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Corporate Information

EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)
Mr. Chang Yong
(Chief Executive Officer)
Mr. Guo Ya Jun

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Su Ming
Mr. Geng Nai Fan
Mr. Shum Shing Kei

SUPERVISORS

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Mr. Li Gang

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

Mr. Shum Shing Kei (Chairman)
Mr. Xu Su Ming
Mr. Geng Nai Fan

REMUNERATION COMMITTEE

Mr. Xu Su Ming (Chairman)
Mr. Guo Ya Jun
Mr. Shum Shing Kei

NOMINATION COMMITTEE

Mr. Xu Su Ming (Chairman)
Mr. Geng Nai Fan
Mr. Chang Yong

COMPLIANCE OFFICER

Mr. Guo Ya Jun

AUTHORISED REPRESENTATIVES

Mr. Guo Ya Jun
Ms. Wong Lai Yuk

AUDITOR

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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Chairman's Statement



Mr. Sha Min *Chairman*

// *To all shareholders,
On behalf of the board of directors (the “Board”) of Nanjing Sample Technology Company Limited (the “Company”), I hereby present the annual report of the Company (together with its subsidiaries referred to as the “Group”) for the year ended 31 December 2013 (the “period under review”) for your review and consideration.*

//

Chairman's Statement

RESULTS

Income and the net profit attributable to the shareholders of the Company for the 2013 financial year amounted to RMB787,767,967 and RMB126,405,756, respectively (for the year ended 31 December 2012: RMB737,689,689 and RMB167,927,631), representing an increase of 6.79% and a decrease of 24.73%, respectively. The increase in income was mainly attributable to the rapid growth of intelligent terminal sales over last year, whereas the decrease in the net profit attributable to the shareholders of the Company was mainly due to the increase in research and development cost during the period under review and the absence of one-off investment income from the disposal of long term equity investment in 2012.

DIVIDEND

During the period under review, the Board recommended the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2013.

BUSINESS AND OPERATION REVIEW

According to the Group's strategy, the Company identified its core mission as "to create excellent and quality lifestyle", based on which the Company identified its 2013 strategic goal as to be centered at Internet of Things ("IOT") and oriented to intelligent city construction and services to build an open platform so as to incessantly satisfy customers' demand, to increase their satisfaction and to create value for them. Centered at the above strategic goals, the Company obtained sound results in development of IOT technology, innovation in technological finance and optimization of business under the leadership of the Board in 2013.

Improving core IOT technology to build intelligent cities and market competitiveness

Given the rapid development in information technologies such as IOT and cloud computing amid the current advancement in global intellectual industry, construction of intelligent cities has become the new direction of urban development. This is the inevitable result of the rapid development in global sensing and network technology, as well as the new philosophy, approach and direction of future urban development. In 2013, China's economy entered a new phase of medium high speed and steady development. Amid such environment, the Group unshakably strode towards its strategic goals.

During the period under review, the group was honoured the "China RFID Outstanding Results in Application Award", "Outstanding Reader Enterprise", "Outstanding IT Innovation Enterprise Award 2013", "Outstanding Results in Application Award" in the "2013 Excellent State Golden Card Project Golden Ants Awards" and "Innovative Product Prize" in "2013 Excellent State Golden Card Project Golden Ants Awards", and was elected as the vice-president unit of China Radio-frequency Identification (RFID) Industry and Technology Innovation Strategy Union. During the period under review, the Group obtained the third-grade award in the Scientific Technology Awarding Ceremony 2013 by China Federation of Logistics & Purchasing technological advancement with its promotion in RFID intelligent security thermo turnover box based on cloud platform. Such technology utilizes IOT to conduct full process monitoring in the transportation of drugs under refrigeration. Data update is available during the entire process, which ensures security and reliability of the storage environment.

Chairman's Statement

During the period under review, planning on the Group's Sample cloud platform on the basis platform-as-a-service ("Paas") was done focused on the large scale, concurrent and diverse data, based on which IOT data base was designed which laid the solid foundation for analysis of the bulk amount of data in the future. Our customs security intelligent lock innovated the monitoring approach in customs clearance and became the key equipment for such aspects. This pushed forward the wide application of security intelligent locks in the Yangtze River Delta region and laid the foundation for establishing integrated and convenient customs practices in Shanghai and Nanjing. Active reader, active tags and passive reader RFS-2311, our industry-customized new RFID products, were widely applied in areas such as intelligent transportation, cross-border e-commerce, Modernized logistics and food safety.

During the period under review, the customs information construction project in Nanjing Integrated Bonded Area undertaken by the Group has passed the official inspection of 10 ministries and commissions including the General Administration of Customs of China. Centered at services and cargos trade, Longtan section of Nanjing Integrated Bonded Area was established as the core of international trade centre of the region through the establishment of 6 centers and 10 trading platforms.

On 16-24 August 2013, the second Asian Youth Games was held in Nanjing. Nanjing City Intelligent Transportation Co. Ltd. (南京城市智能交通有限公司, hereafter referred to as "Intelligent Transportation"), the Company's controlling subsidiary, offered its Nanjing environmental-friendly E-cards as the vehicle E-cards for the Asian Youth Games. Dual identification by means of audio and video was used on official vehicles in the Games to impose controls, tracking and speedy license identification on the Games vehicles passageway, with the aim to create top road safety and protection services for the Asian Youth Games with our top transportation technology. The 2nd summer Youth Olympic Games will be held in Nanjing in 2014. Intelligent Transportation will be more enthusiastic to provide more advanced technology for the Games to promote the "Urban Intelligent" brand to the world, enhance the Company's image, increase the Company's influence and contribute to organizing a green, technologically advanced and safe Youth Olympic Games.

Seize opportunities in industry development to increase customers value and innovate information services

Given more cities commencing intelligent city construction, it is expected that total investment in intelligent cities during the twelve-five years period will reach RMB 500 billion and such construction will bring opportunities worth of RMB 2 trillion for the industry. This huge market strengthens the transformation demand of numerous traditional enterprises into intelligent technology industry and their emphasis on the research and application of information technology in urban construction and management. The Group will seize such development opportunity to seek significant breakthroughs in cooperation with high-end resources in the industry based on technological advance.

During the period under review, Sample Technology cooperated with Nanjing customs to establish Jiangsu Cross-border e-Commerce Services Co., Limited (江蘇跨境電子商務服務有限公司) to actively promote and implement an integrated service platform for cross-border trading and e-commerce. Such platform offers 4 kinds of services, namely evidence collection of government, e-commerce customs clearance, brand establishment for enterprises and consumers source tracking, with the aim to address problems in cross-border trading and e-commerce supply chains such as lack of reliance in evidence collection, lack of protection in brands, difficulties in controlling logistics in customs clearance and difficulties in source tracking of goods. The project was selected as one of the pilot projects in integrated innovation of e-commerce in 2013 by the Ministry of Industry and Information Technology.

Chairman's Statement

During the period under review, Intelligent Transportation and Longhoo.net entered into a strategic cooperation agreement to jointly develop the software "Smart Cloud searching (智行雲搜)", which conducts real-time tracking on the road condition by over 500 surveillance cameras in main roads across the city, as well as provides road condition enquiries services by pictures and videos with map search features. Meanwhile, Intelligent Transportation and ROLTA of USA partnered on a project to jointly promote intelligent transportation and intelligent city, and tap on the feasibility research project on China's intelligent transportation as the foundation for the China-US cooperation in intelligent transportation and intelligent cities in the future.

During the period under review, the Group relied on its capabilities in IOT innovation to develop its business in intelligent healthcare industry and establish its service brand in food safety tracking. At the same time, we made good use of RFID technology to conduct wine anti-falsification which originates from France, as well as to engage in communication and cooperation in promoting Chinese and French cultures, with the aim in ensuring food safety and enhance circulation efficiency and management standard. During the period under review, the Group effectively combined urban construction and IOT technology to define the new direction in intelligent cities development. This would allow us to impose highly effective urban management so as to continuously conduct capital optimization and technical innovation in the course of urban development in Nanjing.

During the period under review, the Group communicated and cooperated with various companies to establish joint laboratories and bases, including the joint laboratories for cloud computing technology research and for reader chips research, as well as the industrialization base for RFID application in intelligent transportation. These marked our breakthroughs in the establishment of platforms for engineering technical research and technical cooperation and communication.

PROSPECTS

In this booming era of information services, corporate value chains are transformation from production-driven to demand-driven. Customers loyalty value and value in application content adjustment should be capitalized to leverage commercial value of the corporations in the interaction of these two kinds of values. User-oriented has become a necessity amid the new economic and commercial approach. In 2014, the Group will identify and seize opportunities to transform itself through reforming so as to lay the foundation of a new round of development in the coming five years. The Group's strategic target for the coming five years is to complete development from intelligent city maintenance service provider to information service provider. To reach this strategic target, the Group must embrace internet to drive our cross-sector development by users demand. We will place emphasis on the establishment of intelligent cities and focus on end-user services so as to create outstanding quality of lives.

Paying attention to intelligent city construction and solidifying the Company's competitive advantages

In face of the information era, as a technologically advanced Group in with cognitive transportation, logistics and healthcare sectors, the Group shall consolidate huge amount of information in urban intelligent transportation, food and drug safety and goods source tracking, as well as transforming the enormous value identified in information through classification, grouping and regression analysis into powerful competitive advantage. This is to promote reforms in corporate management in terms of capitalization of information and intelligent decision making, so as to transform the Group into a piloting company in technical innovation.

Chairman's Statement

In 2014, the Group will utilize the cloud platform to gather information and create our corporate information assets. This will facilitate the concentrated and unified management of our data, which in turn facilitate exploration in the value of our information resources and the capitalization of our corporate information. On the other hand, we will conduct in-depth analysis and exploration in the value of these information to push forward intelligent decision making of the Company so as to enhance its competitiveness.

In 2014, the Group will continue to innovate commercial approach by technological advance to facilitate the promotion and implementation of intelligent city investment and construction in first and second tier cities in China. We will embrace internet in interaction with users demand, research in core IOT technology, construction of an open platform and exploration and analysis of information, so as to enhance our ability and efficiency in satisfying users requirement and provide users and data oriented information services.

Focusing on end-user services to increase the Company's brand influence

In 2014, the Group will transform from function-oriented operation to user-oriented operation. Our entire staff team will serve users' requirement and target at the user service of "four 1s", i.e. sharing of users' requirement within 1 hour, 100% satisfying users' demand in terms of product or engineering quality, respond to users' complaints within 1 hour, and users satisfaction of over 100%. In 2014, the Group will unshakably organize reforms to accelerate transformation in our business from controlling and monitoring to service supports. We will enlarge the authorization of front-line staff to further accelerate our respond to users.

In 2014, the Group will further implement budget estimation, auditing and incentives in projects. We will establish user service community, IT system and various procedures to speed up enhancement in our operation ability in end-to-end projects in terms of receiving users requirement, speedy and accurate delivery, high users satisfaction and high liquidity. We will continuously focus on customers' updates to identify and respond to any issues in time so as to enhance their satisfaction. We place much importance on customers feedback. We aim for co-development with customers, sharing of platform resources with them so as to achieve win-win situations. Through extended services, we will provide value-added services for customers. We will tap on our advantage in business scale brought by our expertise to drive co-development with our customers in order to enhance our brand influence and create outstanding commercial value.

On behalf of Sample Technology, I would like to extend my heart-felt gratitude to our suppliers, customers and shareholders for their unfailing support and faith, as well as the dedicated efforts from every staff, which enabled the Group to achieve another pinnacle of performance.

By Order of the Board

Sha Min

Chairman

Nanjing, China

21 March 2014

Management Discussion and Analysis

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2013 was approximately RMB787,767,967, representing an increase of approximately 6.79% over last year. The increase was mainly due to the rapid growth of intelligent terminal sales over last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2013 was approximately 33.6%, representing a decrease of approximately 4.9% over last year. The decrease was mainly due to the decrease of gross profit of intelligent terminal sales business.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2013 was approximately RMB24,316,401, representing an increase of approximately 23.4% over last year. The increase was mainly attributable to the active exploration of new market by the Group during the Period.

General and Administrative Expenses

General and administrative expenses of the Group for the year ended 31 December 2013 was approximately RMB75,788,483, representing an increase of approximately 33.7% over last year. The increase was mainly attributable to the increase in investment on research and development during the Period.

Net Profit attributable to shareholders of the Company

For the year ended 31 December 2013, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB126,405,756, representing a decrease of 24.7% over last year. The decrease was mainly attributable to the increase in research and development cost during the Period and the absence of one-off investment income from the disposal of long term equity investment in 2012.

Construction in progress

At 31 December 2013, the Group's construction in progress amounted to RMB166,580,799 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the Company is constructing a research and development office building.

Management Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2013, the equity of the Group's shareholders was approximately RMB1,008,320,707. Current assets were approximately RMB1,398,454,218, comprising cash and bank balances of approximately RMB579,052,892. Non-current liabilities were approximately RMB100,149,514. Current liabilities were approximately RMB744,654,292, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2013, net assets per share of the Group was approximately RMB4.5 (31 December 2012: RMB4.1). The short-term borrowings of the Group were RMB285,000,000.

PLEDGE OF ASSETS

As at 31 December 2013, bank deposits of RMB50,739,426 were pledged to the bank for projects in progress (2012: RMB60,385,498).

GEARING RATIO

For the year ended 31 December 2013, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2012: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

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

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any other material acquisition and disposal and material investment during the period under review.

CAPITAL COMMITMENT

As at 31 December 2013, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, total employees' remuneration of the Group was approximately RMB40,680,000 (2012: RMB39,880,000) and the number of employees was 407 (2012: 410). 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.

