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

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(S. G. : 1708)*

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2017 (the "Review Period") amounted to approximately RMB1,672,987,895.57, representing a growth of approximately 6.58% as compared to the corresponding period of last year.

The net profit attributable to owners of the parent company for the year ended 31 December 2017 was approximately RMB208,943,752.05, representing an increase of approximately 9.38% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2017 was approximately RMB0.659 (2016: RMB0.603).

It is proposed to distribute a final dividend for the year ended 31 December 2017 of RMB0.25 per share, proposed to distribute to all shareholders on the basis of 10 bonus shares for every 10 shares held from undistributed profits and proposed to distribute to all shareholders on the basis of 10 shares for every 10 shares held by way of capitalisation of capital reserve.

ANNUAL RESULTS

The board (the "Board") of Directors of Nanjing Sample Technology Co., Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

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

G... a... a... a...
At 31 December 2017

ASSETS	<i>Note</i>	2017	2016
C... a... :			
Cash at bank and on hand		763,119,652.92	1,227,426,333.37
Settlement reserves			—

LIABILITIES & OWNERS' EQUIT

C			
Short-term borrowings		345,300,000.00	611,644,210.96
Borrowings from central bank			—
Deposits from customers and interbank			—
Loans from banks and other financial institutions			—
Financial liabilities calculated by fair value with its change included in loss and profit of current year			—
Derivative financial liabilities			—
Notes payable		30,056,123.84	35,288,100.72
Accounts payable	4	884,708,041.68	639,256,306.14
Advances from customers	4	116,843,058.33	48,367,297.32
Financial assets sold under repurchase agreements			—
Handling charges and commissions payable			—
Payroll payables		6,416,109.99	4,529,581.34
Taxes payable		45,030,437.72	37,640,623.70
Interest payable		675,962.63	1,188,634.41
Dividends payable		6,688,575.00	—
Other payables	4	31,500,358.26	77,955,804.95
Reinsurance accounts payable			—
Reserve funds for insurance contracts			—
Receivings from vicariously traded securities			—
Receivings from vicariously sold securities			—
Liabilities held for sale			—
Non-current liabilities due within 1 year		11,250,000.00	29,110,000.00
Other current liabilities		6,147,751.60	6,601,021.14
		<u>1,484,616,419.05</u>	<u>1,491,581,580.68</u>
N			
Long-term borrowings		67,850,000.00	109,100,000.00
Bonds payables			—
Including: preferred shares			—
perpetual capital securities			—
Long-term payables			—
Long-term payroll payables			—
Special payables			—
Estimated liabilities			—
Deferred income		37,991,374.17	10,397,156.83
Deferred income tax liabilities		9,228,730.88	8,969,147.98
Other non-current liabilities			—
		<u>115,070,105.05</u>	<u>128,466,304.81</u>
T			
		<u>1,599,686,524.10</u>	<u>1,620,047,885.49</u>

	<i>Note</i>	2017	2016
Owners' equity:			
Share capital		316,823,400.00	316,823,400.00
Other equity instruments			—
Including: preferred shares			—
perpetual capital securities			—
Capital reserves		444,930,544.69	417,341,904.48
Less: treasury stocks			—
Other comprehensive income		27,277,917.91	33,105,840.34
Special reserves			—
Surplus reserves		84,326,994.53	77,443,332.15
Provision for general risk			—
Undistributed profits	5	<u>1,078,088,852.07</u>	<u>923,552,272.40</u>
Total owners' equity attributable to the parent company		1,951,447,709.20	1,768,266,749.37
Minority interest		<u>134,053,658.42</u>	<u>62,795,614.60</u>
Financial liabilities		<u>2,085,501,367.62</u>	<u>1,831,062,363.97</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>3,685,187,891.72</u>	<u>3,451,110,249.46</u>

