 years	9,689,295.62	10.43	39,942.33	0.41	1,990,000.00	1.32	–	–
Over 3 years	7,819,612.00	8.41	–	–	16,686,654.10	11.08	–	–
Total	92,890,751.35	100.00	397,148.25	0.43	150,587,250.24	100.00	3,458,937.42	2.30

2. Disclosure of other receivables by categories:

	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
Types	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision	–	–	–	–	–	–	–	–
Subject to provision by groups	–	–	–	–	–	–	–	–
Including: Retention monies	88,141,701.79	94.89	–	–	81,455,884.86	54.09	–	–
Others	4,749,049.56	5.11	397,148.25	8.36	69,131,365.38	45.91	3,458,937.42	5.00
Sub-total for the group	92,890,751.35	100.00	397,148.25	0.43	150,587,250.24	100.00	3,458,937.42	2.30
Individually insignificant but subject to separate provision	–	–	–	–	–	–	–	–
Total	92,890,751.35	–	397,148.25		150,587,250.24	–	3,458,937.42	

(V) Prepayments

1. Prepayments by aging

	2013		2012	
	Closing balance		Closing balance	
Aging	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Within 1 year	86,512,302.26	89.73	48,130,940.48	99.40

(VI) Inventories

1. Classification of Inventories

Items	2013 Ending balance	2013 Provision for declines in value of inventories	2013 Carrying amount	2012 Ending balance	2012 Provision for declines in value of inventories	2012 Carrying amount
Raw materials	743,130.37	–	743,130.37	708,665.90	–	708,665.90
Commodity Stocks	4,176,231.00	770,191.57	3,406,039.43	6,640,299.55	994,569.00	5,645,730.55
Work in progress	11,001,981.36	–	11,001,981.36	1,705,878.75	–	1,705,878.75
Assets of construction contract	268,425,723.39	–	268,425,723.39	259,256,448.90	–	259,256,448.90
Total	284,347,066.12	770,191.57	283,576,874.55	268,311,293.10	994,569.00	267,316,724.10

2. Provisions for declines in the value of inventories

Type of inventory	2012	Current period provision	Current period reductions Reversal	Current period reductions Write-off	2013
Commodity stocks	994,569.00	44,440.98	–	268,818.41	770,191.57
Total	994,569.00	44,440.98	–	268,818.41	770,191.57

3. Assets of construction contract

Items	2013	2012
Accumulated costs incurred	411,931,964.23	516,166,423.41
Add: Accumulated recognised gross profit	170,502,596.62	198,459,583.92
Less: Accumulated progress billings	314,008,837.46	455,369,558.43
The balance on the construction	268,425,723.39	259,256,448.90

4. Major construction projects at the end of the year

Items	Year of Commencement	Contracted value of the project	Accumulated progress of completion	Accumulated costs incurred	Accumulated recognised gross profit	Accumulated progress billings	Inventory at the year-end
Electromechanical Engineering for Handan to Daming (Ji Lu border) Expressway (Handan City Bureau of Transportation Highway Project Office) 邯鄲至大名(冀魯界)高速公路機電工程(邯鄲市交通局公路項目辦公室)	2013	75,296,286.00	65.00	26,112,932.26	22,941,331.40	–	49,054,263.66
Low power electronic, intelligent engineering (Shenyang NandaSoft Software Development Co., Ltd.) 弱電、智慧化工程(瀋陽蘇富特軟件發展有限公司)	2013	60,000,000.00	65.00	32,008,180.35	9,862,025.60	–	41,870,205.95
Electromechanical Engineering for Fujian Xiacheng Expressway Zhangzhou section and Chang Tai Mei Gong to Chen Xian Highway Traffic (Zhangzhou Xiacheng Expressway Co., Ltd.) 福建省廈成高速公路漳州段及長泰美宮至陳巷高速公路交通機電工程(漳州廈成高速公路有限責任公司)	2013	57,607,252.00	95.00	33,191,531.16	21,518,214.40	29,655,198.00	25,054,547.56
Electrical and Mechanical Engineering for G3015 highway construction project from Karamay to Tacheng (Xinjiang Transportation Construction Authority) G3015克拉瑪依至塔城高速公路建設項目機電工程(新疆維吾爾自治區交通建設管理局)	2013						

Items	Year of Commencement	Contracted value of the project

(VII) Long-term equity investments

1.

(VIII) Fixed assets

1. Particulars of fixed assets

Items		1 January 2013	Increase in the year		Decrease in the year	31 December 2013
(1)	**Total of original value:**	222,658,293.34		44,081,871.44	388,256.84	266,351,907.94
	Including: Buildings	57,314,042.13		–	–	57,314,042.13
	Machinery and equipment	128,560,334.74		33,119,755.96	–	161,680,090.70
	Transportation equipment	4,927,343.45		882,631.68	373,180.00	5,436,795.13
	Electronic and office equipment	31,856,573.02		10,079,483.80	15,076.84	41,920,979.98
			New increase in the year	Provision in the year		
(2)	**Total of accumulated depreciation:**	49,892,355.32	–	19,264,733.30	278,647.58	68,878,441.04
	Including: Buildings	20,605,469.96	–	1,877,102.64	–	22,482,572.60
	Machinery and equipment	5,053,330.83	–	13,235,396.59	–	18,288,727.42
	Transportation equipment	3,392,322.95	–	497,489.21	268,487.99	3,621,324.17
	Electronic and office equipment	20,841,231.58	–	3,654,744.86	10,159.59	24,485,816.85
(3)	**Total net book value of fixed assets:**	172,765,938.02		–	–	197,473,466.90
	Including: Buildings	36,708,572.17		–	–	34,831,469.53
	Machinery and equipment	123,507,003.91		–	–	143,391,363.28
	Transportation equipment	1,535,020.50		–	–	1,815,470.96
	Electronic and office equipment	11,015,341.44		–	–	17,435,163.13
(4)	**Total of impairment provision:**	–		–	–	–
	Including: Buildings	–		–	–	–
	Machinery and equipment	–		–	–	–
	Transportation equipment	–		–	–	–
	Electronic and office equipment	–		–	–	–
(5)	**Total of carrying amount of fixed assets:**	172,765,938.02		–	–	197,473,466.90
	Including: Buildings	36,708,572.17		–	–	34,831,469.53
	Machinery and equipment	123,507,003.91		–	–	143,391,363.28
	Transportation equipment	1,535,020.50		–	–	1,815,470.96
	Electronic and office equipment	11,015,341.44		–	–	17,435,163.13

(IX) Construction in progress

1. *Projects under construction*

	2013			2012		
Items	**Ending balance**	**Provision for impairment**	**Carrying amount**	Ending balance	Provision for impairment	Carrying amount
Complex building	164,760,891.61	–	164,760,891.61	98,701,702.73	–	98,701,702.73
Base station construction projects	–	–	–	6,413,059.62	–	6,413,059.62
Sporadic projects	1,819,907.08	–	1,819,907.08	35,000.00	–	35,000.00
Total	166,580,798.69	–	166,580,798.69	105,149,762.35	–	105,149,762.35

2. *Changes of major projects under construction*

Name of projects	1 January 2013	Addition in the year	Transfer to fixed assets	Other decrease	Aggregate amount of capitalization of interests	Including: amount of capitalization of interests in the period	Progress of projects	Source of fund	31 December 2013