Management Discussion and Analysis

BUSINESS REVIEW

BUSINESS DEVELOPMENT

Strategic business

During the period under review, the Group continued to expand its pool of direct clients and steadily increase its market share and influence in the industry. The Group focused on the strategic cooperation within the industry, enhanced customer satisfaction and gradually established a marketing system focused on major projects and implemented authorized management by project area. While focusing on key areas of Jiangsu, Hebei, Sichuan, Zhejiang, Fujian, Guizhou, Hubei, Hunan, Xinjiang, Heilongjiang, Inner Mongolia and other provinces, it won contracts of mechanical and electrical engineering construction for Shiyan to Baihe Expressway of Hubei Province, reconstruction project of Highway for Yongjia Shatou-Shangtang section, mechanical and electrical engineering project for Hubei Huanggang-Ezhou expressway, mechanical and electrical engineering project for Karamay-Tacheng Expressway in Xinjiang, mechanical and electrical engineering project Handan-Daming Expressway in Hebei, mechanical and electrical engineering project of Xiamen-Chengdu Expressway of Fujian Province, and project of East Third Ring Expressway of Xuzhou. It also actively expanded into other areas including Guangdong and Qinghai and significantly enhanced the depth and width of its highway market resources. During the period under review, the Group actively implemented different major mechanical and electrical engineering projects, including the Sichuan Guangnan project, the Sichuan Yagu project, mechanical and electrical engineering project Handan-Daming Expressway in Hebei, and the monitoring and reconstructing project of the Jiangsu Seaside Expressway. The Sichuan Guangnan project and Sichuan Yago project have passed through the final inspection procedure.

During the period under review the Group won the maintenance service project for the Intelligence Customs system in the east inspection area of Xiamen Haicang Bonded Port Gate Project, which marked the formation of a solid chain from project establishment, construction, operation and maintenance of our logistics and customs business, gaining trust and reputation from customers. Meanwhile, the Group actively research new products in logistics and customs, where monitoring, operation and maintenance platform of customs and logistics monitoring platform 2.0 has completed and commercialized. During the period under review the pilot project of security intelligence lock for Nanjing customs undertaken by the Group was successfully completed and passed the final inspection by the customs. The project adopted the security intelligence lock with "active code collection" approach developed by the Group, which innovated the regulation approach of customs.

During the period under review, the Group drew numerous end-users with its strengthened popularization of vehicle E-card. The Group issued 1.2 million cards, completed inspection and audit of "320 project" and established a real-time monitoring platform and operation and maintenance protection system. During the period under review the Group successfully developed the intelligent city sensing information collection, collection and sharing service system and the electronic toll collection platform ("ETCP") and sought for bulk analysis and research on information and actively establish a comprehensive local-language vehicle O2O (Online to Online) service system. Through cooperation with China Mobile, China Unicom and Longhoo.net, the Group established solid operation service platforms and mature operation products including the "Smart Travel in Nanjing (智行南京)" mobile app, vehicle e-commerce platform and ride sharing website to provide excellent quality services for car owners.

Management Discussion and Analysis

Information services

During the period under review, the Group pushed forward the progress of cloud monitoring on customs assets and commenced the online operation of asset cloud portal which were well received by Wuxi customs and Nanjing customs technology division. In the future, we will expand the pilot work in Wuxi and Nanjing customs. It is expected that the project of cloud monitoring on customs assets will be upgraded to a manufacturing trading service in cross-border e-commerce integrated service in 2014. These reflect the cross-border e-commerce connection service, asset financing and supply chain financing services provided by foreign manufacturing firms. During the period under review, the Group completed the online preparation of monitoring system for the Shanghai Customs with the launch of a standardized product for self-monitoring for immigration use. This project, for the first time, achieved full-process transparent tracking of the logistics of non-traded items from the companies' deliveries to the customers' end. This provided practical experience for implementation of speedy customs clearance which was highly regarded by the Shanghai customs.

During the period under review, the Group launched various customised services for standardized information platform aiming at enhance customers' experience and serialization of products. The Group launched innovative IOT products including smart containers, smart courier counter, e-stamps, and further enhanced the coverage of intelligent terminals with a view to efficiently respond to customers' needs with highly reliable system of information cloud platform. The Group also enhanced and improved customers service systems and enhanced the brand value and corporate awareness of "Cloud Biaoju". During the period under review, the Group built a unified data platform, "Cloud ID", developed commodity credit SaaS services and formally launched the official website of self-developed "Tiantian Credit". Such platform provide products with a unique electronic identifier and provide customers with traceability services and provide corporates value-added services. The Group also continued to advance the establishment of standardized packing food traceability platform, actively, created demand, constructed off-line POS system platform for O2O e-commerce, provided value-added service and expanded the platform coverage.

Technology products

During the period under review, RFS-6808A, the product developed by the Group for asset cloud monitoring on specific items with tax relief or exemption for the Nanjing Customs, has been on trial with satisfactory operation performance and basic functions. The Group provided products for the real-time location management system for the penalty and forfeited materials warehouse in Huangpu customs of Guangzhou. The project has completed initial stage inspection. The Group also actively participated in the tracking system inspection project of the Nanjing Institute of Metrology. This was the first project in metrological system using RFID technology to impose real-time monitoring in the equipment under inspection. During the period under review, the Group continuously focused on development of new products which included ETCP reader, all-in-one machine dedicated for construction site workers monitoring, active reader dedicated for cloud monitoring in customs assets, active reader for monitoring valuable penalty and forfeited assets in customs and anti-removal active electronic tags.

Management Discussion and Analysis

Research and Development

During the period under review, the Group placed high importance in technological research and development. As such, we increased input in technical innovation, and further completed and steadily pushed forward the establishment of technical innovation system. During the period under review, the Group built the Sample cloud platform and provided IaaS and PaaS services, and completed one stage of development of an IOT database which passed professional inspection and can provide information storage services. Through cooperation with educational institutions and scientific institutions, the Group established internet finance laboratory and facilitate industrial, academic and research integration. We participated in the certification and formulation of industry standard in customs locks, and participated in drafting corporate standards for smart logistics facilities. During the period under review, the Group undertook and developed a series of IOT products including supply chain financial information platform, corporate projects community, cloud visual platform targeted on visual intelligent analysis and customs standard safety intelligence lock. During the period under review, the Group highly regarded the application and protection of intellectual properties and actively engaged in application of patents, software copyrights and software product licenses, and was granted numerous patents, software copyrights and software product licenses.

BUSINESS PROSPECTS

SALES AND MARKETING

Strategic business

In 2014, the Group is committed in application of IOT technology in import and export logistics to establish a highly efficient integrated application service fulfilling efficient regulation of customs and efficient operation of corporation, so as to enhance customers satisfaction, establish ourselves as a quality service brand for the industry and to become a branded supplier of quality services. In 2014, the Group will actively establish the operation and maintenance system and IT platform for customs and improve the electronic lock pilot projects in customs. We will focus on the progress of phase II of Jin Guan project, participate in visualized logistics facilities and implementation of regulations control in custom area. The Group will also construct a cooperation project with Nanjing custom and Shanghai custom with regards to the operation of electronic locks, and establish and promote the SaaS general cargo platform.

In 2014, the Group will continue establishing the mechanical and electrical system for expressways and customs logistics items. We seek to increase our market share by enhancing clients' satisfaction, facilitate adjustment in business structure by improving the approach in handling projects, and ensure the healthy development of our operation by strengthening the management on operating liquidity. The Group will give priority to marketing, strengthen business expansion, focus on targeted regions and areas with higher comprehensive competitiveness, attach importance to strategic cooperation in the industry to gain market share in a quick manner and expand channels of obtaining projects for higher profit margin thereof. In 2014, the Group will maintain a steady business in traditional mechanical and electrical circuit integration on highways, so as to expand business while maintaining the traditional market. We will introduce resources and capabilities through cooperation with the intention to explore and implement IT services in expressways, as well as to explore and implement intelligent city projects and overseas expansion.

Management Discussion and Analysis

In 2014, the Group will mainly operate in the investment, construction, operation and maintenance of intelligent urban transportation, based on which three types of innovative business will be developed, namely transportation operation service (e.g. vehicle operation), ETCP service and environmental service. While nurturing our innovative business, we will establish company for operation to help expand and strengthen such business. Meanwhile, the Group will promote intelligent transportation services in the entire province and actively engage in automobile e-card project in Xuzhou, intelligent transportation project in Xincheng of Hexi, Nanjing and project of intelligent traffic light network platform etc.

Information services

In 2014, the Group will dedicate itself in exploration of IOT industry. Through obtaining certification from the manufacturer, official certification, accreditation from third-party certification bodies and consumers judgments, we seek to establish a verification portal about product creditworthiness and third-party manufacturers. Meanwhile, the Group will commence the “third-party manufacturer tallying” operation targeted at cross-border e-commerce transactions. We provide one-stop tallying services and promote v2.0 of cloud-monitoring of customs assets. We aim to let the cross-border e-commerce transactions platform become a government approved professional third-party manufacturer servicing institution. We also seek to become a top designer, solution provider, operation platform establisher and integrated operation and maintenance service provider for cross-border e-commerce in Jiangsu and free-trade ports.

In 2014, the Group will consider satisfying end-user demand and exploring information resources as the direction of development for Cloud Biaoju. We will continue to enhance and improve our business models according to the market development trend. We will focus on enhancing customer satisfaction and continuously optimize platforms and products to improve users’ experiences. The Group will also further enhance our customer service system, develop mobile APPs for different platforms and create public account in Weixin to promote the use of mobile internet. In addition, we will continuously enhance our internet approach in obtaining information from terminals, applications and platforms.

Technology products

In 2014, the Group will tap on its internet marketing approach to reduce cost of sales and further enhance brand reputation and awareness. We will capitalize our current product advantage in import and export trades for enhancing marketing in overseas sales. Meanwhile, with the Group’s brand advantage, we will focus on demand analysis of high-end customers, integration of quality supplier OEM, integrated testing on high standard products to provide full range of quality IOT products for customers. We will strengthen our cooperation with enterprises, educational institutions and scientific research institution to conduct product research according to customers’ new demand so as to enhance their confidence in our products and further enhance our brand awareness in the industry. In the application of industry projects, we will cooperate with customers on certain influential pilot projects in terms of R&D and testing to further increase our influence in the industry.

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 49, received postgraduate education, is an executive Director and Chairman of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. Mr. Sha was conferred the honorary titles of "Jiangsu Province Outstanding Young Entrepreneur" and "Nanjing Ten Outstanding Young Entrepreneur" in 2000 and 2001 respectively. Mr. Sha was elected as a committee member of the Nanjing City Committee of the Chinese People's Political Consultative Conference in January 2003 and a committee member of the Jiangsu Province Committee of the Chinese People's Political Consultative Conference in December 2007. In November 2010, Mr. Sha was awarded in Nanjing a title of "Individual with active contribution to the construction of China's famous software city". Mr. Sha joined the Company in December 1997 and was first appointed as an executive Director in December 1999.

Mr. Chang Yong (常勇), aged 47, received postgraduate education, is an executive Director and general manager of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from 1990 to 1992. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive director and general manager of the Company in December 1997. Mr. Chang was elected as a member of the Chinese People's Political Consultative Committee of Xuanwu District in Nanjing City in 1998.

Mr. Guo Ya Jun (郭亞軍), aged 54, received postgraduate education, is an executive Director, vice general manager and financial controller of the Company. He is responsible for supervising the Company's accounting department and financial affairs. He graduated from Anhui Agricultural College in August 1982 with a bachelor's degree in agricultural economics. Mr. Guo also graduated from Southeast University in 2004 with a master's degree in business administration. Mr. Guo worked for the Finance Bureau of Lingbi County in Anhui Province from 1982 to 1992 and Nanjing Jintai Building Materials Development Company between 1993 and 1996. Mr. Guo was appointed as finance manager of Sample Group in October 1996 and became the Company's financial controller and vice general manager in December 2000. He is currently mainly responsible for the financial and administrative management of the Group. He joined the Company in December 1997 and was first appointed as an executive Director in December 1999.

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun (馬俊), aged 49, is a non-executive Director of the Company. He graduated from Nanjing University in economic management in 1995. He worked for 南京福申房地產開發有限責任公司 in 1998. He is currently the chairman and general manager of 南京福申房地產開發有限責任公司.

Biographical Details of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Su Ming (許蘇明), aged 57, holds a Master Degree and is also a Doctor of Philosophy in Law. He graduated and received his bachelor degree from Southeast University in January 1982, and later graduated and received his Doctor of Philosophy in Law from Nanjing University. He is currently the professor, tutor for doctoral candidates of the Southeast University as well as a Standing Committee Member of the Chinese People's Political Consultative Conference of Nanjing City, a member of the Legislation Consultative Committee of the Chinese People's Political Consultative Conference of Nanjing City, a member of the Committee for Social and Legal Affairs of the Chinese People's Political Consultative Conference of Nanjing City and the executive council member of Nanjing Federation of Social Sciences. Mr. Xu is currently an independent director of Jilin Guanghua Holding Group Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 000546), Jiangsu JieJie Microelectronics Co., Ltd. and Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.

Mr. Geng Nai Fan (耿乃凡), aged 62, a Han Chinese with postgraduate education. In June 2007, he graduated from Southeast University. He obtained a doctor degree in Management Science and Engineering and holds the title of researcher and senior economist. He became a member of the Communist Party in June 1974 and started working in December 1968. He had been the Deputy Section Supervisor and Vice Manager of Nanjing Municipal Oil Company (南京市石油公司), the General Manager of Nanjing Municipal Investment Company (南京市投資公司), and the secretary of the party leadership group and General Manager of the Nanjing Municipal International Trust and Investment Company (南京市國際信託投資公司). Also, he served as a Chief Director of Jiangsu Province Publishing Company (江蘇省出版總社), the General Manager and the Vice Party Secretary of Jiangsu Publishing Group Company Limited (江蘇省出版集團有限公司). He had been engaged in various government departments and assumed positions including Department Head and Deputy Director General of Resources Bureau of Nanjing City, Vice Secretary of the party leadership group and Vice Director of Nanjing Municipal Planning Commission, Chief Secretary and member of the party leadership group of the Nanjing Municipal Government, Director and secretary of the party leadership group of the Jiangsu Province Broadcasting and Televisions Bureau. Mr. Geng is currently the chairman of the Jiangsu Province Broadcasting and Television Association.

Mr. Shum Shing Kei (沈成基), aged 43, holds a Master Degree. Mr. Shum graduated from the Hong Kong Polytechnic University and majored in accountancy. He obtained a master degree in financial management from the University of London, the United Kingdom. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. From August 1993 to February 2002, he worked as auditing manager of Ernst & Young, Group Chief Financial Officer and Company Secretary of China Data Broadcasting Holdings Limited from March 2002 to July 2005 and qualified accountant consultant to Great Wall Motor Company Limited from September 2004 to September 2008. Mr. Shum is currently a practising partner of a certified public accountant firm in Hong Kong, mainly providing business advisory service and auditing service. He has a wealth of experience in accounting services for listed companies in Hong Kong and companies intended to be listed on the Stock Exchange of Hong Kong.