G... a ... a ...
For the year ended 31 December 2017

ITEMS	Note	2017	2016
I. Fair value	6	1,672,987,895.57	1,569,750,558.83
Including: Operating incomes		1,672,987,895.57	1,569,750,558.83
Interest incomes			—
Earned premiums			—
Incomes from handling charge and commission			—
II. Fair value	6	1,460,468,409.69	1,388,706,754.43
Including: Operating cost		1,225,214,079.72	1,164,041,866.56
Interest expenses			—
Handling charges and commissions			—
Surrender value			—
Net payments for insurance claims			—
Net provision for insurance contracts			—
Expenditures for insurance policy dividend			—
Reinsurance costs			—
Taxes and surcharges		7,811,320.82	3,780,162.36
Selling and distribution expenses		43,989,687.42	44,743,761.05
Administrative expenses		128,449,308.95	116,889,889.29
Financial expenses	9	23,627,434.96	25,096,749.50
Asset impairment losses		31,376,577.82	34,154,325.67
Add: Gain on fair value change (with “-” for losses)		4,139,700.00	4,227,700.00
Investment incomes (with “-” for losses)		17,772,419.06	22,734,356.44
Including: Share of profit of associates and jointly controlled entities		-1,413,423.92	-2,280,696.00
Income on disposal of assets (with “-“ losses)		16,793.21	11,160.38
Currency exchange gains (with “-” for losses)			—
Other income		7,199,551.69	—
III. Other income (non-operating)		241,647,949.84	208,017,021.22
Add: Non-operating income		5,443,938.85	22,434,536.49
Less: Non-operating expenses			

ITEMS	<i>Note</i>	2017	2016
VI. Net other comprehensive income attributable to the owners of parent company, net of tax		-5,828,239.39	2,443,558.72
Net other comprehensive income attributable to the owners of parent company, net of tax		-5,828,239.39	2,443,558.72
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			-
1. Changes of net liabilities or net assets arising from the re-measurement of defined benefit plans			-
2. Share of other comprehensive income in the investees at equity method that cannot be reclassified into profit and loss			-
(II) Other comprehensive incomes that will be reclassified subsequently to profit and loss		-5,828,239.39	2,443,558.72
1. Share of other comprehensive income in the investees at equity method that can be reclassified into profit and loss			-
2. Profit and loss from changes in fair value of available-for-sale financial assets			-
3. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			-
4. Effective portion of profit or loss from cash flows hedges			-
5. Converted difference in foreign currency statements		-5,828,239.39	2,443,558.72
6. Other			-
Net other comprehensive incomes attributable to minority shareholders, net of tax		-	-
VII. Total comprehensive income attributable to the owner of parent company		198,108,618.61	196,460,956.34
Total comprehensive income attributable to the owner of parent company		203,115,512.66	193,468,954.33
Total comprehensive income attributable to minority shareholders		-5,006,894.05	2,992,002.01
VIII. Earnings per share:			
(1) Basic earnings per share	<i>11</i>	0.659	0.603

1. GENERAL

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

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

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

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred in accordance with the Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance of the People’s Republic of China and the specific accounting standards, application guidelines of Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant provision (collectively “Accounting Standards for Business Enterprises”) and “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports” issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”) and the accounting policies and estimates of Notes III (Major Accounting Policies and Accounting Estimates) as set out in the Company’s annual report 2017.

C a l c u l a t e d a n d p r e p a r e d i n a c c o r d a n c e w i t h

(I) C a l c u l a t e d a n d p r e p a r e d i n a c c o r d a n c e

Implemented “Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation”, “Accounting Standards for Business Enterprises No. 16 – Government Grant” and “Notice of Ministry of Finance Concerning the Revision of the Financial Statements Format for General Business Enterprises”.

In 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation” which has been implemented since 28 May 2017. It required to adopt the prospective approach to handle the Non-current assets held for sale, disposal Groups and discontinued operation that existed at the implementation date.

In 2017, the Ministry of Finance notice has amended “Accounting Standards for Business Enterprises No. 16-Government Grant”. The amended standard has been implemented since 12 June 2017. It requires to adopt the prospective approach to handle the government grant that existed on 1 January 2017. For new government grant from 1 January 2017 to the implementation date, it is also required to make adjustments according to the revised standards.