(XI) Intangible assets

1. Particulars of intangible assets

Items		1 January 2013	Increase in the year	Decrease in the year	31 December 2013
(1) Total of original value		36,969,440.45	350,000.00	–	37,319,440.45
Including:	Land use rights	17,390,032.80	–	–	17,390,032.80
	Software	3,009,387.17	350,000.00	–	3,359,387.17
	Know-how	16,570,020.48	–	–	16,570,020.48
(2) Total of accumulated amortization		12,604,684.38	2,886,591.56	–	15,491,275.94
Including:	Land use rights	1,677,900.56	385,400.76	–	2,063,301.32
Software		195,520.25	554,938.10	–	750,458.35
Know-how		10,731,263.57	1,946,252.70	–	12,677,516.27
(3) Total of net carrying amount		24,364,756.07	–	–	21,828,164.51
Including:	Land use rights	15,712,132.24	–	–	15,326,731.48
Software		2,813,866.92	–	–	2,608,928.82
Know-how		5,838,756.91	–	–	3,892,504.21
(4) Total of impairment provision		–	–	–	–
Including:	Land use rights	–	–	–	–
Software		–	–	–	–
Know-how		–	–	–	–
(5) Total of book value		24,364,756.07	–	–	21,828,164.51
Including:	Land use rights	15,712,132.24	–	–	15,326,731.48
Software		2,813,866.92	–	–	2,608,928.82
Know-how		5,838,756.91	–	–	3,892,504.21

The amortisation of intangible assets amounted to RMB2,886,591.56 for the year.

2. There were no pledge of intangible assets at the end of the year.

3. The land use right is mid-term lease (leased land in PRC).

(XII) Long-term deferred expenses

Items	1 January 2013	Increase in the year	Amortized in the year	Other decrease	31 December 2013
Renovation costs	755,341.29	–	167,853.60	–	587,487.69
e-card fee	–	2,384,854.68	86,069.01	–	2,298,785.67
Total	755,341.29	2,384,854.68	253,922.61	–	2,886,273.36

(XIII) Deferred income tax

1. *Recognised deferred income tax assets and deferred income tax liabilities*

Items	2013	2012
Deferred income tax assets		
Provision for impairment on assets	5,611,519.78	4,031,716.72
Accruals	5,736,510.17	2,561,271.43
Total	11,348,029.95	6,592,988.15
Deferred income tax liabilities:		
Asset gains from business combinations involving entities not under common control	973,618.23	1,280,559.27
Total	973,618.23	1,280,559.27

2. *Breakdown of deductible difference and taxable difference*

Items	2013	2012
Breakdown of deductible difference		
Provision for impairment on assets	37,413,495.50	26,151,909.11
Accruals	38,243,401.12	17,075,142.86

(XV) Short-term borrowings

1. Classification of short-term borrowings

Items	**2013**	2012
Guaranteed loan	275,000,000.00	138,000,000.00
Fiduciary loan	10,000,000.00	–

(XVII) **Accounts payable**

1. Balances of accounts payable

Items	**2013**	2012

(XIX) **Staff remuneration payables**

Items	1 January 2013	Increase in the year	Decrease in the year	31 December 2013
(1) Wages or salaries, bonuses,				

4. *Significant other payables aged over 1 year at the end of the year:*

Name of unit	Closing balance	Reason of not payment
Hunan Xiangzhu Transportation Technology Co., Ltd. （湖南省湘築交通科技有限公司）	4,616,206.38	Retention monies

5. *Particulars of the top five amounts of other payables at the end of the year*

Name of unit	Closing balance	Nature or content
Hunan Xiangzhu Transportation Technology Co., Ltd （湖南省湘築交通科技有限公司）	4,616,206.38	Retention monies
Fujian Xindalu Computer Co., Ltd. （福建新大陸電腦股份有限公司）	3,629,259.70	Retention monies
Yiyang Communication Co., Ltd. （億陽通信股份有限公司）	1,603,312.00	Retention monies
Zhejiang Supcon Information Technology Co., Ltd （浙江浙大中控信息技術有限公司）	1,214,943.01	Retention monies
Jiangsu Shengze International Holdings Ltd. （江蘇生澤國際集團有限公司）	957,600.00	Retention monies
Total	12,021,321.09	

(XXII) **Non-current liabilities due within 1 year**

1. *Particulars of non-current liabilities due within one year*

Items	2013	2012
Long-term borrowing due within 1 year	50,000,000.00	–

2. *Long-term borrowing due within 1 year*

(1) Long-term borrowing due within 1 year

Items	2013	2012
Guaranteed loan	50,000,000.00	–

(XXIV) **Other non-current liabilities**

Items	2013	2012
Deferred income-government subsidies for construction project of radio frequency identification (RFID) System Technology Research Center	11,910,000.00	11,910,000.00
Deferred income-financial assistance for national scientific and technological support projects	11,015,895.86	6,347,762.50
Total	22,925,895.86	18,257,762.50

(XXV) **Share capital**

Movements of share capital of the Company in 2013 are as follows:

	1 January 2013				31 December 2013	
Name of shareholders	Amount	Percentage (%)	Increase in the year	Decrease in the year	Amount	Percentage (%)
Nanjing Sample Technology Group Company Limited	60,770,000.00	27.12	–	–	60,770,000.00	27.12
Active Gold Holding Limited	49,545,000.00	22.11	–	–	49,545,000.00	22.11
Jiang Su Red Stone Technology Corporation	685,000.00	0.31	–	–	685,000.00	0.31
Nanjing Sample Technology Commerce City Company Limited	4,950,000.00	2.21	–	–	4,950,000.00	2.21
Sha Min	1,350,000.00	0.60	–	–	1,350,000.00	0.60
Jiangsu Ruihua Investment Holding Group Co., Ltd.	15,000,000.00	6.69	–	–	15,000,000.00	6.69
Overseas public shareholders (H Shares)	91,800,000.00	40.96	–	–	91,800,000.00	40.96
Total	224,100,000.00	100.00			224,100,000.00	100.00

(XXVI) **Capital reserve**

1. *Particulars of capital reserve*

Items	2013	2012
Share capital premium	96,217,430.61	96,217,430.61
Other capital reserves	3,410,183.34	3,410,183.34
Total	99,627,613.95	99,627,613.95

2. Particulars of movements for the year

Items	1 January 2013	Increase in the year	Decrease in the year	31 December 2013

(XXIX) **Operating income and operating cost**

1. Operating income and operating cost

4. *Operating income represents the Group's principal operating income, including revenue received and receivable from security system business.*

5. *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 year is only derived from security system business. In addition, the Company's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, noh7Maerahe segments areeprese*

(XXXII) **Selling and distribution expenses**

Items	2013	2012
Salary and surcharge	12,510,433.36	8,880,822.09
Entertainment expenses	4,133,757.60	3,707,748.58
Travelling expenses	2,603,033.83	2,778,561.30
Composite fees for construction	1,653,293.69	469,596.88
Bidding fees	187,128.00	390,316.97
Water and electricity charges	222,449.39	233,409.13
Motor vehicle expenses	525,640.70	699,722.74
Office expenses	271,404.62	281,074.59
Telephone charges	210,030.79	250,067.53
Advertisement and promotion expenses	43,557.65	107,799.00
Postage	114,296.78	147,617.13
Depreciation charges	386,710.79	293,094.39
Others	1,454,664.02	1,460,207.52
Total	24,316,401.22	19,700,037.85

(XXXIII) **General and administrative expenses**

Items	2013	2012
Salary and surcharge	24,160,231.07	25,629,822.38
Research and development materials fees	26,795,203.56	7,557,750.05
Depreciation charges	4,862,041.84	5,093,448.45
Technical service fees	3,945,487.73	3,636,920.88
Intangible assets amortisation	2,877,711.56	2,493,873.71
Entertainment expenses	2,441,384.36	2,281,652.24
Agency fees	2,650,318.78	2,233,854.29
Taxation charges	1,117,531.58	1,405,113.87
Travelling expenses	987,857.27	1,270,081.30
Consulting fees	124,645.40	702,727.83
Rental expenses	738,550.88	555,041.33
Water and electricity charges	649,243.91	759,082.54
Motor vehicle expenses	1,002,230.70	641,687.17
Promotion expenses	396,126.32	639,902.29
Board's fee	259,662.00	275,044.40
Others	2,780,255.55	1,496,707.56
Total	75,788,482.51	56,672,710.29