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 58, is a supervisor of the Company. Mr Qiu was an EMBA graduate. He is now a professor of the economics and management college of Southeast University. He is also executive director of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From 1991 to 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate management and industrial development. He was first appointed as a supervisor of the Company in August 2007. He is currently an independent director of Nanjing Pharmaceutical Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600713) and Nanjing Zhongbei (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000421).

Mr. Li Gang (李綱), aged 36, is a supervisor of the Company. He studied in Nanjing University of Aeronautics and Astronautics (南京航空航天大學) from 1996 to 2000 and obtained a bachelor degree in industrial automation. From July 2000 to July 2004, he was employed by Nanjing Merit Automation Co. Ltd. (南京明維自動化有限公司) as development team leader. From July 2004 to February 2007, he worked in Nanjing Orient Computer Technology Co., Ltd. (南京東部計算機科技有限公司). During April 2007 to February 2009, he worked as the head of SIS research and development in Nanjing SCİYON Automation Group Co., Ltd. (南京科遠自動化集團). Since February 2009, Mr. Li has been working in software development department of the Company as the department head of software development research institution.

Mr. Dai Jian Jun (戴建軍), aged 43, is a supervisor of the Company. He was educated in Jiangsu Public Security Professional School from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003.

SENIOR MANAGEMENT AND CORE TECHNICAL STAFF

Mr. Zhu Xiang (朱翔), aged 37, is the vice president and secretary of the Board of the Directors. He graduated from Xi'an Jiaotong University in July 2000 and obtained a MBA degree from Nanjing University in June 2006. He joined the securities department of Hainan Airlines Company Limited in July 2000 as assistant to secretary of the board of directors. He joined the Company in March 2003 and served as senior manager of the Company's investment department, general manager of the investment centre, general manager of financing and investment centre and vice president.

Mr. Xin Ke Jun (辛柯俊), aged 44, received university education, is senior engineer, vice president and director of the Company's research Institute. He graduated from the Southeast University with a bachelor degree in the thermal power profession in 1990. Mr. Xin joined Jiangsu Changshu Electricity Generating Co. Ltd (江蘇常熟發電有限公司) in 1990. In 1994, he worked in Huadong Wangju as a supervisor of pressure vessel monitoring (華東網局一級壓力容器監察). He worked for Nanjing Merit Automation Co. Ltd as the deputy general manager in 2002. In 2004, he joined Beijing State-Power Pulian Technology Co. Ltd (北京國電普聯科技有限公司) and served as the chief engineer. Mr. Xin joined the Company in 2007 and is currently the vice president and the head of research institute of the Company, the external tutor of the faculty of computer application of Southeast University and external tutor of software institute of Nanjing University.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wang Yue Ping (王躍平), aged 58, received postgraduate education, is general manager of Jiangsu Raifu Intelligent Tech. Co. Ltd. He graduated from the University of Manitoba in Canada in 1992 and obtained a doctoral degree in civil engineering, and worked on a postdoctoral research in mechanical engineering at Stanford University in U.S. in September 1994. He formerly worked for Singapore National Institute of Information Science (新加坡國家信息科學研究院) as researcher from October 1994 to June 2000, Singapore Senior Technology Co., Ltd (新加坡資深科技有限公司) as general manager from July 2000 to December 2002, China Transportation HEAD New Technology Co., Ltd (上海中交海德科技股份有限公司) as deputy general manager from January 2003 to December 2003. He joined Jiangsu Intellitrans Company Limited in March 2004 and served as the deputy general manager. He became the chief technical of cer of Nanjing Sample Technology Company Limited in January 2009. He is currently the general manager of Jiangsu Raifu Intelligent Tech. Co. Ltd.

Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2013 are set out on pages 36 to 159 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2013 (2012: RMB0.2 per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the Note V(VIII) to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this annual report were:

Executive Directors

Mr. Sha Min (*Chairman*)
Mr. Chang Yong (*Chief Executive Officer*)
Mr. Guo Ya Jun

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Xu Su Ming
Mr. Li Hai Feng (*Resigned on 20 May 2013*)
Mr. Geng Nai Fan (*Appointed on 20 May 2013*)
Mr. Shum Shing Kei

Supervisors

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Mr. Li Gang

Report of the Directors

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 2015 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 Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment, other than statutory compensation.

INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS

Save as disclosed below, as at 31 December 2013, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Long Positions in Shares

Name of Directors	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.6%
	65,720,000	Interest of controlled corporation	29.33%

Note: Mr. Sha Min ("Mr. Sha") directly holds 1,350,000 domestic shares of the Company and is interested in 47.91% of equity interest of Nanjing Sample Technology Group Company Limited which in turn owns 65,720,000 domestic shares of the Company. Under the SFO, Mr. Sha is deemed to be interested in all 67,070,000 domestic shares of the Company. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 67,070,000 domestic share of the Company in which Mr. Sha is interested.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2013, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	65,720,000 Domestic Shares	Bene cial owner/corporate	29.33%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua")	15,000,000 Domestic Shares	Bene cial owner/corporate	6.69%
Active Gold Holding Limited	49,545,000 Domestic Shares	Bene cial owner/corporate	22.11%
Atlantis Capital Holdings Limited (Note 2)	21,104,000 H Shares	Interest of controlled corporation	9.42%
Riverwood Asset Management (Cayman) Ltd. (Note 2)	11,104,000 H Shares	Investment Manager	4.95%
Liu Yang (Note 2)	21,104,000 H Shares	Interest of controlled corporation	9.42%
Golden Meditech Holdings Limited (Note 3)	12,097,000 H Shares	Interest of controlled corporation	5.40%
Manygain Global Limited	10,000,000 H Shares	Bene cial owner	4.46%
JP Morgan Chase & Co.	7,000,000 H Shares	Interest of controlled corporation/ Custodian corporation/approved lending agent	3.12%
Norges Bank	7,000,000 H Shares	Bene cial owner	3.12%

Note:

- (1) Sample Group directly holds 60,770,000 Domestic Shares. Sample Group is also interested in 100% of the registered capital of Nanjing Sample Technology Commerce City Company Limited* (南京三寶科技商城有限公司) ("Sample Commerce City"), which holds 4,950,000 Domestic Shares and therefore by virtue of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Commerce City. As such, Sample Group is the substantial and the single largest shareholders of the Company. Mr. Sha Min, the Chairman of the Company, held 47.91% of equity interest of Sample Group, together with parties acting in concert with him (including 3.58% held by Ms. Liao Qiong, 9.52% held by Mr. Sun Huai Dong, 4.67% held by Mr. Chang Yong, an executive director of the Company, and 2.27% held by Mr. Guo Ya Jun, an executive director of the Company) held an aggregate of 67.95% of equity interest of Sample Group.
- (2) Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Ltd. are 100% owned by Ms. Liu Yang. Under SFO, Ms. Liu Yang owned the 21,104,000 Shares in a capacity of interest under controlled corporation.
- (3) 12,097,000 H Shares were held by GM Investment Company Limited, which is a wholly-owned subsidiary of Golden Meditech Holdings Limited (formerly known as Golden Meditech Company Limited). By virtue of GM Investment Company Limited's interests in the Company, Golden Meditech Company Holdings Limited is deemed to be interested in the same 12,097,000 H Shares under the SFO.

Report of the Directors

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2013, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2013, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

SHARE OPTION SCHEME

A share option scheme ("Share Option Scheme") was conditionally adopted by a resolution of the shareholders of the Company on 24 April 2004. On 30 December 2011, the shareholders of the Company had resolved by a special resolution to terminate the Share Option Scheme. No option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 32.52% (2012: 38.19%) of the total sales for the year and sales to the largest customer included therein amounted to 7.85% (2012: 10.21%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 20.11% (2012: 23.55%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 8.08% (2012: 6.92%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest individuals of the Group are set out in Note V(XL) to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 160 of this annual report.

Report of the Directors

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note V(XXV) to the financial statements. As at 31 December 2013, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 132,300,000 domestic shares.

RESERVES

Details of the movements of reserves of the Group during the year are set out on page 47 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Group's reserves available for distribution amounted to RMB642,216,593 (2012: RMB564,885,873).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, for the year ended 31 December 2013, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2013, none of the Directors or Supervisors had the rights to subscribe for the H Shares of the Company.

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 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.

Report of the Directors

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 and to provide comments to the Board in relation to the preparing of annual report and accounts and interim report of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Xu Su Ming, Mr. Geng Nai Fan and Mr. Shum Shing Kei a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 31 December 2013, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note VI to the consolidated financial statements.

PROPOSED ISSUE OF A SHARES

On 18 October 2011, the Company announced that the Company will apply to the relevant regulatory departments in PRC in accordance with the PRC laws and regulations, and subject to other regulatory requirements, for the issue of not more than 73,900,000 A shares of RMB1.00 per share to the natural persons, legal persons and other institutional investors (other than those who were prohibited from subscribing for A shares pursuant to the relevant PRC laws, regulations and other regulatory requirements) with A share accounts at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and will apply to the Shenzhen Stock Exchange for the listing of and dealing in those A shares. The proposed issue of A shares has been approved at the extraordinary general meeting of the Company ("EGM") and at the class meeting for holders of H shares and domestic shares held on 30 December 2011, with effect for 12 months starting from 30 December 2011. At the extraordinary general meeting and class meetings for holders of H shares and domestic shares held on 28 December 2012, the extension of the validity period of the shareholders' approval and the authorisation to the board of directors for proposed Issue of A Shares was approved, with the validity period extended for 12 months. At the extraordinary general meeting and class

Report of the Directors

meetings for holders of H shares and domestic shares held on 26 December 2013, the further extension of the validity period of the shareholders' approval and the authorization to the board of directors for proposed Issue of A Shares was approved, with the validity period further extended for 12 months. As at the date of this annual report, the Company had formally submitted the application to the China Securities Regulatory Commission ("CSRC") for the approval of the proposed issue of A shares, and has completed the written reply for a feedback relating to the application. Further announcement will be made by the Company as necessary or appropriate to notify the shareholders and potential investors of the Company in respect of the progress of the issue of A shares.

Please refer to the circulars of the Company dated 14 November 2011, 15 November 2012 and 21 November 2013 in relation to the proposed issue of A shares.

CORPORATE GOVERNANCE PRACTICES

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

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

AUDITOR

The consolidated financial report of the Group for the year ended 31 December 2013 has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. A resolution will be submitted to the forthcoming annual general meeting to re-appoint the auditors and to authorise the Directors to fix their remuneration.

On behalf of the Board

Sha Min
Chairman

Nanjing, the PRC
21 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2013.

BOARD OF DIRECTORS AND BOARD MEETING

The Directors of the Company during the year were as follows:

Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Chang Yong (*Chief Executive Officer*)

Mr. Guo Ya Jun

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Xu Su Ming

Mr. Li Hai Feng (*Resigned on 20 May 2013*)

Mr. Geng Nai Fan (*Appointed on 20 May 2013*)

Mr. Shum Shing Kei

Each of the Directors has entered into a service contract with the Company. The service contracts will expire on 31 December 2015 and the further renewal for another terms of three years shall be subject to the approval of the shareholders at the annual general meeting of the Company.

Corporate Governance Report

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and monitoring of the performance of the senior management. The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 14 to 15 of this annual report. The Board of Directors held at least one full Board meeting half-yearly. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The roles of the Chairman and the Chief Executive Officer are segregated. Such segregation helps to reinforce their independence and accountability. The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that good corporate governance practices and procedures are established and that it acts in the best interests of the Group and the Company's shareholders as a whole and that the Board meetings are planned and conducted effectively. On the other hand, the Chief Executive Officer is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming fully accountability to the Board for all the Group's operations.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent. Independent Non-Executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision.

Apart from its statutory responsibilities, the Board of Directors approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board schedules at least two meetings a year at approximately half-yearly intervals and will be met as necessary.

During the year ended 31 December 2013, the Board held six meetings, two of which were regular meetings.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given for a regular Board meeting to give all Directors an opportunity to attend. All Directors are provided with relevant materials relating to the matters brought before the meetings at least three days in advance. The following table shows the attendance of individual Directors at the Board meetings held during the year.

Corporate Governance Report

Name of Directors	Number of attendance
Executive Directors	
Mr. Sha Min (<i>Chairman</i>)	6/6
Mr. Chang Yong (<i>Chief Executive Officer</i>)	6/6
Mr. Guo Ya Jun	6/6
Non-executive Director	
Mr. Ma Jun	6/6
Independent Non-executive Directors	
Mr. Xu Su Ming	6/6
Mr. Li Hai Feng (<i>Resigned on 20 May 2013</i>)	2/6
Mr. Geng Nai Fan (<i>Appointed on 20 May 2013</i>)	4/6
Mr. Shum Shing Kei	6/6

Apart from the above regular board meetings held during the year, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive detailed agenda for decision prior to each board meeting.

During the period under review, an annual general meeting was held on 20 May 2013 and two extraordinary general meetings were held on 14 January 2013 and 26 December 2013 respectively. All non-executive directors have attended these general meetings.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2013 is recorded in the table below.

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending external seminars/ programmes
Executive Directors		
Mr. Sha Min		
Mr. Chang Yong		
Mr. Guo Ya Jun		
Non-executive Director		
Mr. Ma Jun		
Independent Non-executive Directors		
Mr. Xu Su Ming		
Mr. Geng Nai Fan		
Mr. Shum Shing Kei		

Corporate Governance Report

REMUNERATION COMMITTEE

The Company's remuneration committee has been approved in the board meeting on 10 November 2005. The terms of references setting out the remuneration committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The remuneration committee currently consists of two independent non-executive Directors, namely Mr. Xu Su Ming (chairman of remuneration committee), Mr. Shum Shing Kei and one executive Director, namely Mr. Guo Ya Jun.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

Two meetings were held during the year by the remuneration committee to review the remuneration packages and assess the performance of executive Directors and the director's fees of the independent non-executive Directors. All members of the remuneration committee attended the said meeting. The remuneration committee plans to meet at least once a year in the coming year.