In 2017, the Ministry of Finance issued the “Notice of Ministry of Finance Concerning the Revision of the Financial Statements Format for General Business Enterprises”. The format of the financial statements format for general business enterprises has been revised which is applicable to the financial statements for the year of 2017 and subsequent periods.

The main impact of the implementation of the above three provisions by the Company is as follows:

D a t a a s s e s s m e n t	S a m p l e a s s e s s m e n t
<p>(1) Net profits from continuing operation” and “Net profits from discontinued operation” are separately listed in the income statement. The comparison figures are adjusted accordingly.</p>	<p>2017: Listed the amount of net profits from continuing operation of 197,216,286.60 for this year. Listed the amount of net profits from discontinued operation of 6,720,571.40 for this year.</p> <p>2016: Listed the amount of net profits from continuing operation of 183,703,446.73 for this year. Listed the amount of net profits from discontinued operation of 10,313,950.89 for this year.</p>
<p>(2) Government grant related to the Company’s normal activities are included in other income and are no longer included in non-operating income. Comparison figures are not adjusted.</p>	<p>2017: Increase on other income: 7,199,551.69.</p> <p>Decrease on non-operating income: 7,199,551.69.</p>
<p>(3) Income on disposal of assets” was added to the income statement and some of the profit and loss of asset disposal originally listed as “non-operating income” was reclassified to the “Income on disposal of assets”. The comparison figures are adjusted accordingly.</p>	<p>2017: Non-operating income decreased 16,793.21 and reclassified to income on disposal of assets.</p> <p>2016: Non-operating income decreased 11,160.38 and reclassified to income on disposal of assets.</p>

(II) C a l c u l a t i o n o f a s s e t s

There were no changes in major accounting estimates for this period.

4. TRADE AND OTHER PAYABLES

	2017	2016
Accounts payables	884,708,041.68	639,256,306.14
Advances from customers	116,843,058.33	48,367,297.32
Other payables	<u>31,500,358.26</u>	<u>77,955,804.95</u>
Total	<u><u>1,033,051,458.27</u></u>	<u><u>765,579,408.41</u></u>

As at 2017/12/31, the total amount of trade and other payables is RMB1,033,051,458.27.

	2017	2016
Within 1 year	605,337,158.32	489,583,642.10
1 to 2 years	147,055,481.98	75,835,422.21
Over 2 years	<u>132,315,401.38</u>	<u>73,837,241.83</u>
Total	<u><u>884,708,041.68</u></u>	<u><u>639,256,306.14</u></u>

5. UNDISTRIBUTED PROFITS

	2017	2016
Undistributed profit at the beginning of the year	923,552,272.40	832,932,029.03
Add: Current net profit attributable to owners of the parent company	208,943,752.05	191,025,395.61
Less: Provision of statutory surplus reserves	6,883,662.38	5,358,132.24
Less: Ordinary shares dividends payable	<u>47,523,510.00</u>	<u>95,047,020.00</u>
Closing balance of undistributed profit	<u><u>1,078,088,852.07</u></u>	<u><u>923,552,272.40</u></u>

The distribution of dividend on ordinary shares to shareholders of the Company was made according to the plan for distribution of profits after tax for 2016 approved at the annual general meeting of the Company held on 26 May 2017, namely a cash dividend of RMB0.15 per share to each shareholder, totaling RMB47,523,510.00 for 2016, as calculated based on the Company's total issued share of 316,823,400. The actual distributed cash amounted to RMB40,834,935.00.