(XXXIV) **Financial expenses**

Items	2013	2012
Interest expenses	13,413,168.19	16,879,928.45
Less: interest income	5,628,309.80	6,603,457.34
Exchange gain and loss	717,844.80	92,892.59
Others	401,413.47	999,645.53
Total	8,904,116.66	11,369,009.23

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

(XXXV) **Investment income**

Items	2013	2012
Income from long-term equity investments under equity method	–	4,324,931.80
Income from disposal of long-term equity investments	–	10,225,428.74
Total	–	14,550,360.54

(XXXVI) **Asset impairment losses**

Items	2013	2012
Loss from bad debts	11,485,963.82	9,093,931.90
Loss from declines in values of inventories	44,440.98	376,784.82
Total	11,530,404.80	9,470,716.72

(XXXVII) **Non-operating income**

1. *Breakdown of non-operating income*

Items	2013	2012
Total gain on disposal of non-current assets	0.02	1,329,197.93
Including: gain on disposal of fixed assets	0.02	1,329,197.93
Government grants	8,077,136.64	12,334,637.50
VAT refund	10,813,965.55	10,843,209.22
Others	215,501.31	52,876.15
Total	19,106,603.52	24,559,920.80

2. Particulars of government grants

Items	Specific nature and content	Form	Receiving time	2013	2012
Special fund for services business	Subsidy	Monetary funds	January 2013	250,000.00	–
Subsidies for patent from the Qixia Technology Bureau	Subsidy	Monetary funds	April 2013	7,920.00	–
Payment from Nanjing Bureau of Finance (subsidy for capital market financing agency fee)	Subsidy	Monetary funds	August 2013	850,000.00	–
Pukou District Finance (municipal patent grant) income	Subsidy	Monetary funds	September 2013	2,540.00	–
Year 2013 subsidy for special funds guide for upgrading and transformation of software industry of Iiangsu provincial industrial and information industry	Subsidy	Monetary funds	November 2013	5,000,000.00	–
Software Sudidy from Qixia District Development and Reform Bureau	Subsidy	Monetary funds	January 2013	25,000.00	–
Subsidy from Qixia District Development and Reform Bureau	Subsidy	Monetary funds	January 2013	4,000.00	–
Innovation fund of Qixia District Technology Bureau	Subsidy	Monetary funds	January 2013	20,000.00	–
Patent grant funds of Qixia District Technology Bureau	Subsidy	Monetary funds	April 2013	5,070.00	–
2012 patent grant of Jiangning District of Nanjing City Finance Bureau	Subsidy	Monetary funds	March 2013	1,170.00	–
Collaboration fee from Nanjing Institute of Agricultural Science and Technology	Subsidy	Monetary funds	November 2013	130,000.00	–
2012 patent grant of Qixia District Technology Bureau	Subsidy	Monetary funds	April 2013	4,470.00	–
Grants for software entities from Nanjing Software Industry Association	Subsidy	Monetary funds	January 2013	12,500.00	–
Financial assistance for national scientific and technological support projects	Subsidy	Monetary funds	December 2013	1,184,466.64	–
Financial assistance and subsidy income of provincial technological innovation and achievements	Subsidy	Monetary funds	June 2013	550,000.00	–
Subsidy of science and technology projects from Finance Bureau of Yangzhou	Subsidy	Monetary funds	April 2013	30,000.00	–
Year 2011 special development funds for provincial industrial transformation and upgrading software industry	Subsidy	Monetary funds	April 2012	–	4,500,000.00
Fund from Nanjing Bureau of Finance (Year					

(XXXVIII) **Non-operating expenses**

Items	2013	2012
Total loss on disposal of non-current assets	51,099.78	71,272.71
Including: Loss on disposal of fixed assets	51,099.78	71,272.71
Penalty and overdue fines	58,376.02	58,075.17
Others	65,540.77	274,339.48
Total	175,016.57	403,687.36

(XXXIX)

2. Particulars of Directors and supervisors' emoluments were as follows:

		2013		
		Other emoluments		
Name	Fees	Basic salaries and allowance	Contributions to retirement benefits/ pensions schemes	Total
Executive Directors				
Mr. Sha Min	25,000.00	340,504.00	52,673.93	418,177.93
Mr. Chang Yong	25,000.00	236,396.00	52,673.93	314,069.93
Mr. Guo Ya Jun	25,000.00	200,004.00	52,673.93	277,677.93
Sub-total	75,000.00	776,904.00	158,021.79	1,009,925.79
Non-executive Director				
Mr. Ma Jun	30,000.00	–	–	30,000.00
Sub-total	30,000.00	–	–	30,000.00
Independent Non-Executive Directors				
Mr. Xu Su Ming	10,000.00	–	–	10,000.00
Mr. Li Hai Feng	10,000.00	–	–	10,000.00
Mr. Shum Shing Kei	50,000.00	–	–	50,000.00
Mr. Geng Nai Fan	–	–	–	–
Sub-total	70,000.00	–	–	70,000.00
Supervisors				
Mr. Dai Jian Jun	10,000.00	–	–	10,000.00
Mr. Li Gang	10,000.00	162,890.00	40,569.66	213,459.66
Independent supervisor				
Mr. Qiu Xiang Yang	10,000.00	–	–	10,000.00
Sub-total	30,000.00	162,890.00	40,569.66	233,459.66
Total	205,000.00	939,794.00	198,591.45	1,343,385.45

On 20 May 2013, Mr. Li Hai Feng resigned as independent non-executive director and Mr. Geng Nai Fan was appointed as independent non-executive director.

		2012		
		Other emoluments		
Name	Fees	Basic salaries and allowance	Contributions to retirement benefits/ pensions schemes	Total
Executive Directors				
Mr. Sha Min	25,000.00	340,803.00	32,563.75	398,366.75
Mr. Chang Yong	25,000.00	240,698.00	32,563.75	298,261.75
Mr. Guo Ya Jun	25,000.00	225,004.00	32,569.75	282,573.75
Sub-total	75,000.00	806,505.00	97,697.25	979,202.25
Non-executive Director				
Mr. Ma Jun	30,000.00	–	–	30,000.00
Sub-total	30,000.00	–	–	30,000.00
Independent Non-Executive Directors				
Mr. Xu Su Ming	10,000.00	–	–	10,000.00
Mr. Li Hai Feng	10,000.00	–	–	10,000.00
Mr. Shum Shing Kei	50,000.00	–	–	50,000.00
Sub-total	70,000.00	–	–	70,000.00
Supervisors				
Mr. Dai Jian Jun	10,000.00	–	–	10,000.00
Mr. Li Gang	10,000.00	139,051.80	26,189.40	175,241.20
Independent supervisor				
Mr. Qiu Xiang Yang	10,000.00	–	–	10,000.00
Sub-total	30,000.00	139,051.80	26,189.40	195,241.20
Total	205,000.00	945,556.80	123,886.65	1,274,443.45

3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, three (2012: three) were directors. The emoluments of them were disclosed in the notes above. The emoluments of the remaining two (2012: two) individuals were as follows:

Items	**2013**	**2012**
Basic salaries and allowance	450,825.00	460,997.00
Contributions to retirement benefits schemes	105,347.86	32,563.75
Total	556,172.86	493,560.75

During the year, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Their emoluments were within the following bands:

Items	**2013 number**	**2012 number**
Nil to HK$1,000,000 (nil to RMB820,000.00)	2	2

(XLI) Income tax expenses

Items	**2013**	**2012**
Current income tax calculated based on tax law and related regulations	26,558,458.90	40,288,024.44
Adjustment to deferred income tax	(5,061,982.84)	(2,666,756.10)
Total	21,496,476.06	37,621,268.34

(XLII) **Dividend**

Items	**2013**	2012
Final dividend proposed of RMB0.2 per share (2011: RMB0.1 per share)	–	44,820,000.00
Final dividend proposed of RMB0.1 per share	22,410,000.00	–

The directors recommend the payment of a final dividend of RMB0.1 per share (2012: RMB0.2 per share) for the year ended 2013 on 21 March 2014.