No Director or any of his/her associates is involved in deciding his/her own remuneration at the meetings of the remuneration committee.

NOMINATION COMMITTEE

The Company's nomination committee was approved and established in the board meeting held on 25 August 2007. The terms of references setting out the nomination committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The nomination committee currently consists of two independent non-executive Directors, namely Mr. Xu Su Ming (chairman of nomination committee), Mr. Geng Nai Fan and one executive Director, namely Mr. Chang Yong.

Building a diverse culture is important to the success of the Company. Educational background and age diversity in addition to meritocracy are areas of focus for the Company's employee base. The same diversity principle is also applied to the composition of the Board to enhance the effectiveness of the Board and its corporate governance standard (the "**Diversity Policy**").

The nomination committee has been delegated the authority to review and assess the diversity of the Board and its skills and experience by way of consideration of a number of factors, including but not limited to, ethnicity, gender, age, cultural and educational background, and professional experience. The committee will give due consideration to the Diversity Policy when identifying and selecting suitably qualified candidates. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board.

Corporate Governance Report

The nomination committee is responsible for developing measurable objectives to implement the Diversity Principle and for monitoring progress towards the achievement of these objectives.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and where necessary, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession plan for Directors.

Two meetings were held during the year by the nomination committee to review the nomination procedures and the current composition of the Board. All members of the nomination committee attended the said meetings.

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003. The terms of references setting out the audit committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The audit committee currently consists of three independent non-executive Directors, namely Mr. Shum Shing Kei (the chairman of the audit committee), Mr. Xu Su Ming and Mr. Geng Nai Fan.

The primary duties of the audit committee are to provide an independent review and supervision of financial reporting, and examines the effectiveness of the internal controls of the Group and ensuring the external auditor are independent and the effectiveness of the audit process. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls and financial reporting.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possess appropriate professional qualifications or accounting or related financial management expertise. Mr. Shum Shing Kei is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The audit committee held two meetings during the year. Details of the attendance of the audit committee meetings are as follows:

	Number of attendance
Mr. Xu Su Ming	2/2
Mr. Li Hai Feng (Resigned on 20 May 2013)	1/2
Mr. Geng Nai Fan (Appointed on 20 May 2013)	1/2
Mr. Shum Shing Kei	2/2

Corporate Governance Report

During the year, the Group's annual audited results for the year ended 31 December 2012 and the unaudited interim results for the six months ended 30 June 2013 have been reviewed by the audit committee. Besides the audit committee also reviewed the Group's annual audited results for the year ended 31 December 2013 with a recommendation to the Board for approval. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

No member of the audit committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2013 were performed by BDO China Shu Lun Pan Certified Public Accountants LLP. The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditors during the year ended 31 December 2013 are set out below:

	2013 RMB'000	2012 RMB'000
Services rendered		
Audit services		
– BDO China Shu Lun Pan Certified Public Accountants LLP	750	750
Non-audit services	–	–
	<u>750</u>	<u>750</u>

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and
- (d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on page 34 of this annual report.

Corporate Governance Report

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Wong Lai Yuk, a member of The Hong Kong Institute of Chartered Secretaries. Ms Wong has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

INTERNAL CONTROL

During the year, the Board convened meetings periodically to discuss all material controls including financial, operational and compliance controls and risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. The Board and the audit committee have conducted several reviews on its internal control system and evaluations on the effectiveness and the adequacy of the internal control measures on a regular basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.sampletech.com.cn, where extensive information and updates on the Group's business developments and operations, financial information and other information are available for public access.

Shareholders are provided with contact details of the Company, such as fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

Code provision A.6.7 stipulates that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding 3% (inclusive) or more of the total voting shares of the Company shall have the right to propose new motions to be included in the agenda of the Company's annual general meeting. The Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the general meetings. In addition, two or more shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting or class meeting by sending a written requisition to the Board. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: No. 10 Maqun Avenue, Qixia District, Nanjing, City
The People's Republic of China
Fax: (8625) 8435 6677
Email: irm@samples.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sampletech.com.cn) immediately after the relevant general meetings.

CHANGE IN CONSTITUTIONAL DOCUMENT

During the period under review, the Company has amended its Articles of Association for change of the address of the Company's legal domicile. Save as disclosed, there has been no significant change in the Company's Articles of Association during the year ended 31 December 2013.

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2013 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

During the year under review, the supervisory committee performed supervisory duties faithfully in an active, pragmatic and prudent manner, and provided reasonable recommendations and opinions to the Board in respect of the operation and development plans of the Company. It also strictly and effectively supervised the Company's management in formulating significant policies and making decisions to ensure that they were in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of the shareholders.

The supervisory committee has carefully reviewed the Company's annual report, audited by BDO China Shu Lun Pan Certified Public Accountants LLP, to be proposed by the Board and agreed that it truly and fully reflects the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee

Qiu Xiang Yang

Chairman

Nanjing, the PRC
21 March 2014

TO THE SHAREHOLDERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED:

We have audited the accompanying financial statements of Nanjing Sample Technology Company Limited (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the 2013 financial year and the notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with China Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its operating results and cash flows for the 2013 financial year in accordance with the requirements of China Accounting Standards for Business Enterprises.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant: **Yang Xiong**

Chinese Certified Public Accountant: **Zhao Huan Qi**

Shanghai, the People's Republic of China

21 March 2014

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

Consolidated Balance Sheet (continued)

At 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

	Note V	2013	2012
Non-current liabilities:			
Long-term borrowings	(XXIII)	76,250,000.00	80,000,000.00
Deferred income tax liabilities	(XIII)	973,618.23	1,280,559.27
Other non-current liabilities	(XXIV)	22,925,895.86	18,257,762.50
Total non-current liabilities		100,149,514.09	99,538,321.77
Total liabilities		844,803,805.82	642,315,818.35
Shareholders' equity:			
Share capital	(XXV)	224,100,000.00	224,100,000.00
Capital reserve	(XXVI)	99,627,613.95	99,627,613.95
Surplus reserve	(XXVII)	46,153,350.13	41,898,314.28
Undistributed profits	(XXVIII)	642,216,593.48	564,885,873.01
Difference on translation of foreign currency financial statements		(3,776,850.71)	(3,644,102.21)
Total equity attributable to the shareholders of the Company		1,008,320,706.85	926,867,699.03
Minority interest		48,739,578.13	37,017,855.92
Total shareholders' equity		1,057,060,284.98	963,885,554.95
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,901,864,090.80	1,606,201,373.30
Net current assets		653,799,925.72	648,430,672.30
Total asset less current assets		1,157,209,799.07	1,063,423,876.72

Page 36 to page 159 of the financial statements were signed by the following person in charge:

Sha Min
Director

Guo Ya Jun
Director

Sha Min
Legal representative

Guo Ya Jun
Person in charge of
accounting function

Miao Yun
Person in charge of
accounting department

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

Balance Sheet of the Company (continued)

At 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

	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 SHAREHOLDERS' EQUITY		869,781,052.63	825,145,598.09
Net current assets		12,792,871.26	198,837,798.73
Total assets less current liabilities		656,329,221.61	698,598,863.08

Page 36 to page 159 of the financial statements were signed by the following person in charge:

Sha Min
Director

Guo Ya Jun
Director

Sha Min
Legal representative

Guo Ya Jun
Person in charge of
accounting function

Miao Yun
Person in charge of
accounting department

Consolidated Income Statement

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

ITEMS	Note V	2013	2012
I. Total operating income	(XXIX)	787,767,966.59	737,689,688.95
II. Total operating cost		655,075,598.95	569,556,451.04
Including: Operating cost	(XXIX)	523,328,683.75	453,605,654.15
Taxes and surcharges	(XXXI)	11,207,510.01	18,738,322.80
Selling and distribution expenses	(XXXII)	24,316,401.22	19,700,037.85
General and administrative expenses	(XXXIII)	75,788,482.51	56,672,710.29
Financial expenses	(XXXIV)	8,904,116.66	11,369,009.23
Asset impairment losses	(XXXVI)	11,530,404.80	9,470,716.72
Share of profit of associates and jointly controlled entities	(XXXV)	-	4,324,931.80
Other investment income	(XXXV)	-	10,225,428.74
III. Operating profit		132,692,367.64	182,683,598.45
Add: Non-operating income	(XXXVII)	19,106,603.52	24,559,920.80
Less: Non-operating expenses	(XXXVIII)	175,016.57	403,687.36
IV. Total profit		151,623,954.59	206,839,831.89
Less: Income tax expenses	(XLI)	21,496,476.06	37,621,268.34
V. Net profit		130,127,478.53	169,218,563.55
Net profit attributable to the shareholders of the Company		126,405,756.32	167,927,630.71
Minority interests		3,721,722.21	1,290,932.84
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

Consolidated Income Statement (continued)

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

ITEMS	Note V	2013	2012
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)	203,777,235.43	223,484,400.12
Less: Operating cost	(IV)	117,980,532.78	111,043,228.43
Taxes and surcharges		976,434.24	1,998,706.51
Selling and distribution expenses		10,823,012.35	6,321,863.11
General and administrative expenses		36,787,909.53	34,941,843.23
Financial expenses		3,791,298.27	6,958,284.57
Asset impairment losses		(2,053,936.89)	(1,810,426.81)
Share of profit of associates and jointly controlled entities	(V)	-	4,324,931.80
Other investment income	(V)	-	10,225,428.74
II. Operating profit		35,471,985.15	78,581,261.62
Add: Non-operating income		15,019,643.95	17,287,368.67
Less: Non-operating expenses		128,446.57	159,525.79
III. Total profit		50,363,182.53	95,709,104.50
Less: Income tax expenses		7,812,824.00	17,220,766.11
IV. Net profit		42,550,358.53	78,488,338.39
V. Total comprehensive income		42,550,358.53	78,488,338.39

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
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		1,032,773,223.89	1,017,601,296.68
		<hr/>	<hr/>
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
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		980,822,738.11	839,988,094.00
		<hr/>	<hr/>
Net cash flows from operating activities		51,950,485.78	177,613,202.68
		<hr/> <hr/>	<hr/> <hr/>
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
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		64,658,177.78	72,773,336.26
		<hr/>	<hr/>
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		-	-
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		120,401,501.97	197,517,737.87
		<hr/>	<hr/>
Net cash flows from investing activities		(55,743,324.19)	(124,744,401.61)
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Cash Flow Statement (continued)

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

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
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		267,888,682.08	372,731,789.30
		<hr/>	<hr/>
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
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		231,321,908.84	234,062,361.68
		<hr/>	<hr/>
Net cash flows from operating activities		36,566,773.24	138,669,427.62
		<hr/> <hr/>	<hr/> <hr/>
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
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		64,608,500.00	66,590,536.26
		<hr/>	<hr/>
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
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		149,977,239.52	164,757,978.46
		<hr/>	<hr/>
Net cash flows from investing activities		(85,368,739.52)	(98,167,442.20)
		<hr/> <hr/>	<hr/> <hr/>

Cash Flow Statement of the Company (continued)

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

ITEMS	Note XIII	2013	2012
III. Cash flows from financing activities			
Cash received from borrowings		<u>120,000,000.00</u>	<u>190,000,000.00</u>
Sub-total of cash inflows from financing activities		<u>120,000,000.00</u>	<u>190,000,000.00</u>
Cash repayments of borrowings		60,000,000.00	180,300,000.00
Cash payments for interest expenses and distribution of dividends or profits		<u>49,036,505.58</u>	<u>29,478,154.79</u>
Sub-total of cash outflows from financing activities		<u>109,036,505.58</u>	<u>209,778,154.79</u>
Net cash flows from financing activities		<u><u>10,963,494.42</u></u>	<u><u>(19,778,154.79)</u></u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<u><u>-</u></u>	<u><u>-</u></u>
V. Net increase in cash and cash equivalents		<u><u>(37,838,471.86)</u></u>	<u><u>20,723,830.63</u></u>
Add: Cash and cash equivalents at beginning of period		<u>93,042,559.41</u>	<u>72,318,728.78</u>
VI. Cash and cash equivalent at end of period		<u><u>55,204,087.55</u></u>	<u><u>93,042,559.41</u></u>

Consolidated Statement of Changes in Equity

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

ITEMS	2013										Total shareholders' equity
	Attributable to the shareholders of the Company										
	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Others	Minority interest		
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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2012								Total shareholders' equity	
	Attributable to the shareholders of the Company									
	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	102,999,020.45	-	-	34,049,480.44	-	427,217,076.14	(3,643,142.26)	7,726,923.08	792,449,357.85
II. Opening balance of current year	224,100,000.00	102,999,020.45	-	-	34,049,480.44	-	427,217,076.14	(3,643,142.26)	7,726,923.08	792,449,357.85
III. Changes during the period	-	(3,371,406.50)	-	-	7,848,833.84	-	137,668,796.87	(959.95)	29,290,932.84	171,436,197.10
(I) Net profits	-	-	-	-	-	-	167,927,630.71	-	1,290,932.84	169,218,563.55
(II) Other comprehensive income	-	-	-	-	-	-	-	(959.95)	-	(959.95)
Subtotal (1) and (2)	-	-	-	-	-	-	167,927,630.71	(959.95)	1,290,932.84	169,217,603.60
(III) Shareholders contribution and capital reduction	-	-	-	-	-	-	-	-	28,000,000.00	28,000,000.00
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	28,000,000.00	28,000,000.00
(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	99,627,613.95	-	-	41,898,314.28	-	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95

Statement of Changes In Equity of the Company

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

ITEMS	2013							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	
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)	-	-	-	-	-	-	-	-
(iii) Shareholders contribution and capital reduction	-	-	-	-	-	-	42,550,358.53	42,550,358.53
(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 (continued)

For the year ended 31 December 2013

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2012							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	
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								
(I) Net profits	-	(3,371,406.50)	-	-	7,848,833.84	-	48,229,504.55	52,706,931.89
(II) Other comprehensive income	-	-	-	-	-	-	78,488,338.39	78,488,338.39
Subtotal (1) and (2)	-	-	-	-	-	-	-	-
(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 safety 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.