6. TOTAL OPERATING INCOME

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

(1) Operating income

	2017	2016
Principal operating income	1,650,646,941.55	1,552,415,561.15
Other operating income	<u>22,340,954.02</u>	17,334,997.68

7. SEGMENTS INFORMATION

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

8. GROSS PROFIT

	2017	2016
Operating income	1,672,987,895.57	1,569,750,558.83
Operating cost	<u>1,225,214,079.72</u>	<u>1,164,041,866.56</u>
Gross profit	<u><u>447,773,815.85</u></u>	<u><u>405,708,692.27</u></u>

9. FINANCIAL EXPENSES

	2017	2016
Interest expenses	30,003,744.20	40,359,379.08
Less: interest income	6,114,866.26	13,171,285.97
Exchange gain and loss	-1,499,415.30	-3,423,032.36
Others	<u>1,237,972.32</u>	<u>1,331,688.75</u>
Total	<u><u>23,627,434.96</u></u>	<u><u>25,096,749.50</u></u>

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

10. INCOME TAX EXPENSES

	2017	2016
Current income tax	46,636,316.26	39,627,567.65
Deferred income tax	<u>-3,708,889.31</u>	<u>-3,711,527.35</u>
Total	<u><u>42,927,426.95</u></u>	<u><u>35,916,040.30</u></u>

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

I	2017	2016
Total profit	<u>246,864,284.95</u>	<u>229,933,437.92</u>
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	37,029,642.74	34,490,015.69
Effect of different tax rates applicable to subsidiaries	-2,278,370.01	410,242.92
Income tax adjustments on prior periods	-443,059.26	-835,253.75
Additional deduction for qualified research and development expenses	-357,158.89	-1,969,161.67
Effect of non-taxable income	-11,843.87	257,849.08
Expenses, costs and losses not deductible for tax purposes	817,137.49	1,936,501.53
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-73,366.46	-
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	<u>8,244,445.21</u>	<u>1,625,846.50</u>
Income tax expenses	<u><u>42,927,426.95</u></u>	<u><u>35,916,040.30</u></u>

11. BASIC EARNINGS PER SHARE

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

I	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	208,943,752.05	191,025,395.61
Weighted average number of ordinary shares outstanding of the Company	316,823,400.00	316,823,400.00
Basic earnings per share (yuan/share)	<u><u>0.659</u></u>	<u><u>0.603</u></u>

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2017 and 2016.

The calculation of the weighted average number of ordinary shares:

I	2017	2016
Ordinary shares issued at the beginning of the year	316,823,400.00	316,823,400.00
Add: Weighted average number of ordinary shares issued during the current period		-
Less: Weighted average number of ordinary shares repurchased during the current period		-
Weighted average number of ordinary shares issued at the end of the period	<u><u>316,823,400.00</u></u>	<u><u>316,823,400.00</u></u>

12. DIVIDENDS

	2017	2016
Final dividend proposed of RMB0.25 per share (2016: RMB0.15 per share)	<u>79,205,850.00</u>	<u>47,523,510.00</u>

The directors recommend the payment of final dividend of RMB79,205,850 at RMB0.25 per share (2016: RMB0.15 per share) for the year ended 31 December 2017 on 28 March 2018.

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.

	2017	2016
Final dividend in respect of the previous year approved during the year	47,523,510.00	95,047,020.00
Final dividend in respect of the previous year paid during the year	40,834,935.00	95,047,020.00
Final dividend in respect of the previous year unpaid during the year	<u>6,688,575.00</u>	<u>—</u>

13. NET CURRENT ASSETS

	2017	2016
Current assets	3,004,394,145.71	2,871,897,710.97
Less: current liabilities	<u>1,484,616,419.05</u>	<u>1,491,581,580.68</u>
Net current assets	<u>1,519,777,726.66</u>	<u>1,380,316,130.29</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2017	2016
Total assets	3,685,187,891.72	3,451,110,249.46
Less: current liabilities	<u>1,484,616,419.05</u>	<u>1,491,581,580.68</u>
Total assets less current liabilities	<u>2,200,571,472.67</u>	<u>1,959,528,668.78</u>

15. CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

16. POST BALANCE SHEET EVENTS

(1) Profit Distribution Plan

On 28 March 2018, the Board proposed to distribute a final dividend of RMB79,205,850.00 for the year ended 31 December 2017, i.e. RMB 0.25 per share (2016: RMB0.15 per share), proposed to distribute to all shareholders on the basis of 10 bonus shares for every 10 shares held from undistributed profits (2016: no bonus share issue) and proposed to distribute to all shareholders on the basis of 10 shares for every 10 shares held by way of capitalisation of capital reserve (2016: no capitalisation issue).