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	2013	2012
Final dividend in respect of the previous year, approved and paid during the year	44,820,000.00	22,410,000.00
Total	44,820,000.00	22,410,000.00

(XLIII) **Calculation process of basic earnings per share and diluted earnings per share**

1. Basic earnings per share

Basic earnings per share = P0 ÷ S

S = S0 + S1 + Si × Mi ÷ M0 – Sj × Mj ÷ M0 – Sk

(1) Basic earnings per share

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

Items	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	126,405,756.32	167,927,630.71
Weighted average number of ordinary shares outstanding of the Company	224,100,000.00	224,100,000.00
Basic earnings per share (RMB/share)	0.564	0.749

Weighted average number of ordinary shares is calculated as follows:

Items	2013	2012
Number of ordinary shares in issue at the beginning of the year	224,100,000.00	224,100,000.00
Add: Weighted average number of ordinary shares issued for the period	–	–
Less: Weighted average number of ordinary shares repurchased for the period	–	–
Weighted average number of ordinary shares outstanding at the end of the year	224,100,000.00	224,100,000.00

(2) Diluted earnings per share

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

Items	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	126,405,756.32	167,927,630.71
Weighted average number of ordinary shares outstanding of the Company (diluted)	224,100,000.00	224,100,000.00
Diluted earnings per share (RMB/share)	0.564	0.749

Weighted average number (diluted) of ordinary shares is calculated as follows:

Items	2013	2012
Weighted average number of ordinary shares outstanding at the end of year when the basic earnings per share is calculated	224,100,000.00	224,100,000.00
Effects of convertible bonds	–	–
Effects of share options	–	–
Weighted average number (diluted) of ordinary shares at the end of the year	224,100,000.00	224,100,000.00

(XLIV) **Other comprehensive income**

Item	2013	2012
Difference on translation of foreign currency financial statements	(132,748.50)	(959.95)
Total	(132,748.50)	(959.95)

(XLV) **Notes to cash flow statement**

1. *Cash received relating to other operating activities*

Items	2013	2012
Interest income on bank deposits received	5,628,309.80	6,603,457.34
Amounts of transactions with units received	34,294,907.45	15,288,108.14
Non-operating income received	6,997,096.41	12,356,645.85
Retention monies received	142,262,491.25	141,926,405.03
Government grants received	7,130,000.00	18,257,762.50
Total	196,312,804.91	194,432,378.86

2. *Cash paid relating to other operating activities*

Items	2013	2012
Administrative expenses paid	17,163,804.86	14,770,310.99
Operating expenses paid	12,020,362.48	13,238,908.70
Non-operating expenses paid	123,916.79	312,817.94
Amounts of transactions with units paid	38,582,068.59	24,255,051.29
Handling charges paid to banks	399,888.28	999,645.53
Retention monies paid	139,683,865.15	155,516,847.07
Total	207,973,906.15	209,093,581.52

3. *Cash received relating to other investing activities*

Items	2013	2012
Receipt of loan of non-financial institution	–	6,133,000.00

(XLVI) **Supplementary information of cash flow statements**

1. *Supplementary information of cash flow statements*

Items	2013	2012
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	130,127,478.53	169,218,563.55
Add: Provision for assets impairment	11,530,404.80	9,470,716.72
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	19,264,733.30	10,376,047.84
Amortisation of intangible assets	2,886,591.56	2,493,873.71
Amortisation of long-term deferred expenses	253,922.61	83,926.80
Loss on disposal of fixed assets, intangible assets and other long-term assets	51,099.76	(1,257,925.22)
Loss on scrapped fixed assets	–	–
Loss on change in fair value	–	–
Financial expenses	13,413,168.19	16,879,928.45
Investment loss	–	(14,550,360.54)
Decrease in deferred tax assets	(4,755,041.80)	(2,344,811.95)
Increase in deferred tax liabilities	(306,941.04)	(321,944.16)
Decrease in inventories	(16,035,773.02)	10,055,745.44
Decrease of operating receivables	(108,922,221.95)	(69,472,898.15)
Increase of operating payables	4,443,064.84	46,982,340.19
Others	–	–
Net cash flows from operating activities	51,950,485.78	177,613,202.68
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	–	–
Convertible company bonds due within one year	–	–
Fixed assets held under finance leases	–	–
3. Net movement in cash and cash equivalents		
Cash at the end of the period	528,313,465.63	389,224,229.07
Less: cash at the beginning of period	389,224,229.07	415,049,940.54
Add: cash equivalents at end of the period	–	–
Less: cash equivalents at beginning of the period	–	–
Net increase in cash and cash equivalents	139,089,236.56	(25,825,711.47)

2. *There were no relevant information of the disposal or acquisition of subsidiaries or other operating enterprises for the year*

3. The composition of cash and cash equivalents:

Items		2013	2012
I. Cash		528,313,465.63	389,224,229.07
Including:	Cash on hand	127,605.39	307,543.34
	Bank deposit available for paymen at any time	528,185,860.24	304,916,685.73
	Other monetary funds available for payment at any time	–	84,000,000.00
II. Cash equivalents		–	–
Including:	Bond investment due in three months	–	–
III. Cash and cash equivalents at the end of the period		528,313,465.63	389,224,229.07

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(All the following amounts in Renminbi yuan unless otherwise stated)

(I) General information of the controlling shareholder of the Company

Name	Relationship	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest in the Company (%)	Voting right in the Company (%)	Ultimate controller	Organization code
Nanjing Sample Technology Group Company Limited	Controlling shareholders	limited liability company	PRC	Guo Ming Ke	Domestic trading, external investments and guarantee using its own assets	33,000	27.12	27.12	Sha Min	1348888-5

(II) Information of subsidiaries of the Company:

Full name of subsidiaries	Type of subsidiaries	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest held (%)	Voting right (%)	Organization code
Jiangsu Intellitrans Company Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Chang Yong	Intelligent transport	100,000.00	100	100	72058184–3
Jiangsu Raifu Intelligent Tech. Co., Ltd.	Wholly-owned subsidiary	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)	PRC	Guo Ya Jun	Electronic products	31,344.70	100	100	74870842–0
Nanjing Sample Logistic Company Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Sha Min	Computer software	6,000.00	100	100	73314243–6
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Wholly-owned subsidiary	Limited company	PRC	Sha Min	Internet of things technology	100,000.00	100	100	56285853–5
Sample Technology (H.K.) Co., Limited	Wholly-owned subsidiary	Overseas enterprise	Hong Kong		Consultation and investment	USD10	100	100	
Federal International Enterprise Limited	Wholly-owned subsidiary	Overseas enterprise	Hong Kong		Electronic products	HKD10	100	100	
Nanjing City Intelligent Transportation Co., Ltd.	Controlled subsidiary	Limited company	PRC	Zhu Xiang	Information technology	100,000.00	65	65	56289005–X
Jiangsu Sample Information Technology Co., Ltd.	Wholly-owned subsidiary	Limited company	PRC	Zhu Xiang	IOT technology, development & application of products	50,000.00	100	100	58997316-2
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Wholly-owned subsidiary	Limited company	PRC	Liu Min	Intelligent transportation	70,000.00	100	100	08502083-5
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Controlled subsidiary	Limited company	PRC	Sha Min	e-Commerce	12,000.00	60	60	08596180-3