Notes to the Financial Statements

For the year ended 31 December 2013

I. CORPORATE INFORMATION *(Continued)*

(V) Basic organizational structure of the Company *(Continued)*

As of 31 December 2013, the Group has ten wholly-owned and controlled subsidiaries, namely: 江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited), 江蘇瑞福智能科技有限公司 (Jiangsu Raifu Intelligent Tech. Co., Ltd.), 南京三寶物流科技有限公司 (Nanjing Sample Logistic Company Limited), 南京物聯網研究院發展有限公司 (Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited), Sample Technology (H.K.) Co., Limited, Federal International Enterprise Limited and 南京城市智能交通有限公司 (Nanjing City Intelligent Transportation Co., Ltd.), 江蘇三寶信息技術有限公司 (Jiangsu Sample Information Technology Co., Ltd.), 徐州三寶智能科技發展有限公司 (Xuzhou Sample Intelligent Technology Development Co., Ltd.), 江蘇跨境電子商務服務有限公司 (Jiangsu Cross-border e-Commerce Services Co., Ltd.).

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS

(I) Basis of preparation of financial statements

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2010 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance ("Hong Kong Companies Ordinance"); and the accounting policies and estimates of Notes II (SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS).

Accounting Standards and amendments issued by the Ministry of Finance in 2014 have been early adopted in this financial statements of the Group, relevant details can be referred to Note II (XXIII).1.

(II) Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the consolidated and the Company's financial position as at 31 December 2013, and the consolidation and the Company's operating results and cash flow and other related information during the year then ended.

(III) Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(IV) Reporting currency

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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

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

2. Business combinations involving entities not under common control *(Continued)*

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.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the Group and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; if the fair value of any intangible asset can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value; As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations are likely to result in any outflow of economic benefits from the Group, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall separately recognized as liabilities and shall be measured in light of their fair values.

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets on the date of acquisition. The Company recognises the relevant deferred tax assets and reduces goodwill accordingly if within 12 months of the acquisition date, new or updated information indicates that on the date of combination, the obtained deferred tax benefit is expected to be realised in future periods. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. Save as above, all other acquired deferred tax assets recognised under business combination shall be charged to profit or loss for the current period.

For business combinations involving entities not under common control, the agency fee paid by the acquirer such as audit, legal service and evaluation consultation and other management fees shall be recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued by the acquirer as the combination consideration shall be included in the amount of initial recognition of the equity securities or debt securities.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(VI) Preparation of consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Group is based on controlling interests, and all the subsidiaries are included in the consolidated financial statements.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information and after the long-term equity investments in the subsidiaries are adjusted in accordance with the equity method.

When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

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 carrying value is recognised as investment income for the period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

For disposal of subsidiaries during the reporting period, the revenue, expense and profit of such subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries from the beginning of the period to the date of disposal are included in the consolidated cash flow statement. Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the Company's previous share of the subsidiary's net assets recorded from the acquisition date, is recognised in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost.

Where the Company acquired a minority interest, the difference between the newly acquired long-term equity investments and the newly acquired share of the subsidiary's identifiable net assets is adjusted to the capital reserve within the capital premium in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the net assets of the subsidiary is adjusted to the capital reserve within the capital premium in the consolidated balance sheet. If the capital premium of the capital reserve is insufficient, any excess is adjusted to retained profits.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

When the said financial assets or financial liabilities are on disposal, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments *(Continued)*

(2) Held-to-maturity investments

Held-to-maturity investments are initially measured at fair value when obtained (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

Interest income is calculated according to the amortised cost and effective interest rate and recorded into investment income. The effective interest rate, ascertained when initially obtained, shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When disposed, the difference between the consideration obtained and the carrying amount of the investment shall be recorded into investment income.

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(IX) Financial instruments *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(IX) Financial instruments *(Continued)*

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

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

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (Continued)

(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

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (Continued)

(X) Accounts receivable (Continued)

2 Accounts receivable that are subject to provision by groups (Continued)

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.

3 Accounts receivable which are individually insignificant but subject to separate provision

For individually insignificant accounts receivable, if there is objective evidence that the receivables are impaired at the end of the period, 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.

At the end of the period, notes receivable and prepayments which are not classified into groups with similar credit risks characteristics are subject to separate impairment test. If there is objective evidence that the receivables 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. If there is no impairment identified according to the impairment test, no provision for bad debts shall be recognised.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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 practicably 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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XI) Inventories *(Continued)*

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 investments and the considerations paid; amounts that cannot be sufficiently released by the capital premium in the capital reserve serve the purpose of adjusting retained earnings. The direct expenses incurred in business combination, including the audit fee, appraisal fee and legal service fee paid in connection with business combination shall be charged to the profit or loss for the current period when incurred.

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. The cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer to be paid by the acquirer, in exchange for control of the acquiree. The agency fee such as audit, legal service and evaluation consultation and other management fees incurred by the acquirer for the business combination shall be charged to the profit or loss for the period when incurred. As equity or bond securities are issued by the acquirer as consideration, any attributable transaction cost is included in their initial costs. When the business combination is achieved in stages through a number of exchange transactions, the aggregate of the book value of the previously held equity interest in the acquiree before the acquisition date and the new investment cost on the date of acquisition, shall be taken as the initial investment cost of the long-term equity investments. Where the Group regards the contingent consideration agreed in the combination agreement as part of the consideration of the transfer in business combinations, such contingent consideration shall be included in the cost of business combinations at its fair value on the date of acquisition.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XII) Long-term equity investments *(Continued)*

1. Determination of cost of investment *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XII) Long-term equity investments *(Continued)*

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).

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XII) Long-term equity investments *(Continued)*

2. Subsequent measurement and recognition of profit or loss *(Continued)*

(2) Recognition of profit or loss

Under the cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised as the Company's share of the cash dividends or profits declared by the investee.

Under the equity method, on the basis of the carrying amount of net profits of the investees, the following will be considered: Where the accounting policies and accounting periods of the investees are inconsistent with those adopted by the Company, the financial statements of the investees shall be adjusted according to the Company's accounting policies and accounting periods; the effects of the amount of depletion or amortization or the relevant assets impairment provision provided based on the fair values of fixed assets or intangible assets of the investees when acquiring the investment; appropriate adjustments are made to the matters, such as offsetting the unrealized inter-transactions occurred between the Company and associates and jointly controlled entities, the Company's share of net profits or losses in the investees shall be recognised.

In recognising the Company's share of losses incurred by the investees, treatment shall be made in the following order: First, to reduce the carrying amount of the long-term equity investment. Second, where the carrying amount of the long-term equity investment is not sufficient to reduce, the investment loss shall continue to be recognised to the extent of the carrying amount of other long-term equities that in substance constitute the net investment in the investees, and reduce the carrying amount of long-term receivables and other items. Finally, after the above treatments, where the enterprise still bears additional obligations as stipulated in the investment contract or agreement, the expected liabilities shall be recognised based on the obligations expected to be undertaken, and charged to the investment loss for the current period. Where the investees realize profits in subsequent periods, after deducting its share of unrecognized losses, the Company shall treat in a reverse order with the above: write down the carrying amount of expected liabilities expected, restore the carrying amount of other long-term equities that in substance constitute the net investment in the investees and long-term equity investment, and recognize investment income simultaneously.

During the period the investments are held, where the investees was able to provide consolidated financial statements, accounting shall be made based on the net profits or changes in other equities in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XII) Long-term equity investments *(Continued)*

3. Basis for determination of joint control and significant influence over the investees

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the significant financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Where the investor can jointly control over the investee with other parties, the investee is joint venture of the investor and the said parties.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the investor can exercise significant influence over the investee, the investee is an associate of the investor.

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 its carrying amount and the present value determined by discounting its future cash flows at the prevailing market yield for similar financial assets.

For other long-term equity investments for which there are any indicators of impairment other than the goodwill arising from the business combinations, if the results of the measurement of the recoverable amount indicate the recoverable amount of such long-term equity investment is lower than its carrying amount, such difference shall be recognised as impairment loss.

Once the impairment loss for the long-term equity investment is recognised, it shall not be reversed.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (Continued)

(XIII) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) and its cost can be reliably measured.

2. Method for depreciation of different fixed assets

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining useful life of the leased asset.

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

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIII) Fixed assets *(Continued)*

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.

If the recoverable amount of a fixed 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 fixed assets will be provided for.

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

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

Where there is any indicator that a fixed asset may be impaired, the recoverable amount of a fixed 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 asset belongs.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIII) Fixed assets *(Continued)*

4. Recognition basis and measurement method of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Group and the lessor, assets under finance lease will be recognised:

- (1) upon the expiry of lease, the ownership of the leased asset is transferred to the Group;
- (2) The Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased 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 any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIV) Construction in progress

1. Types of constructions in progress

Constructions in progress are accounted for by individual projects.

2. Criteria and time point for construction in progress being transferred to the fixed asset

Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

3. Impairment testing methods and provision for impairment methods on construction in progress

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

Where there is any indicator that construction in progress may be impaired, its recoverable amount will be assessed. Where there is any indicator that a construction in progress may be impaired, the recoverable amount of the construction in progress will be assessed by the Group on an individual basis. If assessment of the recoverable amount for individual constructions in progress is difficult, the recoverable amount of a construction in progress will be determined based on the asset group to which the construction in progress belongs.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XV) Borrowing costs *(Continued)*

2. Capitalisation period of borrowing costs *(Continued)*

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 pro ts 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 speci cally 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 speci cally 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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

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 intangible assets received in the non-monetary assets transaction, shall be measured 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 cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

The intangible assets acquired in the business combinations involving entities under common control by way of absorption shall be recorded at the carrying amount of the acquirer; and the intangible assets acquired in the business combinations involving entities not under common control by way of absorption shall be recorded at its fair value.

The cost of the internally developed intangible assets includes: the costs of the material consumed for developing the intangible assets, labor costs, registration fees, amortisation of other patents and licenses and capitalised interest expenses in the development phase, and other costs which are directly attributable to bringing the intangible assets ready for their intended use.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XVI) Intangible assets *(Continued)*

1. Valuation method of intangible assets *(Continued)*

(2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortised using the straight-line method over the term in which economic benefits are brought to the Group; If the term in which economic benefits are brought to the Group by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortised.

2. Estimated useful lives for the intangible assets with finite useful life:

Items	Estimated useful lives (year(s))	Basis
Land use rights	50	Terms of the land lease
Software	8	expected useful lives
Know-how	8	expected useful lives

For an intangible asset with a finite useful life, review on its useful life and amortisation method is performed at each period-end.

Upon review, useful life and amortisation method for the intangible assets are no different from the previous estimate at the end of this period.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XVI) Intangible assets *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XVI) Intangible assets *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XVIII) Estimated liabilities *(Continued)*

2. Method of measuring the estimated liabilities *(Continued)*

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 as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

(XIX) Revenue

1. Recognition of the revenue from sales of goods and principles of measurement

(1) *Recognition of the revenue from sales of goods and general principles of measurement*

Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been transferred to the buyer; the Group does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods; the amount of revenue can be reliably measured; when it is probable that the economic benefits associated will flow to the enterprises and when the relevant amount of costs incurred or to be incurred can be measured reliably.

(2) *Specific criteria for judging recognition of the revenue from sales of goods of the Company*

Sales of goods (products) of the Company mainly consist of sales of software products and sales of special RFID equipment. For installation-free products, income is recognised after delivery and inspection by the purchaser. For products to be installed and adjusted, income is recognised after completion of the project and inspection of the client as stipulated in the relevant contracts or agreements.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIX) Revenue *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIX) Revenue *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XIX) Revenue *(Continued)*

5. Recognition of revenue from construction contract using percentage of completion method and principles of measurement *(Continued)*

(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, specially: 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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (Continued)

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XXIII) Change in major accounting policies and accounting estimates *(Continued)*

1. Change in accounting policies *(Continued)*

- (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.

- (3) “Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement”

“Enterprise Accounting Standards No. 39 – Fair Value Measurement” establishes the measurement of fair value and the disclosure guidance of fair value measurement. The standards define that the fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. The disclosure requirements for fair value measurement under the standards are more extensive.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS *(Continued)*

(XXIII) Change in major accounting policies and accounting estimates *(Continued)*

1. Change in accounting policies *(Continued)*

(4) “Accounting Standards for Business Enterprises No. 40 – Joint Arrangements”

“Accounting Standards for Business Enterprises No. 40 – Joint Arrangements”, standardizes the classification and accounting treatments for the joint arrangement that jointly controlled by two parties or above. According to the structure of the joint venture arrangements, legal form, the terms of the contract as agreed between the parties and other relevant facts and circumstances, joint arrangement classified as joint operations and joint ventures. Joint operation refers the joint arrangement which the joint venture parties entitled to the underlying assets of the relevant arrangement and assumed liabilities of the joint arrangements. Joint venture refers the joint arrangement which the joint venture party only entitled to the right of the net assets of the arrangements. The initial recognition and subsequent accounting treatment for joint ventures and joint operations are different. Investments in joint ventures are accounted for by the equity method. The interests in joint operations shall be recognized by the joint venture parties to its assets (including its attributable share of any jointly held assets), its liabilities (including its attributable share of any liabilities jointly incurred), its revenue (including its attributable share of income generated from any sale of joint operations) and its expenses (including its attributable share of any expenses jointly incurred). The joint venture parties shall recognize the assets and liabilities and revenues, costs and expenses for their interest in the joint operations in accordance with applicable standards.

(5) “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” *(Revised)*

Pursuant to the provisions of “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” *(Revised)*, the scope of the Group’s consolidated financial statements as consolidated by the Group would still be based on control. The standard to determine control with three elements: (a) power over the investee; (b) undertake or enjoy their exposure to variable returns risks or return rights; and (c) the ability to affect the amount of returns by using its power over the investee. This amendment included a wide range of guidance for complex situations.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

II. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (Continued)

(XXIII) Change in major accounting policies and accounting estimates (Continued)

1. Change in accounting policies (Continued)

On 17 January 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 6" (《企業會計準則解釋第6號》) ("the Interpretation"), which had taken effect since the publishing date. The directors of the Company considered that the effectiveness of this Interpretation had no material effect on the financial situations and operation performance of the Group.

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%

Notes to the Financial Statements

For the year ended 31 December 2013

III. TAXATION (Continued)

(I) Main types of taxes and corresponding rates (Continued)

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 preferential VAT policies for software industry shall continue.