(2) Save as the above post balance sheet event, as of the reporting date, there is no other significant post balance sheet events of the Company which needs to be disclosed but has not been disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2017 was approximately RMB1,672,987,895.57, representing an increase of approximately 6.58% over last year. The increase was mainly due to the growth of income from the intelligent terminal sales business as compared to that of last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2017 was approximately 26.76%, representing an increase of approximately 0.91% over last year. The increase was mainly due to the decrease in the proportion of cross-border trade and services business with low gross margin in the total operating income.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2017 was approximately RMB43,989,687.42, representing a decrease of approximately 1.69% over last year. The decrease was mainly attributable to the efforts devoted in self-media promotion which reduced the business promotion expenses to a certain extent.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2017 was approximately RMB128,449,308.95, representing an increase of approximately 9.89% over last year. The increase was mainly attributable to the increases of investment on research and development and the remuneration for the relevant management staff during the Review Period.

Net Profit Attributable to Owners of the Parent Company

For the year ended 31 December 2017, the Group recorded a net profit attributable to the owners of the parent company of approximately RMB208,943,752.05, representing an increase of 9.38% over last year. The increase was mainly attributable to the increase in operating income and the corresponding increase in operating profit of the Group during the Review Period.

Inventories

As at 31 December 2017, the inventories amounted to approximately RMB 1,042,819,367.79, an increase of 69.65% as compared to the same period of last year. The increase was mainly attributable to the substantial increase in construction unsettled assets formed by construction contracts during the period under review.

Non-current assets due within one year

As at 31 December 2017, the non-current assets due within one year reduced from RMB120,000,000.00 in 2016 to RMB 0. The decrease was mainly due to the asset management plans invested by the Company and its subsidiary, Jiangsu Ruifu Intelligent Tech. Co., Limited, were matured.

Other current assets

As at December 31, 2017, other current assets were approximately RMB 40,268,878.13, representing a decrease of 74.89% as compared to the same period of last year. The decrease was mainly due to the decrease in export tax refund after the disposal of the equity interest of Jiangsu Cross-border E-Commerce Services Co., Ltd. by the Company during the review period.

FINANCIAL RESOURCES AND LIQUIDIT

For the year ended 31 December 2017, the shareholders' equity of the Group was approximately RMB1,951,447,709.20. Current assets were approximately RMB3,004,394,145.71, comprising cash and bank balances of approximately RMB763,119,652.92. Non-current liabilities were approximately RMB115,070,105.05. Current liabilities were approximately RMB1,484,616,419.05, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2017, net assets per share of the Group was approximately RMB6.16 (31 December 2016: RMB5.58). The short-term borrowings of the Group were RMB345,300,000.

PLEDGE OF ASSETS

As at 31 December 2017, bank deposits of RMB37,035,398.72 were pledged to the bank for projects in progress (2016: RMB46,148,367.38).

GEARING RATIO

For the year ended 31 December 2017, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2016: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

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

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

On 16 February 2017, the Company and Nanjing Sample Technology Group Company Limited entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to dispose of and Sample Group has conditionally agreed to acquire 82.61% equity interest in Jiangsu Cross-border e-Commerce Services Co., Ltd., a non-wholly owned subsidiary of the Company. The total Consideration for the Disposal pursuant to the Equity Transfer Agreement was RMB59,000,000. The disposal was completed on 26 May 2017.

On 18 April 2017, the Company as the purchaser entered into an Equity Transfer Agreement with Nanjing Sample Technology Group Company Limited as the vendor in relation to the sale and purchase of the entire equity interest of Nanjing Intelligent Urban Constructive Investment Co., Ltd. for a consideration of RMB7,830,000. The acquisition was completed on 20 April 2017.