(III) Particulars of other related parties of the Company

Name	Relationship with the Company	Organization code
Nanjing Sample Digital Science and Technology Company Limited (南京三寶數碼科技有限公司)	Other subsidiary controlled by the same controlling shareholder	73887605-X

(IV) Related party transactions

1. *For the subsidiaries which are controlled by the Company and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and these subsidiaries have been eliminated.*

2. *Related party providing guarantees*

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
The Company	Jiangsu Intellitrans Company Limited	40,000,000.00	2013-8-23	2014-12-31	No
The Company	Jiangsu Intellitrans Company Limited	30,000,000.00	2013-8-9	2014-12-31	No
The Company	Jiangsu Intellitrans Company Limited	30,000,000.00	2013-8-9	2014-7-29	No
The Company	Jiangsu Intellitrans Company Limited	50,000,000.00	2013-11-18	2014-11-17	No
The Company	Jiangsu Intellitrans Company Limited	20,000,000.00	2012-12-19	2014-12-19	No
The Company	Jiangsu Intellitrans Company Limited	50,000,000.00	2013-9-6	2014-9-5	No
The Company	Jiangsu Intellitrans Company Limited	130,000,000.00	2013-11-26	2015-6-30	No
The Company	Jiangsu Intellitrans Company Limited	70,000,000.00	2013-12-9	2014-12-9	No
Sample Group	The Company	30,000,000.00	2013-12-18	2014-12-17	No
Sample Group	The Company	40,000,000.00	2013-3-6	2014-3-5	No
Sample Group	The Company	40,000,000.00	2013-8-12	2014-7-29	No
Sample Group	The Company	20,000,000.00	2013-11-19	2014-11-18	No
Sample Group	The Company	80,000,000.00	2012-7-13	2015-7-12	No
Sample Group	Nanjing City Intelligent Transportation Co., Ltd.	100,000,000.00	2013-3-8	2017-3-7	No

(1) Explanations on the guarantee provided to the related parties (subsidiary) by the Company:

(A) As at 31 December 2013, the Company provided guarantee to bank to secure a loan for a total of RMB165,000,000 in favour of its subsidiary, Jiangsu Intellitrans Company Limited.

(B) As at 31 December 2013, the Company provided guarantee to Jiangsu Intellitrans Company Limited, a subsidiary of the Company for their issuance of a guarantee for a total of RMB59,241,908.69 to the bank.

(C) The Company provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange in the Hunan Lu Branch of China CITIC Bank. The guarantee amount does not exceed 50% of the face amount of the bills. As at 31 December 2013, the amount of the bank accepted bills of exchange issued

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IX. EVENTS AFTER BALANCE SHEET DATE

As of the financial reporting date, there is no other significant post balance sheet event which needs to be disclosed but has not been disclosed.

X. 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 year is only derived from security 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.

The Group's revenue from principal business is analysed as follows which was derived from the different sectors of the security systems business.

	2013		2012	
Name of Products	**Operating income**	**Operating cost**	**Operating income**	**Operating cost**
System integration	577,906,131.29	407,172,888.03	594,895,931.67	401,935,672.34
Including: Expressway	509,768,572.80	368,495,536.74	485,488,602.52	339,938,920.74
Customs logistics	68,137,558.49	38,677,351.29	109,407,329.15	61,996,751.60
Intelligent terminal sales	138,472,466.30	93,322,367.23	79,578,171.57	39,578,044.30
Service	65,935,394.49	20,177,118.15	56,499,015.29	9,856,394.10
Total	782,313,992.08	520,672,373.41	730,973,118.53	451,370,110.74

XI. 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.

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Credit risk

The Group's credit risk primarily relates to the Group's trade and other receivables and prepayments. In order to minimise the risk, the management of the Group closely monitors overdue debts. Normally, the Group does not obtain collateral from customers. The recoverable amount of each individual debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors of the Group consider that credit risk associated with the Group's trade receivables is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 12.55% (2012: 15.88%) and 38.01% (2012: 43.64%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note.

2. Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

Company	2013 Carrying amount	Total contractual discounted cash flow	Less than 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	6,115,952.00	6,115,952.00	2,000,000.00	4,115,952.00	–
Accounts payable	316,606,125.009	316,606,125.09	231,449,869.01	63,321,225.08	21,835,031.00
Other payables	25,303,089.24	25,303,089.24	17,619,119.41	6,053,731.83	1,630,238.00
Staff remuneration payables	392,855.74	392,855.74	392,855.74	–	–
Short-term borrowings	285,000,000.00	285,000,000.00	40,000,000.00	–	245,000,000.00
Total	633,418,022.07	633,418,022.07	291,461,844.16	73,490,908.91	268,465,269.00

Company	2012 Carrying amount	Total contractual discounted cash flow	Less than 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	29,246,066.85	29,246,066.85	29,246,066.85	–	–
Accounts payable	269,751,512.77	269,751,512.77	269,751,512.77	–	–
Other payables	28,046,279.25	28,046,279.25	28,046,279.25	–	–
Staff remuneration payables	221,508.60	221,508.60	221,508.60	–	–
Short-term borrowings	138,000,000.00	138,000,000.00	50,000,000.00	–	88,000,000.00
Total	465,265,367.47	465,265,367.47	377,265,367.47	–	88,000,000.00

3. Market risk

(1) Interest rate risk

Interest-bearing financial assets are mainly bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly short-term bank loans with fixed interest rates which expose the Group to fair value interest rate risk.

(2) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group carries out a majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

(3) Price risk

The Group is not exposed to any equity securities price risk or commodity price risk.

XIII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(I) Accounts receivable

1. Disclosure of accounts receivable by categories

	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
Categories	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision	–	–	–	–	–	–	–	–
Subject to provision by groups	–	–	–	–	–	–	–	–
Including: due from governments	33,483,226.96	42.24	754,024.68	2.25	29,541,171.16	35.78	297,701.89	1.01
due from non-governments	45,776,706.38	57.76	3,459,261.21	7.56	53,014,085.91	64.22	2,816,095.82	5.31
Sub-total for the group	79,259,933.34	100.00	4,213,285.89	5.32	82,555,257.07	100.00	3,113,797.71	3.77
Individually insignificant but subject to separate provision	–	–	–	–	–	–	–	–
Total	79,259,933.34	100.00	4,213,285.89		82,555,257.07	100.00	3,113,797.71	

In the groups, provision for bad debts for accounts receivable due from governments are made using discounting method:

	2013		2012	
Category	**Closing balance**	**Provision for bad debts**	**Closing balance**	**Provision for bad debts**
Due from governments	33,483,226.96	754,024.68	29,541,171.16	297,701.89

In the groups, provision for bad debts for accounts receivable due from non-governments are made using aging analysis:

	2013			2012		
	Closing balance			Closing balance		
Aging	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	27,503,643.13	60.08	825,109.29	38,456,476.13	75.24	1,153,694.28
1 to 2 years	15,089,100.25	32.96	1,207,128.02	13,828,551.78	26.08	1,106,284.14
2 to 3 years	2,509,913.00	5.48	752,973.90	247,058.00	0.47	74,117.40
Over 3 years	674,050.00	1.48	674,050.00	482,000.00	0.91	482,000.00
Total	45,776,706.38	100.00	3,459,261.21	53,014,085.91	100.00	2,816,095.82