On 16 July 2001, the Company obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 24 June 2003, Nanjing Sample Logistic Company Limited obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 11 September 2003, Jiangsu Intellitrans Company Limited obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 19 August 2004, Jiangsu Raifu Intelligent Tech. Co., Ltd. obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 17 September 2012, Nanjing City Intelligent Transportation Co., Ltd. obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. The above companies selling self-developed-and-manufactured software products enjoy the said preferential VAT policies.

Notes to the Financial Statements

For the year ended 31 December 2013

III. TAXATION (Continued)

(II) Tax preferential and approval document (Continued)

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 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

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	Intelligent transportation	70,000	Intelligent transportation systems engineering	70,000	100	100	Yes	-
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Controlled corporation	PRC	e-Commerce	20,000	e-Commerce services	12,000	60	60	Yes	8,000

Note: All of the above companies are companies with limited liability.

2. Subsidiaries acquired in a business combination involving enterprises under common control

There were no subsidiaries acquired in a business combination involving enterprises under common control during the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2013

IV. BUSINESS COMBINATIONS AND COMBINED FINANCIAL STATEMENTS (Continued)

(I) Subsidiaries (Continued)

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 Company Limited	Wholly-owned subsidiary	PRC	Intelligent transportation system	100,000	Design, construction and maintenance of intelligent transportation system and computer networks engineering	130,000	100	100	Yes	-
Federal International Enterprise Limited	Wholly-owned subsidiary	HK	Electronic products	HKD10	Development and manufacturing of electronic products and computer software, etc.	HKD30,000	100	100	Yes	-
Jiangsu Raifu Intelligent Tech. Co., Ltd.	Wholly-owned subsidiary	PRC	Electronic products	31,344.7	Development and manufacturing of electronic products and communications equipment, etc.	31,344.7	100	100	Yes	-
Nanjing City Intelligent Transportation Co., Ltd.	Controlled corporation	PRC	Information technology	100,000	Consultation on computer technologies and technical services, etc.	66,350	65	65	Yes	37,017,855.92

Note: All of the above companies are companies with limited liability.

(II) Notes to the changes in scope of consolidation

Name of subsidiaries

Xuzhou Sample Intelligent Technology Development Co., Ltd.

Jiangsu Cross-border e-Commerce Services Co., Ltd.

2013

Newly established wholly-owned subsidiary in November 2013.

Newly established controlled corporation in December 2013.

Notes to the Financial Statements

For the year ended 31 December 2013

IV. BUSINESS COMBINATIONS AND COMBINED FINANCIAL STATEMENTS (Continued)

(III) No Special-purpose-vehicle or any entity entrusted to operate or gaining controlling power by way of accepting a lease

(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 happened 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 items, both assets and liabilities items are translated at the spot exchange rate on the balance sheet date. "Long-term equity investments" items are translated using the spot exchange rate when they are incurred. Items of owners' equity except for "undistributed profit" are translated by spot rates when they are incurred. The revenue and expenses in the income statements use the spot exchange rate when the transaction occurred. The difference of currency translation computed as per above-mentioned has been listed under the shareholders' equity in the balance sheet as an individual item.

Notes to the Financial Statements

For the year ended 31 December 2013

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

Items	2013			2012		
	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			<u>579,052,891.83</u>			<u>449,609,726.85</u>

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
Deposits of guarantee letter	47,380,470.20	45,741,892.74
Deposits of letter of credit	300,000.00	300,000.00
Total	<u>50,739,426.20</u>	<u>60,385,497.78</u>

Note: The above deposits have been excluded from the closing balance of cash and cash equivalents, and included in the cash relating to other operating activities.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(II) Notes receivable

1. Classification of notes receivable

Type	2013	2012
Bank accepted bills of exchange	<u>3,300,000.00</u>	<u>160,000.00</u>

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			<u>3,200,000.00</u>	

3. There were no amount due from shareholders who holds 5% or more voting right of the Company included in balance of notes receivable.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(III) Accounts receivable

1. The aging analysis of accounts receivable

Aging	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	217,602,559.78	57.29	6,599,146.82	3.03	187,709,825.96	62.51	5,131,178.99	2.73
1 to 2 years	99,733,090.85	26.26	6,422,592.93	6.44	99,715,135.37	33.21	7,569,296.27	7.59
2-3 years	55,933,217.53	14.72	16,712,772.07	29.88	4,895,229.51	1.63	1,417,629.70	28.96
Over 3 years	6,589,572.96	1.73	6,511,643.86	98.82	7,954,414.83	2.65	7,580,297.73	95.30
Total	379,858,441.12	100.00	36,246,155.68	9.54	300,274,605.67	100.00	21,698,402.69	7.23

2. Disclosure of accounts receivable by categories

Categories	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	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	8.81	754,024.68	2.25	29,541,171.16	9.84	297,701.89	1.01
due from non-governments	346,375,214.16	91.19	35,492,131.00	10.25	270,733,434.51	90.16	21,400,700.80	7.90
Sub-total for the group	379,858,441.12	100.00	36,246,155.68	9.54	300,274,605.67	100.00	21,698,402.69	7.23
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-
Total	379,858,441.12	100.00	36,246,155.68		300,274,605.67	100.00	21,698,402.69	

Notes to the Financial Statements

For the year ended 31 December 2013

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

(III) Accounts receivable (Continued)

2. Disclosure of accounts receivable by categories (Continued)

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

Category	2013		2012	
	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:

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(III) Accounts receivable (Continued)

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 for Construction of Zhejiang Zhuyong Expressway (浙江諸永高速公路建設指揮部)	non-related customer	47,676,008.72	2 to 3 years	12.55
Headquarter for Construction of Lishui City Longqing Yunjing Expressway (麗水市龍慶雲景高速公路建設指揮部)	non-related customer	37,047,950.09	Within 1 year	9.75
Headquarter for the Modification of Zhejiang Linhai No. 83 Provincial Highway (浙江省臨海市83省道改建工程指揮部)	non-related customer	25,409,025.00	Within 1 year	6.69
Foreign Capital Project Office of Shaanxi Provincial Communication Department (陝西省交通廳利用外資項目公室)	non-related customer	19,478,065.57	1 to 2 years	5.13
Headquarter for Construction of Main Roads and Bridges of Nanjing (南京重大路橋建設指揮部)	non-related customer	14,764,650.31	1 to 2 years	3.89
Total		<u>144,375,699.69</u>		<u>38.01</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

(III) Accounts receivable (Continued)

6. There were no amount due from related parties of the Company included in balance of accounts receivable at the end of the year.
7. There were no accounts receivables derecognised due to transfer of financial assets in the reporting period.
8. There were no accounts receivables not completely derecognised but transferred in the reporting period.
9. There were no accounts receivable-backed securitisations in the reporting period.
10. 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.

(IV) Other receivables

1. The aging analysis of other receivables

Types	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(IV) Other receivables (Continued)

2. Disclosure of other receivables by categories:

Types	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	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	-

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

Aging	2013			2012		
	Closing balance		Provision for bad debts	Closing balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	1,960,029.86	41.27	85,937.91	69,036,321.72	99.86	3,449,433.05
1 to 2 years	2,712,680.08	57.12	271,268.01	95,043.66	0.14	9,504.37
2 to 3 years	76,339.62	1.61	39,942.33	-	-	-
Over 3 years	-	-	-	-	-	-
Total	4,749,049.56	100.00	397,148.25	69,131,365.38	100.00	3,458,937.42

3. 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.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(IV) Other receivables (Continued)

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

Name of unit	Relationship with the Company	Closing balance	Aging	Percentage of the total other receivables (%)	Nature or content
Nanping Ningwu Expressway Co., Ltd. (南平甯武高速公路有限責任公司)	non-related customer	11,285,236.00	1 to 2 years	12.15	Retention monies
Sichuan Guangnan Expressway Company Limited (四川廣南高速公路有限責任公司)	non-related customer	5,505,535.00	1 to 2 years	5.93	Retention monies
Headquarter for Construction of Yunnan Meng-Xin Expressway (雲南蒙新高速公路建設指揮部)	non-related customer	5,050,000.00	Over 3 years	5.44	Retention monies
Beijing Gongke Feida Traffic Engineering Development Co., Ltd. (北京公科飛達交通工程發展有限公司)	non-related customer	4,000,000.00	Within 1 year	4.31	Retention monies
Xiamen City Shengxia Municipal Engineering Co., Ltd. (廈門市升夏市政工程有限公司)	non-related customer	4,000,000.00	Within 1 year	4.31	Retention monies
Total		<u>29,840,771.00</u>		<u>32.14</u>	

5. There were no other receivables due from related parties of the Company at the end of the year.
6. There were no other receivables derecognised due to transfer of financial assets in the reporting period.
7. There were no other receivables not completely derecognised but transferred in the reporting period.
8. There were no other receivables-backed securitisations in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(V) Prepayments

1. Prepayments by aging

Aging	2013		2012	
	Closing balance		Closing balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	86,512,302.26	89.73	48,130,940.48	99.40
1 to 2 years	9,619,998.62	9.97	153,000.00	0.32
2 to 3 years	153,000.00	0.16	2,298.26	0.01
Over 3 years	133,261.65	0.14	130,963.39	0.27
Total	<u>96,418,562.53</u>	<u>100.00</u>	<u>48,417,202.13</u>	<u>100.00</u>

2. Particulars of the top five amounts of prepayments at the end of the year

Name of unit	Relationship with the Company	Closing balance	Aging	Reason of unsettlement
Nanjing Weimao Technology Co., Ltd. (南京威茂科技有限公司)	non-related supplier	18,500,000.00	Within 1 year	prepayments for material procurement
Nanjing Gongmei Technology Co., Ltd. (南京共美科技有限公司)	non-related supplier	11,000,000.00	Within 1 year	prepayments for construction work
Xuzhou Shengpu Machinery Manufacturing Engineering Co., Ltd. (徐州聖普工程機械製造有限公司)	non-related supplier	12,600,000.00	Within 1 year	prepayments for construction work
Nanjing Xuxiang Optoelectronic Technology Co., Ltd. (南京旭翔光電科技有限公司)	non-related supplier	8,567,560.73	Within 1 year	prepayments for material procurement
Jiangsu Xingan Construction Group Co., Ltd. (江蘇興安建設集團有限公司)	non-related supplier	6,400,000.00	Within 1 year	prepayments for material procurement
Total		<u>57,067,560.73</u>		

3. There were no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of prepayments at the end of the year.

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(VI) Inventories

1. Classification of Inventories

Items	2013			2012		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	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		2013
			Reversal	Write-off	
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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(VI) Inventories (Continued)

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	45,227,162.01	65.00	18,518,014.46	10,968,660.30	4,522,716.20	24,963,958.56
Electromechanical Engineering for Lot SHJD-1 highway construction Shiyao to Baihe (Hubei and Shaanxi border) (Headquarter for Construction of Shiyao to Baihe Expressway of Hubei Province) 湖北省十堰至白河(鄂陝界)公路機電工程施工SHJD-1標段(湖北省十堰至白河高速公路建設指揮部)	2013	52,099,998.32	95.00	43,217,612.22	7,700,241.11	27,612,461.00	23,305,392.33

Notes to the Financial Statements

For the year ended 31 December 2013

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

(VI) Inventories (Continued)

4. Major construction projects at the end of the year (Continued)

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
HEJD-1 Section Mechanical and electrical engineering for construction of Huanggang to Ezhou highway (Hubei Huangge Expressway Co., Ltd., 黃岡至鄂州高速公路機電工程HEJD-1合同段(湖北黃鄂高速公路有限公司)	2013	26,666,235.00	80.00	11,527,509.56	9,825,100.00	2,666,623.00	18,685,986.56
Electromechanical Engineering for Li Pan Expressway (Sichuan Li Pan Expressway Co., Ltd.) 麗攀高速公路機電工程(四川麗攀高速公路有限責任公司)	2012	36,255,796.00	96.00	27,339,329.16	13,834,224.63	25,252,273.00	15,921,280.79
Mechanical and Electrical Engineering for Guanggan Expressway (Sichuan Guanggan Expressway Co., Ltd.) 廣甘高速公路機電工程(四川廣甘高速公路有限責任公司)	2012	44,526,694.00	95.00	34,502,022.35	12,429,148.57	35,967,420.00	10,963,750.92
JD02 Section, Mechanical & Electrical Engineering Construction for Jishou to Huaihua Expressway project of Hunan Province (Hunan Province Jihuai Expressway Construction and Development Co., Ltd.) 湖南省吉首至懷化高速公路項目機電工程第JD02標段(湖南省吉懷高速公路建設開發有限公司)	2012	70,810,319.00	95.00	49,961,130.61	19,848,441.20	59,027,789.45	10,781,782.36
Electromechanical Engineering and Reconstruction Project of Xiakoumen. Suichang County of Zhejiang Province to Hushan to Jinzhu Highway (Headquarter for reconstruction project of Xiakoumen, Suichang County of Zhejiang Province to Hushan to Jinzhu Highway) 浙江省遂昌縣峽口門至湖山至金竹公路改建工程隧道機電工程(遂昌縣峽口門至湖山至金竹公路改建工程指揮部)	2013	13,280,709.43	80.00	6,076,379.34	4,560,647.54	1,048,232.00	9,588,794.88
Total		481,770,451.76		282,454,641.47	133,488,034.75	185,752,712.65	230,189,963.57

Notes to the Financial Statements

For the year ended 31 December 2013

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

(VII) Long-term equity investments

1. Classification of long-term equity investments

Items	2013	2012
Other equity investments	101,386,244.94	101,386,244.94
Sub-total	101,386,244.94	101,386,244.94
Less: Impairment provision	-	-
Total	101,386,244.94	101,386,244.94

2. Particulars of long-term equity investments

Investee	Accounting method	Investment cost	1 January 2013	Increase/Decrease	31 December 2013	Equity Interest held (%)	Voting rights held (%)
Jiangsu Information Industry Institute Union Joint Stock Company	cost method	2,000,000.00	2,000,000.00	-	2,000,000.00	4.00	4.00
Nanjing City Information Investment Holdings Co., Ltd.	cost method	24,400,000.00	24,400,000.00	-	24,400,000.00	13.83	13.83
Zhong Jian Zhi Kang Supply Chain Management Company Limited	cost method	74,986,244.94	74,986,244.94	-	74,986,244.94	19.00	19.00
Cost method sub-total		101,386,244.94	101,386,244.94	-	101,386,244.94		
Total		101,386,244.94	101,386,244.94	-	101,386,244.94		

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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	Provision		
		in the year	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

Depreciation charges for the year amounted to RMB19,264,733.30.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(VIII) Fixed assets (Continued)

2. There were no temporarily idle fixed assets at the end of the year.
3. There were no leased fixed assets under finance lease at the end of the year.
4. There were no fixed assets leased out under operating leases at the end of the year.
5. There were no fixed assets held for sale at the end of the year.
6. There were no fixed assets without certificates of ownership as at 31 December 2013.
7. There was no pledge of fixed assets at the end of the year.