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

CAPITAL COMMITMENT

As at 31 December 2017, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, total employees' remuneration of the Group was approximately RMB63,012,940.37 (2016: RMB65,755,498.05) and the number of employees was 335 (2016: 477). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW

Business Review

In the expressway intelligent transportation business domain, while the Group continuously consolidated the improvement of the existing business, it continued to promote refined management in all phases of projects. At the same time it developed new business projects in all aspects by active participation in bidding major projects, proactive commencement of strategic cooperation within the industry, expanded the clientele of the industry, secured both the increases in business revenue and client satisfaction of the sector. During the period under review, the Group actively implemented major projects and made effective progress in carrying out projects such as the mechanical and electrical engineering project of Huashixia to Jiu Zhi expressway in Qinghai province, electrical and mechanical engineering project of Wenzhou Ring Expressway Southwest Line, electrical and mechanical modification and extension project of Licheng-Changzhi Highway in Shanxi Province and ETC modification project Phase II in Heilongjiang. The targeted missions of the aforesaid projects are completed on schedule during the year. During the period under review, the Group focused on constant enhancement of its data service capability, active exploring the application of transportation big data analysis in new areas, established a platform for big data analysis of vehicle flow of tunnels and a platform for big data analysis related to transportation for Wuhu Traffic Police, which realised further breakthrough in the application scenarios of the projects.

In the city intelligent transport business domain, the Group took strengthening its capability in total solutions of city intelligent transportation as its core, continued to consolidate various elements including the data collection terminals for internet-of-things and the intelligent information management platform, so as to construct the public transport service ecological system based on intelligent city. During the period under review, the Group made effective exploration on large-scale multimodal transport projects, and actively participated in city public transportation functional integrated projects for Xuzhou city north coach station and the first and last stops of the bus line Xingshanzi-Jiuli, and the Xuyi harbour industrial park project. During the period under review, the Group successfully won the bid of the integrated pipe corridor project of Chengdong Avenue, Xuzhou which is a project in the field of intelligent pipe corridor construction. Meanwhile, we leveraged on the advantage of Sample's technology in platform to explore and strengthen external cooperation and exchange, and attempted the new model of cloud + terminal joint establishment and operation.

In the customs logistics business domain, the Group successfully won the bid of the integrated information project of Wuwei Comprehensive Bond Zone in Gansu during the period under review, continually expanding business in the integrated information domain. Meanwhile, through promoting the progress of the application project of nationwide supervision of penalty and goods confiscation of the General Administration of Customs, the Group has coverage over the applications in 42 direct customs areas across China and effectively established an entrance for customs business throughout the nation. On the other hand, the Group further improved the transformation and upgrade of the business model, and maintained the large scale of integrated project and promoted innovative business. It achieved innovation in mobile internet custom clearance model through the launching of mobile logistics application services and solved some barriers in the custom clearance logistics, which attracted general attention in the industry and the market response was vigorous. During the period under review,

the Group completed the modification of all custom areas under Jiangsu province. At the same time, it realized a technological breakthrough in the Cloud Toll-Gate system, which realised centralized and visible processing from front-end to Cloud with the use of big data processing technology, and achieved a high degree of stability and maintainability. During the period under review, the implementation in Jiangsu was completed and it has been gradually extending across China.

As for the cross border trade and service business, on 16 February 2017, the Company and Nanjing Sample Technology Group Company Limited (“Sample Group”) entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to dispose of and Sample Group conditionally agreed to acquire 82.61% equity interest in Jiangsu Cross-border e-Commerce Services Co., Ltd. (“Jiangsu Cross-border”), a non-wholly owned subsidiary of the Company. The total consideration for the disposal pursuant to the Equity Transfer Agreement is RMB59,000,000 (equivalent to approximately HK\$65,555,555.56). On 15 May 2017, the resolution regarding the disposal was considered and passed by the Shareholders of the Company at the extraordinary general meeting of the Company. On 26 May 2017, all required procedures for the Equity Transfer were completed. The disposal would improve the operational efficiency of the principal business of the Group by relocating more resources to such businesses.