2. *There were no amount due from shareholders who holds 5% or more voting right of the Company included in balance of accounts receivable at the end of the year.*

3. *Particulars of the top five amounts of accounts receivable at the end of the year*

Name of unit	Relationship with the Company	Closing balance	Age	Percentage of the total accounts receivable (%)
Nanjing High-Tech Construction Development Co., Ltd. (南京高科建設發展有限公司)	non-related customer	6,469,661.89	Within 1 year	8.16
Zhejiang Electronic Port Co., Ltd. (浙江電子口岸有限公司)	non-related customer	6,361,456.00	Within 1 year	8.03
Changchun Xinglong Comprehensive Bonded Zone Investment and Construction Co., Ltd. (長春興隆綜合保稅區投資建設公司)	non-related customer	5,053,940.80	Within 1 year	6.38
Fuzhou Bonded Logistics Development Company Limited (福州保稅物流發展有限公司)	non-related customer	4,956,188.00	Within 1 year	6.25
Nanjing Bureau of Commerce (南京市商務局)	non-related customer	4,824,185.00	Within 1 year	6.09
Total		27,665,431.69		34.91

4. *There were no amount due from related parties of the Company included in balance of accounts receivables at the end of the year.*

5. *There were no accounts receivables derecognised during 2013.*

6. *There were no accounts receivable-backed securitisations during 2013.*

(II) Other receivables

1. Disclosure of other receivables by categories:

	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
Categories	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision	–	–	–	–	–	–	–	–
Subject to provision by groups	–	–	–	–	–	–	–	–
Including: Accounts receivable within the scope of combination	64,161,611.17	84.06	–	–	64,677,272.81	46.49	–	–
Retention monies	11,662,891.63	15.28	–	–	9,654,002.41	6.94	–	–
Others	503,574.09	0.66	42,557.71	8.45	64,774,680.81	46.57	3,240,423.76	5.00
Sub-total for the group	76,328,076.89	100.00	42,557.71	0.06	139,105,956.03	100.00	3,240,423.76	2.33
Individually insignificant but subject to separate provision	–	–	–	–	–	–	–	–
Total	76,328,076.89	100.00	42,557.71	–	139,105,956.03	100.00	3,240,423.76	–

In the groups, provision for bad debts for other receivables are made using aging analysis:

	2013			2012		
	Closing balance			Closing balance		
Aging	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	426,349.64	84.66	21,317.48	64,740,886.36	99.95	3,237,044.31
1 to 2 years	43,430.00	8.62	4,343.00	33,794.45	0.05	3,379.45
2 to 3 years	33,794.45	6.72	16,897.23	–	–	–
Over 3 years	–	–	–	–	–	–
Total	503,574.09	100.00	42,557.71	64,774,680.81	100.00	3,240,423.76

2. There were no amount due from shareholders who holds 5% or more voting right of the Company included in balance of other receivables at the end of the year.

3. Particulars of the top five amounts of other receivables at the end of the year

	Relationship	Percentage of

(III) Long-term equity investments

Investee	Accounting method	Investment cost	2012	Increase/ Decrease in the year	2013	Equity Interest held (%)	Voting rights held (%)
Subsidiaries:							
Jiangsu Intellitrans	Cost method	130,000,000.00	130,000,000.00	–	130,000,000.00	100.00	100.00

(IV) Operating income and operating cost

1. Operating income and operating cost

Items	2013	2012
Principal operating income	198,534,286.16	218,606,547.31
Other operating income	5,242,949.27	4,877,852.81
Total operating income	203,777,235.43	223,484,400.12
Principal operating cost	115,325,461.76	109,094,236.62
Other operating cost	2,655,071.02	1,948,991.81
Total operating cost	117,980,532.78	111,043,228.43

2. Principal operations (by product)

	2013		2012	
Name of Products	operating income	operating cost	operating income	operating cost
System integration	70,464,946.53	41,004,739.33	131,728,035.20	72,439,508.40
Including: Expressway	–	–	22,320,706.05	10,442,756.80
Customs logistics	70,464,946.53	41,004,739.33	109,407,329.15	61,996,751.60
Intelligent terminal sales	106,439,339.63	74,320,722.43	70,468,512.11	36,649,958.22
Service	21,630,000.00	–	16,410,000.00	4,770.00
Total	198,534,286.16	115,325,461.76	218,606,547.31	109,094,236.62

(V) Investment income

Items	2013	2012
Investment income from long-term equity investments under equity method	–	4,324,931.80
Investment income from disposal of long-term equity investments	–	10,225,428.74
Total	–	14,550,360.54

Note: Investment income from disposal of long-term equity investments: (1) the Company transferred its 31% equity held in Zhong Jian Zhi Kang to Shanghai Yang Yue Investment Partnership (limited partnership) the transfer price exceeding the carrying amount of the investment cost of RMB6,854,022.24 was included in investment income. (2) Capital reserve of RMB3,371,406.50 corresponding to the portion of changes of the owners' equity in Zhong Jian Zhi Kang due to the equity transfer other than net profit or loss, which was accounted for by the equity method, was included in investment income.

(VI) Supplementary information of cash flow statements

Items	2013	2012
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	42,550,358.53	78,488,338.39
Add: Provision for assets impairment	(2,053,936.89)	(1,810,426.81)
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	4,393,135.35	4,579,055.16
Amortisation of intangible assets	385,400.76	385,400.76
Amortisation of long-term deferred expenses	–	–
Loss on disposal of fixed assets, intangible assets and other long-term assets	11,996.21	(1,270,527.45)
Loss on scrapped fixed assets	–	–
Loss on change in fair value	–	–
Financial expenses	4,216,505.58	7,958,243.43
Investment loss	–	(14,550,360.54)
Decrease in deferred tax assets	1,134,102.29	(1,000,886.02)
Increase in deferred tax liabilities	–	–
Decrease in inventories	(6,778,616.50)	(1,758,568.07)
Decrease of operating receivables	5,802,731.90	55,499,923.46
Increase of operating payables	(13,094,903.99)	12,149,235.31
Others	–	–
Net cash flows from operating activities	36,566,773.24	138,669,427.62
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	–	–
Convertible company bonds due within one year	–	–
Fixed assets held under finance leases	–	–

Items	2013	2012
3. Net movement in cash and cash equivalents		
Cash at the end of the period	55,204,087.55	93,042,559.41
Less: cash at the beginning of year	93,042,559.41	72,318,728.78
Add: cash equivalents at end of the period	–	–
Less: cash equivalents at beginning of the year	–	–
Net increase in cash and cash equivalents	(37,838,471.86)	20,723,830.63

XIV. SUPPLEMENTAL INFORMATION

(I) Summary of non-recurring profit or loss

Items	2013	2012
Profits or losses on disposal of non-current assets	(51,099.78)	1,257,925.22
Government grants recognised in profits or losses (excluding those government grants that are closely relevant to the enterprise's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	8,077,136.64	12,334,637.50
Other non-operating income and expenses other than the aforementioned items	91,584.54	(279,538.50)
Other profit or loss items meeting the definition of non-recurring profit or loss	–	10,225,428.74
Impact on income tax	(937,654.49)	(3,363,067.42)
Impact on minority interests (after-tax)	(616,961.56)	(412,952.95)
Total	6,563,005.35	19,762,432.59

(II) Return on net assets and earnings per share

		Earnings per share (RMB/share)	
2013	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	13.11%	0.564	0.564
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	12.43%	0.535	0.535