(IX) Construction in progress

1. Projects under construction

Items	2013			2012		
	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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(IX) Construction in progress (Continued)

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
Complex building	98,701,702.73	66,059,188.88	-	-	7,548,100.00	5,237,750.00	80%	Self financed, loan	164,760,891.61
Base station construction projects	6,413,059.62	25,620,240.67	32,033,300.29	-	2,484,058.07	2,015,674.07	100%	Self financed, loan	-
Total	105,114,762.35	91,679,429.55	32,033,300.29	-	10,032,158.07	7,253,424.07	-	-	164,760,891.61

(X) Construction materials

Items	1 January 2013	Increase in the year	Decrease in the year	31 December 2013
Special equipment	3,978,173.60	14,388,637.35	16,459,915.95	1,906,895.00
Total	3,978,173.60	14,388,637.35	16,459,915.95	1,906,895.00

Note: The special equipment refers to the special smart card used in the intelligent transport public platform.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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.

- There were no pledge of intangible assets at the end of the year.
- The land use right is mid-term lease (leased land in PRC).

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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
	<u>755,341.29</u>	<u>2,384,854.68</u>	<u>253,922.61</u>	<u>-</u>	<u>2,886,273.36</u>
Total	<u>755,341.29</u>	<u>2,384,854.68</u>	<u>253,922.61</u>	<u>-</u>	<u>2,886,273.36</u>

(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
	<u>11,348,029.95</u>	<u>6,592,988.15</u>
Total	<u>11,348,029.95</u>	<u>6,592,988.15</u>
Deferred income tax liabilities:		
Asset gains from business combinations involving entities not under common control	973,618.23	1,280,559.27
	<u>973,618.23</u>	<u>1,280,559.27</u>
Total	<u>973,618.23</u>	<u>1,280,559.27</u>

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
	<u>75,656,896.62</u>	<u>43,227,051.97</u>
Total	<u>75,656,896.62</u>	<u>43,227,051.97</u>
Breakdown of taxable difference		
Asset gains from business combinations involving entities not under common control	8,116,258.10	10,182,535.80
	<u>8,116,258.10</u>	<u>10,182,535.80</u>
Total	<u>8,116,258.10</u>	<u>10,182,535.80</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XIV) Provision for impairment on assets

Items	1 January 2013	Increase in the year	Decrease in the year Reversal	transfer	31 December 2013
Provision for bad debts	25,157,340.11	11,485,963.82	-	-	36,643,303.93
Provision for decline in value of inventories	994,569.00	44,440.98	-	268,818.41	770,191.57
Total	<u>26,151,909.11</u>	<u>11,530,404.80</u>	<u>-</u>	<u>268,818.41</u>	<u>37,413,495.50</u>

(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	-
	<u>285,000,000.00</u>	<u>138,000,000.00</u>

2. Breakdown of guaranteed loan

Lender	Amount	Borrowing date	Due date	Guarantee
Industrial and Commercial Bank of China Limited Xinjiekou Branch	10,000,000.00	2013-12-18	2014-12-17	Note 1
China Construction Bank, Da Xing Gong Branch	40,000,000.00	2013-3-6	2014-3-5	Note 1
Bank of Jiangsu, Headquarters Branch	20,000,000.00	2013-8-13	2014-8-12	Note 1
Bank of Jiangsu, Headquarters Branch	20,000,000.00	2013-10-28	2014-10-27	Note 1
Bank of Nanjing, Zijin Branch	20,000,000.00	2013-11-19	2014-11-18	Note 1
Bank of Communications, Baixia Branch	40,000,000.00	2013-8-23	2014-8-22	Note 2
Bank of Communications, Baixia Branch	30,000,000.00	2013-11-5	2014-11-4	Note 2
Bank of Jiangsu, Headquarters Branch	30,000,000.00	2013-8-13	2014-8-12	Note 2
China Merchants Bank, Changjiang Lu Branch	25,000,000.00	2013-11-21	2014-11-20	Note 2
Bank of Ningbo	10,000,000.00	2013-7-30	2014-7-30	Note 2
Bank of Nanjing, Zijin Branch	30,000,000.00	2013-9-6	2014-9-5	Note 2
Total	<u>275,000,000.00</u>			

Note 1: Nanjing Sample Technology Group Company Limited provided guarantee to the borrowings of the Company.

Note 2: The Company provided guarantee to the borrowings of its subsidiary, Jiangsu Intellitrans Company Limited.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XV) Short-term borrowings (Continued)

- There were no due short-term borrowings outstanding at the end of the year.
- All borrowings at the end of year are due within one year.

(XVI) Notes payable

Type	2013	2012
Bank accepted bills of exchange	<u>6,115,952.00</u>	<u>29,246,066.85</u>

The amount of notes to be due in the next accounting period is RMB6,115,952.00.

(XVII) Accounts payable

1. Balances of accounts payable

Items	2013	2012
Accounts payable	<u>316,606,125.09</u>	<u>269,751,512.77</u>

- There were no amount due from shareholders who holds 5% or more voting right of the Company included in balance of accounts payable at the end of the year.
- There were no amount due from related parties of the Company included in balance of accounts payable at the end of the year.
- Significant accounts payable aged over 1 year at the end of the year

Name of unit	Closing balance	Reason of not transfer
Hunan Xiangzhu Transportation Technology Co., Ltd. (湖南省湘築交通科技有限公司)	4,619,095.00	Payment has not due
Guizhou Hongyi Technology Co., Ltd (貴州宏屹科貿發展有限公司)	4,049,835.00	Payment has not due
Ziguang Jie Tong Technology Co. Ltd (紫光捷通科技股份有限公司)	3,300,000.00	Payment has not due
Hezhou Guanglong Materials Trading Company Limited (賀州廣龍物資貿易有限公司)	3,000,000.00	Payment has not due
Zhejiang Zhancheng Construction Group Co., Ltd. (浙江展誠建設集團股份有限公司)	<u>2,528,169.06</u>	Payment has not due
Total	<u>17,497,099.06</u>	

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XVIII) Advances from customers

1. Balances of advances from customers

Items	2013	2012
Advances from customers	25,481,574.39	25,300,107.19

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

3. There were no amount from related parties of the Company included in balance of advances from customers at the end of the year.

4. There were no significant advances from customers aged over 1 year included in the closing balance at the end of the year.

(XIX) Staff remuneration payables

Items	1 January 2013	Increase in the year	Decrease in the year	31 December 2013
(1) Wages or salaries, bonuses, allowances and subsidies	-	29,312,538.59	29,167,432.01	145,106.58
(2) Staff welfare	-	1,009,705.55	1,009,705.55	-
(3) Social insurance	89,683.57	7,906,769.08	7,908,432.55	88,020.10
Including: Medical insurance	24,797.24	2,202,672.06	2,202,672.06	24,797.24
Basic pension contribution	55,758.92	4,933,925.46	4,935,588.93	54,095.45
Unemployment insurance	5,396.84	443,307.62	443,307.62	5,396.84
Work injury insurance	1,426.67	125,670.79	125,670.79	1,426.67
Maternity insurance	2,303.90	201,193.15	201,193.15	2,303.90
(4) Housing funds	8,220.60	2,450,914.78	2,450,914.78	8,220.60
(5) Union running costs and staff education costs	123,604.43	335,285.64	332,866.61	126,023.46
(6) Termination benefits	-	530,785.00	505,300.00	25,485.00
(7) Other	-	-	-	-
Total	221,508.60	41,545,998.64	41,374,651.50	392,855.74

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XX) Taxes payable

Tax items	2013	2012
VAT	104,734.05	10,128,998.66
Business tax	20,078,707.30	18,385,733.74
Enterprise income tax	12,591,532.92	19,793,579.72
Individual income tax	64,071.37	66,836.36
City maintenance and construction tax	1,680,618.95	2,126,079.01
Education surcharge	1,020,525.06	1,379,416.66
Others	214,505.62	331,377.77
Total	<u>35,754,695.27</u>	<u>52,212,021.92</u>

(XXI) Other payables

1. Balances of other payables

Items	2013	2012
Other payables	<u>25,303,089.24</u>	<u>28,046,279.25</u>

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

3. There were no amount due to related parties of the Company included in balance of other payables at the end of the year.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXI) Other payables (Continued)

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	<u>12,021,321.09</u>	

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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	<u>50,000,000.00</u>	<u>–</u>

2. Long-term borrowing due within 1 year

(1) Long-term borrowing due within 1 year

Items	2013	2012
Guaranteed loan	<u>50,000,000.00</u>	<u>–</u>

(2) Particulars of long-term borrowings due within 1 year

Lender	Amount	Borrowing date	Due date	Annual interest rate	Guarantee
China Everbright Bank, Nanjing Branch	20,000,000.00	2012-7-13	2014-1-20	6.4575%	Note
China Everbright Bank, Nanjing Branch	20,000,000.00	2012-7-13	2014-7-20	6.4575%	Note
Bank of Nanjing, Jiming Si Branch	3,750,000.00	2013-3-8	2014-3-5	7.3600%	Note
Bank of Nanjing, Jiming Si Branch	<u>6,250,000.00</u>	2013-3-8	2014-3-5	7.3600%	Note
Total	<u>50,000,000.00</u>				

Note: Nanjing Sample Technology Group Company Limited provided guarantee to the borrowings of the Company.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXIII) Long-term borrowing

1. Classification of long-term borrowing

Items	2013	2012
Guaranteed loan	<u>76,250,000.00</u>	<u>80,000,000.00</u>
Total	<u>76,250,000.00</u>	<u>80,000,000.00</u>

2. Breakdown of guaranteed loan at the end of the year

Lender	Amount	Borrowing date	Due date	Annual interest rate	Guarantee
China Everbright Bank Nanjing Branch	40,000,000.00	2012-7-13	2015-7-12	6.4575%	Note
Bank of Nanjing Jiming Si Branch	<u>36,250,000.00</u>	2013-3-18	2017-3-7	7.3600%	Note
Total	<u>76,250,000.00</u>				

Note: Nanjing Sample Technology Group Company Limited provided guarantee to the borrowings of the Company.

(XXIV) Other non-current liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXV) Share capital

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

Name of shareholders	1 January 2013		Increase in the year	Decrease in the year	31 December 2013	
	Amount	Percentage (%)			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	<u>224,100,000.00</u>	<u>100.00</u>			<u>224,100,000.00</u>	<u>100.00</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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
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

(XXVII) Surplus reserve

1. Particulars of Surplus reserve

Items	2013	2012
Statutory surplus reserve	46,153,350.13	41,898,314.28
Total	46,153,350.13	41,898,314.28

2. Particulars of movements for the period

Item	1 January 2013	Increase in the year	Decrease in the year	31 December 2013
Statutory surplus reserve	41,898,314.28	4,255,035.85	-	46,153,350.13
Total	41,898,314.28	4,255,035.85	-	46,153,350.13

The increase in the amount for the year was statutory surplus reserve provided based on 10% of distributable profits of the Company.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXVIII) Undistributed profits

Items	2013	2012
Undistributed profit at the beginning of the year	564,885,873.01	427,217,076.14
Add: Current net profit attributable to shareholders of the Company	126,405,756.32	167,927,630.71
Less: Provision of statutory surplus reserves	4,255,035.85	7,848,833.84
Ordinary shares dividends payable	44,820,000.00	22,410,000.00
	<u>642,216,593.48</u>	<u>564,885,873.01</u>
Closing balance of undistributed profit	<u>642,216,593.48</u>	<u>564,885,873.01</u>

(XXIX) Operating income and operating cost

1. Operating income and operating cost

Items	2013	2012
Principal operating income	782,313,992.08	730,973,118.53
Other operating income	5,453,974.51	6,716,570.42
	<u>787,767,966.59</u>	<u>737,689,688.95</u>
Total operating income	<u>787,767,966.59</u>	<u>737,689,688.95</u>
Principal operating cost	520,672,373.41	451,370,110.74
Other operating cost	2,656,310.34	2,235,543.41
	<u>523,328,683.75</u>	<u>453,605,654.15</u>
Total operating cost	<u>523,328,683.75</u>	<u>453,605,654.15</u>

2. Principal operations (by product)

Name of Products	2013		2012	
	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
	<u>782,313,992.08</u>	<u>520,672,373.41</u>	<u>730,973,118.53</u>	<u>451,370,110.74</u>
Total	<u>782,313,992.08</u>	<u>520,672,373.41</u>	<u>730,973,118.53</u>	<u>451,370,110.74</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXIX) Operating income and operating cost (Continued)

3. Operating income from the top five customers of the Company for the year

Name of the customers	2013	
	Total operating income	Percentage of the total operating income of the Group (%)
Headquarter for Construction of Lishui City Longqing Yunjing Expressway (麗水市龍慶雲景高速公路建設指揮部)	61,821,967.50	7.85
Zhangzhou Xiacheng Expressway Co., Ltd. (漳州廈成高速公路有限責任公司)	54,726,889.40	6.95
Headquarter for Construction of Shiyan to Baihe Expressway of Hubei Province (湖北省十堰至白河高速公路建設指揮部)	49,494,998.40	6.28
Highway Project Office of Department of Transportation of Handan City (邯鄲市交通局公路項目辦公室)	48,942,585.90	6.21
Jiangsu Bozhi Software Technology Co., Ltd. (江蘇博智軟件科技有限公司)	41,170,559.27	5.23
Total	256,157,000.47	32.52

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXIX) Operating income and operating cost (Continued)

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, no separate segments are presented.