During the period under review, the Group made successive innovations in new data service mode and achieved remarkable results. During the period under review, the Group signed strategic cooperation agreement with Qingyang Municipal People’s Government to jointly participate in the construction of Qingyang cloud computing big data center and intelligent city related project. In the future, the Group will facilitate the development of intelligent transportation in Qingyang by using various informatization methods and big data decision-making technologies, and provide comprehensive transport information service, transport service and accurate and complete information support for travellers, transport management department and related enterprises. During the period under review, Jiangsu Intellitrans Company Limited, a wholly-owned subsidiary of the Company won the bid for the “electrical and mechanical integration project of Meishan Dual Innovation Center Phase II in Tianfu New District (Meishan Huawei big data center)”, with contract sum of approximately RMB247 million. The project mainly includes the joint construction of the big data industrial park, joint establishment of the cloud computing data center, building a big data platform, enhancing city management and the standard of public services. The successful bidding of the project highlighted the excellent comprehensive service capability of Sample Technology in the area of cloud computing big data.

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During the period under review, the Group actively participated in the work of the national internet-of-things standard working group led by the China Electronics Standardization Institute of the Ministry of Industry and Information Technology. The Group took part in the drafting of the national standard “Internet-of-things Information Sharing and Exchange Part 1: Overall Structure” and “Internet-of-things Information Sharing and Exchange Part 2: Universal Technical Requirements”. Approval by the Standardization Administration of China has been obtained and they are now pending official publication, signaling a historic breakthrough. The Group also actively participated in the compilation of the national standard “Internet-of-things for Intelligent City Application Guide”, for which several rounds of revision have been made and application for approval was submitted to the Standardization Administration of China.

During the period under review, the Group completed the acceptance inspection of the “863 Plan” project, two provincial technology projects, one Jiangsu province key laboratories appraisal project and one annual appraisal project of the Coordination Innovation Centre under the provincial Education Bureau. It also actively promoted and carried out the implementation of a number of government projects including “Internet +” project of the NDRC, Internet-of-things project of MIIT, industry and information industry transformation and upgrading fund project of provincial Economic and Information Commission, and municipal software and information service sector fund project. During the period under review, the Group effectively promoted the research and development of vehicle-logo fixed reader and make progressive achievement in having obtained the encryption modules, electronic logo specimen and relevant documents. It also completed the research and development work for high price-performance reader module and high price-performance fixed reader.

During the period under review, the Group was invited to participate in four major industrial exhibitions successively, namely the first Jiangsu Cooperation Symposium for Top Universities and Institutes, the first Jiangsu Development Summit, the 13th Nanjing Soft Expo and the World Internet-of-things Expo, which increased the Company’s industrial influence and attracted keen attention of industry and government customers. In addition, the Group was awarded 2017 Science and Technology (Third Prize) of Jiangsu Province People’s Government and second-class award in Scientific and Technological Progress of the Ministry of Education of China. During the period under review, the Group attached great importance to the application and protection of intellectual property rights, actively filed applications for 18 patents and 16 software copyrights, conducted 3 software products assessments, and was granted 1 patent, 16 software copyrights and 3 software product licenses.

BUSINESS OUTLOOK

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In 2018, the Group will continue to focus on two core industries of intelligent transportation and intelligent logistics, centralize the resources of the Group, use information technologies such as the internet-of-things and “internet +” as its core to build the ecological system of an intelligent city, and promote innovation of the business model of the Company.

Regarding the intelligent transportation domain, the Group will continue to consolidate the sourcing of goods over the internet-of-things and the “internet +” informationalization of management platform, and on top of which, to provide data service based on big data related to transportation. It will unceasingly improve municipal and communal service product lines and create total solutions. The Group will pursue innovation in new city transportation business activities, taking commercial vehicles as target customers to form the new business activities of “data + cash flow”, provide safe operation data services, build up the after-sale market related services for commercial vehicles, create a new profit model for intelligent transportation and constantly enhance its capability for intelligent transportation public service based on the concept of intelligent city.

Regarding the intelligent logistics domain, on the basis of its successful development of the “Jiangsu Province Technical Standards for Vehicle Mounted Active Prevention and Control Terminals”, the Group will actively provide technical and resources support for share-participated companies and partners, establish safety monitoring platform for the logistics of hazardous chemicals, in an effort of further improving and consolidating the intelligent logistics ecology of Sample Technology.