2012	Weighted average return on net assets	Earnings per share (RMB/share) Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	19.63%	0.749	0.749
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	17.32%	0.661	0.661

(III) Exceptional items in financial statements of the Company and their reasons

1. Items in the balance sheet with significant changes during comparative periods and their reasons

Items	2013	2012	Percentage of change	Reasons of fluctuation
Notes receivable	3,300,000.00	160,000.00	1962.50	It was mainly due to the receipt of notes.
Prepayments	96,418,562.53	48,417,202.13	99.14	It was mainly due to the increase of the materials cost.
Other receivables	92,493,603.10	147,128,312.82	(37.13)	It was mainly due to the receipt of consideration of equity transfer.
Construction in progress	166,580,798.69	105,149,762.35	58.42	It was mainly due to the increase of projects under construction.
Construction materials	1,906,n2as mainly due to the incre was mhBssIt was5nstrly due to the receipt of			

III. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 June 2014:

Consolidated Balance Sheet
At 30 June 2014

ASSETS	*Note*	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)	
Current assets:				
Cash at bank and on hand	*8*	491,459,920.00	579,060,890.00	Notes receivable
Accounts receivable	*8*	316,516,967.85	343,612,285.44	
Prepayments	*8*	137,498,253.88	96,418,562.53	
Other receivables	*8*	119,489,797.73	92,493,603.10	
Inventories		512,418,128.77	283,576,874.55	
Total current assets		1,577,953,069.54	1,398,454,217.45	
Non-current assets:				
Available-for-sale financial assets		119,506,244.94	101,386,244.94	Fixed assets
Total non-current assets		545,592,965.66	503,409,873.35	
TOTAL ASSETS		2,123,546,035.20	1,901,864,090.80	

	Note	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital surplus		99,627,613.95	99,627,613.95
Surplus reserve		46,153,350.13	46,153,350.13
Undistributed profits		684,495,922.67	642,216,593.48
Difference on translation of foreign currency financial statements		(3,092,046.85)	(3,776,850.71)
Total equity attributable to the shareholders of the Company		1,051,284,839.90	1,008,320,706.85
Minority interest		47,930,245.38	48,739,578.13
Total shareholders' equity		1,099,215,085.28	1,057,060,284.98
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,123,546,035.20	1,901,864,090.80
Net current assets		653,026,685.61	653,799,925.72
Total assets less current liabilities		1,198,619,651.27	1,157,209,799.07

Consolidated income statement (unaudited)
For the six months ended 30 June 2014

ITEMS		Note	Six months ended 30 June 2014	2013
I.	Total operating income	*2*	387,823,724.09	357,413,551.80
II.	Total operating cost		313,874,857.59	286,814,457.86
	Operating cost		259,469,666.18	232,776,891.08
	Taxes and surcharges		3,683,990.26	6,753,145.87
	Selling expenses		11,077,888.77	10,314,284.11
	Administrative expenses		31,622,366.47	38,033,669.90
	Finance costs	*4*	9,097,112.22	3,139,721.30
	Impairment losses for assets		(1,076,166.31)	(4,203,254.40)
	Share of profit of associates and jointly controlled entities		–	–
	Other investment income		–	–
III.	Operating profit		73,948,866.50	70,599,093.94
	Add: Non-operating income		3,350,020.10	9,458,592.35
	Less: Non-operating expenses		61,276.65	149,200.91
IV.	Total profit		77,237,609.95	79,908,485.38
	Less: Income tax expenses	*5*	11,957,613.51	12,782,381.82
V.	Net profit		65,279,996.44	67,126,103.56
	Net profit attributable to the shareholders of the Company		64,689,329.19	65,531,817.06
VI.	Other comprehensive income		684,803.86	(76,248.93)
VII.	Total comprehensive income		65,964,800.30	67,049,854.63
	Total comprehensive income attributable to the shareholders of the Company		65,374,133.05	65,455,568.13
	Total comprehensive income attributable to minority shareholders		590,667.25	1,594,286.50
VIII.	Earnings per share:	*6*		
	(1) Basic earnings per share		0.289	0.292
	(2) Diluted earnings per share		0.289	0.292
IX.	Dividends	*7*	–	–

Condensed Consolidated Cash Flow Statement (unaudited)
For the six months ended 30 June 2014
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June 2014	2013
I. Cash flows from operating activities		
Net cash flows from operating activities	(35,707,518.64)	18,999,991.47
II. Cash flows from investing activities		
Net cash flows from investing activities	(59,102,885.18)	(20,390,478.27)
III. Cash flows from financing activities		
Net cash flows from financing activities	29,914,313.37	64,885,507.76
IV. Effect of foreign exchange rate changes on cash and cash equivalents	80,300.53	(77,931.38)
V. Net increase in cash and cash equivalents	(64,815,789.92)	63,417,089.58
Add: Cash and cash equivalents at beginning of period	528,313,465.63	389,224,229.07
VI. Cash and cash equivalent at end of period	463,497,675.71	452,641,318.65

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

		Six months ended 30 June 2014						
		Attributable to the shareholders of the Company						
ITEMS		Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others	Minority interest	Total shareholders' equity
I.	Closing balance of prior year	224,100,000.00	99,627,613.95	46,153,350.13	642,216,593.48	(3,776,850.71)	48,739,578.13	1,057,060,284.98
II.	Opening balance of current year	224,100,000.00	99,627,613.95	46,153,350.13	642,216,593.48	(3,776,850.71)	48,739,578.13	1,057,060,284.98
III.	Changes during the period	–	–	–	42,279,329.19	684,803.86	(809,332.75)	42,154,800.30
	(I) Net profits	–	–	–	64,689 ,329.19	–	590,667.25	65,279,996.44
	(II) Other comprehensive income	–	–	–	–	684,803.86	–	684,803.86
	(III) Shareholders contribution and capital reduction	–	–	–	–	–	–	–
	1. Capital contribution by shareholders	–	–	–	–	–	–	–
	(IV) Profit appropriation	–	–	–	(22,410,000.00)	–	(1,400,000.00)	(23,810,000.00)
	1. Appropriation to surplus reserves	–	–	–	–	–	–	–
	2. Appropriation to shareholders	–	–	–	(22,410,000.00)	–	(1,400,000.00)	(23,810,000.00)
	(V) Others	–	–	–	–	–	–	–
IV.	Closing balance of current period	224,100,000.00	99,627,613.95	46,153,350.13	684,495,922.67	(3,092,046.85)	47,930,245.38	1,099,215,085.28

		Six months ended 30 June 2013						
		Attributable to the shareholders of the Company						
ITEMS		Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others	Minority interest	Total shareholders' equity
I.	Closing balance of prior year	224,100,000.00	99,627,613.95	41,898,314.28	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
II.	Opening balance of current year	224,100,000.00	99,627,613.95	41,898,314.28	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95
III.	Changes during the period	–	–	–	20,711,817.06	(76,248.93)	1,594,286.50	22,229,854.63
	(I) Net profits	–	–	–	65,531,817.06	–	1,594,286.50	67,126,103.56
	(II) Other comprehensive income	–	–	–	–	(76,248.93)	–	(76,248.93)
	(III) Shareholders contribution and capital reduction	–	–	–	–	–	–	–
	1. Capital contribution by shareholders	–	–	–	–	–	–	–
	(IV) Profit appropriation	–	–	–	(44,820,000.00)	–	–	(44,820,000.00)
	1. Appropriation to surplus reserves	–	–	–	–	–	–	–
	2. Appropriation to shareholders	–	–	–	(44,820,000.00)	–	–	(44,820,000.00)
	(V) Others	–	–	–	–	–	–	–
IV.	Closing balance of current period	224,100,000.00	99,627,613.95	41,898,314.28	585,597,690.07	(3,720,351.14)	38,612,142.42	986,115,409.58

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICiES

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 (the "Ministry of Finance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In January and February 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises No. 39-Fair Value Measurement", "Accounting Standards for Business Enterprises No. 40-Joint Arrangements" and issued the revised "Accounting Standards for Business Enterprises No. 30-Presentation of Financial Statements", "Accounting Standards for Business Enterprises No. 9-Employee Benefits" and "Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements". The above five Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt these Accounting Standards for Business Enterprises. As a Hong Kong listed company, the Company has adopted the above five Accounting Standards for Business Enterprises in the preparation of the financial statements for the year 2013 in accordance with the regulation in the transition period.