(XXX) Income of project contracts

Contract item		Total contractual amount	Accumulated cost incurred	Accumulated gross profit that has been recognised	The amount that has been settled
Fixed cost contract	Mechanical and electrical construction for Longquan to Qingyuan Highway (Zhejiang-Fujian border) (Headquarter for Construction of Lishui City Longqing Yunjing Expressway)	150,591,477.00	89,049,666.57	48,408,186.50	137,117,706.00
Fixed cost contract	L10 Section, the Tunnel and Mechanical & Electrical Engineering Construction of Linhai to Duqiao Section for Zhejiang No. 83 Provincial Highway (Headquarter for the Modification of Zhejiang Linhai No. 83 Provincial Highway)	121,494,301.00	66,101,568.35	44,634,357.67	110,558,455.00
Total		<u>272,085,778.00</u>	<u>155,151,234.92</u>	<u>93,042,544.17</u>	<u>247,676,161.00</u>

(XXXI) Taxes and surcharges

Items	2013	2012	Charge rate Standards
Business tax	8,672,239.53	14,174,442.68	3%, 5%
City construction tax	1,438,748.42	2,652,196.94	7%
Education surcharge tax	1,096,522.06	1,911,683.18	5%
Total	<u>11,207,510.01</u>	<u>18,738,322.80</u>	

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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 one years.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XXXVII) Non-operating income (Continued)

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 Jiangsu provincial industrial and information industry	Subsidy	Monetary funds	November 2013	5,000,000.00	-
Software Sudyly 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 2011 provincial Industry and Information transformation and upgrading IOT special funds)	Subsidy	Monetary funds	April 2012	-	4,000,000.00
Grant given by the Finance Bureau of Administration Committee of the Nanjing High and New Technology Industry Development Zone	Subsidy	Monetary funds	November 2012	-	2,000,000.00
Supporting fund for City Software from Qixia Bureau of Industry and Information	Subsidy	Monetary funds	November 2012	-	500,000.00
SME Innovation Fund	Subsidy	Monetary funds	April 2012	-	135,000.00
Subsidies from the Qixia Technology Bureau	Subsidy	Monetary funds	December 2012	-	40,000.00
Financial assistance for national scientific and technological support projects	Subsidy	Monetary funds	May 2012	-	1,159,637.50
Total				8,077,136.64	12,334,637.50

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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) Auditor's remuneration

Auditor's remuneration for the year was RMB750,000.00 (2012: RMB750,000.00).

(XL) Directors and supervisors' emoluments

1. Directors and supervisors' emoluments

Items	2013	2012
Directors and supervisors' fees		
Executive directors	75,000.00	75,000.00
Non-executive director and independent non-executive directors	100,000.00	100,000.00
Supervisors	30,000.00	30,000.00
Sub-total	205,000.00	205,000.00
Executive directors' other emoluments		
Basic salaries and allowance	776,904.00	806,505.00
Contributions to retirement benefits/ pensions schemes	158,021.79	97,697.25
Sub-total	934,925.79	904,202.25
Supervisors		
Basic salaries and allowance	162,890.00	139,051.80
Contributions to retirement benefits/ pensions schemes	40,569.66	26,189.40
Sub-total	203,459.66	165,241.20
Total	1,343,385.45	1,274,443.45

None of the directors or supervisors waived any emoluments during the year.

No emoluments were paid by the Group to the directors or supervisors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XL) Directors and supervisors' emoluments (Continued)

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

Name	2013			Total
	Fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
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.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XL) Directors and supervisors' emoluments (Continued)

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

Name	2012			
	Fees	Other emoluments		Total
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(XL) Directors and supervisors' emoluments (Continued)

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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 = $P0 \div S$

$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$

Where:

P0 is the net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses; S is the weighted average of outstanding ordinary shares; S0 is total of the shares at the beginning of year; S1 is the number of additional shares resulting from reserve capitalization or allocation of scrip dividends during the reporting period; Si is the number of additional shares resulting from new issue or debt conversion to equity during the reporting period; Sj is the number of reduced shares resulting from share repurchase during the reporting period; Sk is the number of reduced shares during the reporting period; M0 is the number of months during the reporting period; Mi is accumulated months from the following month of increasing shares to the ending of reporting period; Mj is accumulated months from the following month of decreasing shares to the ending of reporting period.

Notes to the Financial Statements

For the year ended 31 December 2013

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

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

2. Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Addition of weighted average ordinary shares of warrants, share options and convertible bonds})$

Where P1 is the net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses, including the effect of the dilution of potential ordinary shares and P1 shall be adjusted in accordance with Accounting Standards for Business Enterprises. The Company in the calculation of diluted earnings per share shall take into account the effect of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders or the net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses as well as the weighted average number of shares according to their degree of sequence were included in diluted earnings per share diluted, up to diluted earnings per share becomes minimum.

(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

Notes to the Financial Statements

For the year ended 31 December 2013

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

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

2. Diluted earnings per share (Continued)

(1) Basic earnings per share (Continued)

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	-	-
	<hr/>	<hr/>
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

Notes to the Financial Statements

For the year ended 31 December 2013

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

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

2. Diluted earnings per share (Continued)

(2) Diluted earnings per share (Continued)

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	-	-
	<hr/>	<hr/>
Weighted average number (diluted) of ordinary shares at the end of the year	224,100,000.00	224,100,000.00
	<hr/> <hr/>	<hr/> <hr/>

(XLIV) Other comprehensive income

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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	<u>196,312,804.91</u>	<u>194,432,378.86</u>

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	<u>207,973,906.15</u>	<u>209,093,581.52</u>

3. Cash received relating to other investing activities

Items	2013	2012
Receipt of loan of non-financial institution	<u>-</u>	<u>6,133,000.00</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

(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)

Notes to the Financial Statements

For the year ended 31 December 2013

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

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

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 payment at any time	528,185,860.24	304,916,685.73
Other monetary funds available for payment at any time	-	84,000,000.00
	<hr/>	<hr/>
II. Cash equivalents	-	-
Including: Bond investment due in three months	-	-
	<hr/>	<hr/>
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

Notes to the Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information of subsidiaries of the Company:

(Unit: RMB'0000)

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

Notes to the Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(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

Notes to the Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(IV) Related party transactions *(Continued)*

2. Related party providing guarantees *(Continued)*

- (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 by the Company through the Hunan Lu Branch of China CITIC Bank was RMB6,115,952 of which RMB3,058,956 was retention monies for bills of exchange and the remaining RMB3,056,996 was secured by the guarantee provided by the Company.
- (2) Explanations on the guarantee provided to the Company and subsidiaries by the related parties:

Among the total guarantee provided to the Company by the related parties, Sample Group, as at 31 December 2013, the balances for the borrowings that the Company and the subsidiaries obtained was RMB236,250,000.

VII. CONTINGENT LIABILITIES

1. Guarantee provided to the debts of related parties (subsidiary):

For the particulars of the guarantees provided to the related parties, Jiangsu Intellitrans Company Limited (wholly-owned subsidiary) by the Company as at 31 December 2013, please see Note VI.(IV).2.(1).

2. Save as the above contingent matter, as at 31 December 2013, there is no other significant contingent matter which needs to be disclosed but has not been disclosed.

VIII. SIGNIFICANT COMMITMENTS

As at 31 December 2013, there is no significant commitment which needs to be disclosed but has not been disclosed.

Notes to the Financial Statements

For the year ended 31 December 2013

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.

Name of Products	2013		2012	
	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.

Notes to the Financial Statements

For the year ended 31 December 2013

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include trade and accounts receivables, other payables, cash and cash equivalents and short-term bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

Notes to the Financial Statements

For the year ended 31 December 2013

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

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.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(I) Accounts receivable

1. Disclosure of accounts receivable by categories

Categories	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	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:

Category	2013		2012	
	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:

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(I) Accounts receivable (Continued)

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		<u>27,665,431.69</u>		<u>34.91</u>

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.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(II) Other receivables

1. Disclosure of other receivables by categories:

Categories	2013				2012			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	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:

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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(II) Other receivables (Continued)

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

Name of unit	Relationship with the Company	Closing balance	Age	Percentage of the total other receivables (%)	Nature or content
Sample Technology (H.K.) Co., Ltd.	wholly-owned subsidiary	64,161,611.17	Over 3 years	84.06	amounts for transaction
Fuzhou Bonded Logistics Development Company Limited	non-related party	1,617,653.00	2 to 3 years	2.12	Retention monies
Changchun Xinglong Comprehensive Bonded Zone Investment and Construction Co., Ltd.	non-related party	901,485.20	1 to 2 years	1.18	Retention monies
Huai'an City Public Security Bureau	non-related party	412,969.00	Over 3 years	0.54	Retention monies
Dayao Bay Bonded Port Customs of Dalian	non-related party	210,288.00	Over 3 years	0.28	Retention monies
Total		<u>67,304,006.37</u>		<u>88.18</u>	

4. Amount due from related parties of the Company included in balance of other receivables at the end of the year

Name of unit	Relationship with the Company	Closing balance	Percentage of the total other receivables (%)
Sample Technology (H.K.) Co., Limited	wholly-owned subsidiary	<u>64,161,611.17</u>	<u>84.06</u>

5. There were no other receivables derecognised during 2013.

6. There were no other receivables-backed securitisations during 2013.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(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 Company Limited	Cost method	130,000,000.00	130,000,000.00	-	130,000,000.00	100.00	100.00
Nanjing Sample Logistic Company Limited	Cost method	6,000,000.00	6,000,000.00	-	6,000,000.00	100.00	100.00
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Cost method	85,000,000.00	85,000,000.00	-	85,000,000.00	85.00	85.00
Sample Technology (H.K.) Co., Limited	Cost method	77,688.00	77,688.00	-	77,688.00	100.00	100.00
Jiangsu Sample Information Technology Co., Ltd.	Cost method	15,000,000.00	15,000,000.00	-	15,000,000.00	30.00	30.00
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Cost method	70,000,000.00	-	70,000,000.00	70,000,000.00	100.00	100.00
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Cost method	12,000,000.00	-	12,000,000.00	12,000,000.00	60.00	60.00
Other investees:							
Zhong Jian Zhi Kang Supply Chain Management Company Limited	Cost method	74,986,244.94	74,986,244.94	-	74,986,244.94	19.00	19.00
Jiangsu Information Industry Institute Union Joint Stock Company	Cost method	2,000,000.00	2,000,000.00	-	2,000,000.00	4.00	4.00
Nanjing City Information Investment Holding Co., Ltd.	Cost method	24,400,000.00	24,400,000.00	-	24,400,000.00	13.83	13.83
Total			<u>337,463,932.94</u>	<u>82,000,000.00</u>	<u>419,463,932.94</u>		

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(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)

Name of Products	2013		2012	
	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

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(IV) Operating income and operating cost (Continued)

3. Operating income from the top five customers of the Company for the year

Name of the customers	2013	
	Total operating income	Percentage of the total operating income of the Company (%)
Nanjing Gori Technology (Holdings) Co., Ltd. (南京國瑞科技(集團)有限公司)	37,769,305.19	18.53
Jiangsu Bozhi Software Technology Co., Ltd. (江蘇博智軟件科技有限公司)	34,950,660.94	17.15
Sunflower Pharmaceutical Group Co., Ltd. (葵花藥業集團醫藥有限公司)	26,572,649.49	13.04
Nanjing Taixin Project Construction Co., Ltd. (南京泰新工程建設有限公司)	13,329,065.82	6.54
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	10,278,094.03	5.04
Total	122,899,775.47	60.30

(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.

Notes to the Financial Statements

For the year ended 31 December 2013

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

(Continued)

(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	<u>36,566,773.24</u>	<u>138,669,427.62</u>
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	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	<u>(37,838,471.86)</u>	<u>20,723,830.63</u>

Notes to the Financial Statements

For the year ended 31 December 2013

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

2013	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	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

Notes to the Financial Statements

For the year ended 31 December 2013

XIV. SUPPLEMENTAL INFORMATION (Continued)

(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	1,906,895.00	3,978,173.60	(52.07)	It was mainly due to the use of project materials.
Long-term deferred expenses	2,886,273.36	755,341.29	282.12	It was mainly due to the increase of e-card fee.
Deferred income tax assets	11,348,029.95	6,592,988.15	72.12	It was mainly due to the increase of provision.
Short-term borrowings	285,000,000.00	138,000,000.00	106.52	It was mainly due to decrease of borrowings.
Notes payable	6,115,952.00	29,246,066.85	(79.09)	It was mainly due to the decrease in bills.
Taxes payable	35,754,695.27	52,212,021.92	(31.52)	It was mainly due to the decrease in income tax payable.

Notes to the Financial Statements

For the year ended 31 December 2013

XIV. SUPPLEMENTAL INFORMATION *(Continued)*

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

2. Items in the income statement with significant changes during comparative periods and their reasons *(Continued)*

Items	2013	2012	Percentage of change (%)	Reasons of fluctuation
Taxes and surcharges	11,207,510.01	18,738,322.80	(40.19)	It was mainly due to the decrease in turnover tax and the corresponding city surcharges construction tax and education surcharge tax decreased during the period.
General and administrative expenses	75,788,482.51	56,672,710.29	33.73	It was mainly due to the increase of research and development cost.
Income tax expenses	21,496,476.06	37,621,268.34	(42.86)	It was mainly due to the decrease of taxable profits and the corresponding tax payables decreased.

XV. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company.

Nanjing Sample Technology Company Limited

21 March 2014

Five-Year Financial Summary

RESULTS

	2013	Year ended 31 December			
		2012	2011	2010 (restated)	2009 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total operating income	787,768	737,690	542,389	508,016	486,360
Total profit	151,624	206,840	171,440	127,727	96,111
Net profit	130,128	169,219	146,054	111,532	88,143
Non-controlling interests	3,722	1,291	–	–	(52)
Net profit attributable to shareholders of the Company	126,406	167,928	146,054	111,532	88,194
Basic earnings per share (RMB)	0.564	0.749	0.65	0.50	0.43

ASSETS AND LIABILITIES

	2013	At 31 December			
		2012	2011	2010 (restated)	2009 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	503,410	414,993	298,916	142,367	143,244
Current assets	1,398,454	1,191,208	1,149,434	965,594	795,774
Current liabilities	744,654	542,777	654,298	447,843	367,347
Net current assets	653,800	648,431	495,136	517,751	428,428
Equity attributable to shareholders of the Company	1,008,321	926,868	784,722	658,852	569,730
Total equity	1,057,060	963,886	792,449	658,852	569,730