In the aspect of custom logistics business, the Group will continue to consolidate its own strength, and increase market share, further increase its market share of the customs logistics business and lift the degree of satisfaction of customers; drawing on new IT and internet-of-things technologies, the Group will realise interaction between custom data and service applications, and pursue whole process visibility for the entire process of custom clearance logistics monitoring and data service business and the service supply chain, which will prepare the Group for the next step of providing good services to import and export companies, facilitate the reform and realising integration of the Customs’ area monitoring and custom clearance which will reduce enterprises’ logistics cost and help achieve an efficient and convenient custom clearance environment.

As for the areas of municipal construction and key communal engineering projects, the Group will first further implement and promote the projects won in 2017, while actively exploring new cooperation projects with domestic renowned leading enterprises, and take this as a new source of profit growth for the intelligent city business cluster. While maintaining a healthy development, the Group will focus on opening up the resources platform of Sample Technology to converge capability with the aim of innovating traditional business model, optimizing the allocation of partners for various parts of its business to build an industrial ecology jointly.

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In 2018, the Group will continue to rely on the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, carry out prospective R&D related to the core industries, strengthen cooperation with the relevant companies, universities and colleges, R&D institutes, consolidate the R&D strengths of all parties, focus on the business development needs of the core industries of the Company, conduct R&D and introduce a group of new products to the market; make planning on the intelligent city ecosystem of the Company, make good use of the industry status and influences of the national engineering centre, expand resource cooperation in the industries or related domains, supplement the businesses of the ecosystem through cooperation with external parties; enhance the competitiveness of the products and services of the Company, the barrier of competition of the industries and protect the development strategies of the internet-of-things industry of the Company through core technologies, accumulation of intellectual property rights and upgrade and repetitive computing of core products.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

AUDIT COMMITTEE

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

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

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regard did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

On 16 February 2017, the Company and Nanjing Sample Technology Group Company Limited ("Sample Group") entered into the Equity Transfer Agreement, pursuant to which the Company agreed to dispose of and Sample Group agreed to acquire 82.61% equity interest in Jiangsu Cross-border e-Commerce Services Co., Ltd., a non-wholly owned subsidiary of the Company (the "Disposal"). The total Consideration for the Disposal is RMB59,000,000. For details of the Disposal, please refer to the announcement of the Company dated 16 February 2017.

On 18 April 2017, the Company and Sample Group entered into an Equity Transfer Agreement, pursuant to which Sample Group agreed to dispose of and the Company agreed to acquire the entire equity interest in Nanjing Intelligent Urban Constructive Investment Co., Ltd. for a consideration of RMB7,830,000. For details of the Acquisition, please refer to the announcement of the Company dated 18 April 2017.

Each of Mr. Sha Min, the chairman of the Board, an executive Director and a controlling Shareholder of the Company, and Mr. Chang Yong, the vice chairman of the Board and an executive Director, are

PROFIT DISTRIBUTION PLAN

The Board of Directors proposed to distribute a final dividend of RMB79,205,850.00 for the year ended 31 December 2017, i.e. RMB 0.25 per share, proposed to distribute to all shareholders on the basis of 10 bonus shares for every 10 shares held from undistributed profits and proposed to distribute to all shareholders on the basis of 10 shares for every 10 shares held by way of capitalisation of capital reserve. This recommendation is subject to approval by the Shareholders at the AGM for the year of 2017 in accordance with the provisions of the Articles, and will be implemented thereafter. Information regarding the date of convening the AGM for the year of 2017, details of the profit distribution plan and the relevant closure of register of members will be announced in due course.

PUBLICATION OF ANNUAL REPORT

The 2017 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.sampletech.com.cn> in due course.

By Order of the Board

Sha Min, Chairman *
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Chairman

Nanjing, the PRC
28 March 2018

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Zhu Xiang, the non-executive Director is Mr. Ma Jun; and the independent non-executive Directors are Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Shum Shing Kei.

* For identification purpose only