On 13 March 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises No. 2-Long-term equity investments". The above Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt this Accounting Standards for Business Enterprises. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014.

On 27 March 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises No. 41-Disclosure of Interests in Other Entities". The above Accounting Standards for Business Enterprises will be effective from 1 July 2014 and entities listed overseas are encouraged to early adopt this Accounting Standards for Business Enterprises. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014.

The management considered that the adoption of the above-mentioned standards will not have a material impact on the Group's financial statements. These financial statements have been presented and disclosed in accordance with the above-mentioned standards.

Save the Adoption of the above-mentioned accounting standards, 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 2013. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales and service businesses.

(1) Operating income and operating cost

Item	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Principal operating income	384,266,352.73	353,393,182.32
Other operating income	3,557,371.36	4,020,369.48
Total operating income	387,823,724.09	357,413,551.80
Principal operating cost	257,279,052.93	231,651,266.63
Other operating cost	2,190,613.25	1,125,624.45
Total operating cost	259,469,666.18	232,776,891.08

(2) Principal operations (by product)

	Six months ended 30 June 2014 (Unaudited)		Six months ended 30 June 2013 (Unaudited)	
Name of Products	operating income	operating cost	operating income	operating cost
System integration	288,749,755.12	201,637,120.84	259,558,401.39	176,805,148.94
Including: Intelligent traffic	237,362,216.37	173,691,325.69	217,793,824.56	155,907,504.19
Customs logistics	51,387,538.75	27,945,795.15	41,764,576.83	20,897,644.75
Intelligent terminal sales	66,672,883.47	43,317,749.90	75,032,169.56	44,428,528.73
Service	28,843,714.14	12,324,182.19	18,802,611.37	10,417,588.96
Total	384,266,352.73	257,279,052.93	353,393,182.32	231,651,266.63

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 2014 (Unaudited)	2013 (Unaudited)
Interest expenses	10,375,111.13	5,114,492.24
Less: interest income	1,664,426.08	2,643,565.24
Exchange (gains)/losses	–	527,139.49
Others	386,427.17	141,654.81
Total	9,097,112.22	3,139,721.30

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

5. INCOME TAX EXPENSES

Item	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Current income tax calculated based on tax law and related regulations	11,796,188.56	15,784,567.10
Deferred income tax adjustment	161,424.95	(3,002,185.28)
Total	11,957,613.51	12,782,381.82

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 RMB64,689,329.19 (2013: RMB65,531,817.06) and weighted average number of issued ordinary shares of approximately 224,100,000 (2013: 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 2014 and 2013.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (Unaudited)	**At 31 December 2013** (Audited)
Accounts receivable	351,556,478.12	379,858,441.12
Less: Provision for doubtful and bad debts for accounts receivables	35,039,510.27	36,246,155.68
Notes receivable	450,000.00	3,300,000.00
Prepayments	137,498,253.88	96,418,562.53
Other receivables	120,017,425.08	92,890,751.35
Less: Provision for doubtful and bad debts for other receivables	527,627.35	397,148.25

The aging analysis of accounts receivable

	At 30 June 2014 (Unaudited)		At 31 December 2013 (Audited)	
Types	**Closing balance**	**Provision for bad debts**	**Closing balance**	**Provision for bad debts**
Within 1 year (including one year)	195,986,796.97	5,839,172.07	217,602,559.78	6,599,146.82
1 to 2 years	95,215,190.15	7,617,215.21	99,733,090.85	6,422,592.93
2 to 3 years	55,141,678.28	16,454,643.39	55,933,217.53	16,712,772.07
Over 3 years	5,212,812.72	5,128,479.60	6,589,572.96	6,511,643.86
Total	351,556,478.12	35,039,510.27	379,858,441.12	36,246,155.68

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 2014 (Unaudited)	At 31 December 2013 (Audited)
Accounts payables	375,347,349.62	316,606,125.09
Advances from customers	34,357,559.52	25,481,574.39
Other payables	42,152,452.66	25,303,089.24
Total	451,857,361.80	367,390,788.72

Age analysis of accounts payables

	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Within 1 year	325,894,513.85	249,779,374.06
1 to 2 years	14,603,767.96	30,136,648.91
Over 2 years	34,849,067.81	36,690,102.12
Total	375,347,349.62	316,606,125.09

IV. WORKING CAPITAL

[illegible]

V. NO MATERIAL CHANGE

[illegible]

VI. INDEBTEDNESS STATEMENT

Borrowings

[illegible]

Capital commitments

[illegible]

Pledged assets

[illegible]

Disclaimer

[illegible]

1. RESPONSIBILITY STATEMENT

2. MARKET PRICE

Date	Closing price per H Share $

[illegible]

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(i) Share capital

[illegible]

( ) *A* [illegible] *D*

B

Registered capital

[illegible]

Issued and fully paid or credited as fully paid

[illegible]

( ) [illegible] *D* [illegible]

B

Registered capital

[illegible]

Issued and fully paid or credited as fully paid

[illegible]

Name of Director	Number of Shares	Class of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company *(%)*
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

b) Interests of Substantial Shareholders

[illegible]

Name of Shareholders	Number of Shares	Class of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company *(%)*
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible] [illegible]	[illegible] [illegible]	[illegible] [illegible]	[illegible]% [illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%

[illegible]

（杜予）

6. SHAREHOLDINGS AND DEALINGS

[illegible]

[illegible]

7. DIRECTORS' INTEREST IN COMPETING BUSINESS, CONTRACTS AND ASSETS

a) Interests in competing business

[illegible]

b) Interests in assets

[illegible]

c) Interests in contract or arrangement

[illegible]

8. DIRECTORS' SERVICE CONTRACTS

[illegible]

9. MATERIAL CONTRACTS

（上海仰岳投 合 企 （有限合 ））

（中健之 服 有限 任公司）

10. MATERIAL LITIGATION

11 . CONSENT AND QUALIFICATION OF EXPERT

Name	Qualifications

12. DOCUMENTS AVAILBLE FOR INSPECTION

13. MISCELLANEOUS

[illegible]

[illegible]

[illegible]

SAMPLE

南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

(Stock Code: 1708)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN [illegible] **EGM** [illegible] **Company** [illegible]

[illegible]

- **THAT** [illegible]

- **THAT** [illegible]

Nanjing Sample Technology Company Limited*
Sha Min
C [illegible] *B*

[illegible]

THAT

THAT

Nanjing Sample Technology Company Limited*
Sha Min
C B

A B :

D (C), C ; D D

SAMPLE

南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

(Stock Code: 1708)

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN [illegible] **Domestic Shareholders Class Meeting** [illegible] **Company** [illegible] **H Shareholders Class Meeting** [illegible] **Circular** [illegible]

SPECIAL RESOLUTIONS

- **THAT** [illegible]

- **THAT** [illegible]

- **THAT** [illegible]

[illegible]

[illegible] **THAT** [illegible]

[illegible] **THAT**

[illegible]

[illegible]

[illegible]

[illegible]