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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1708)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2020 (the "Period") amounted to RMB298,462,892.82, representing a decrease of approximately 63.47% as compared to the corresponding period of last year.

The net profit attributable to owners of the parent company for the six months ended 30 June 2020 was RMB10,496,067.21, representing a decrease of approximately 88.81% as compared to the corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.013 (corresponding period of 2019: RMB0.118).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the comparative figures of 2019 as follows:

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

Consolidated Balance Sheet

At 30 June 2020

ASSETS	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Current assets:			
Cash at bank and on hand		154,157,620.78	163,444,153.79
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Notes receivable	8	33,500.00	576,000.00
Accounts receivable	8	979,073,295.69	1,114,075,029.94
Receivables financing	8	–	1,220,000.00
Prepayments	8	429,916,049.53	206,861,485.08
Other receivables	8	112,793,989.80	139,362,794.66
Inventories		171,154,654.76	150,627,602.21
Contract assets		1,098,611,649.96	1,149,189,607.89
Held-for-sale assets		–	–
Non-current assets due within one year		–	–
Other current assets		67,729,744.83	50,252,379.01
Total current assets		3,013,470,505.35	2,975,609,052.58

ASSETS	<i>Note</i>	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Non-current assets:			
Debt investment		–	–
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investments		14,034,388.49	14,034,388.49
Other equity instruments investment		668,973,000.00	679,253,400.00
Other non-current financial assets		125,925,981.49	125,359,255.07
Investment property		230,602,600.00	230,602,600.00
Fixed assets		273,381,345.04	294,887,205.17
Construction in progress		344,467.16	3,424,335.80
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		–	–
Intangible assets		11,536,032.18	11,173,166.61
Development expenditures		–	–
Goodwill		–	526,438.04
Long-term deferred expenses		1,600,753.91	2,182,783.12
Deferred income tax assets		49,310,077.34	49,419,949.36
Other non-current assets		67,544,822.88	73,145,879.55
Total non-current assets		<u>1,443,253,468.49</u>	<u>1,484,009,401.21</u>
TOTAL ASSETS		<u>4,456,723,973.84</u>	<u>4,459,618,453.79</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Current liabilities:			
Short-term borrowings		814,114,498.29	680,071,088.70
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable	<i>9</i>	–	6,593,170.50
Accounts payable	<i>9</i>	809,853,124.71	898,959,973.99
Advances from customers		–	–
Contract liabilities	<i>9</i>	129,505,633.64	131,652,689.48
Payroll payables		3,270,378.93	4,804,999.97
Taxes payable		29,531,092.74	26,958,471.76
Other payables	<i>9</i>	61,491,654.93	36,026,989.45
Held-for-sale liabilities		–	–
Non-current liabilities due within 1 year		337,746,146.56	356,946,404.90
Other current liabilities		18,102,904.21	25,907,029.50
Total current liabilities		<u>2,203,615,434.01</u>	<u>2,167,920,818.25</u>
Non-current liabilities:			
Long-term borrowings		119,570,000.00	136,512,056.75
Bonds payables		–	–
Including: preferred shares		–	–
perpetual bond		–	–
Lease liabilities		–	–
Long-term payables		–	–
Long-term payroll payables		–	–
Estimated liabilities		–	–
Deferred income		24,466,879.87	27,140,354.72
Deferred income tax liabilities		12,465,237.86	12,455,217.94
Other non-current liabilities		–	–
Total non-current liabilities		<u>156,502,117.73</u>	<u>176,107,629.41</u>
Total liabilities		<u>2,360,117,551.74</u>	<u>2,344,028,447.66</u>

		At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
LIABILITIES & OWNERS' EQUITY	<i>Note</i>		
Owners' equity:			
Share capital		792,058,500.00	792,058,500.00
Other equity instruments		–	–
Including: preferred shares		–	–
perpetual bond		–	–
Capital reserves		103,269,821.12	103,269,821.12
Less: treasury stocks		–	–
Other comprehensive income		29,046,172.45	28,782,888.30
Special reserves		–	–
Surplus reserves		104,128,024.15	104,128,024.15
Undistributed profits	5	1,021,572,028.80	1,011,075,961.59
Total owners' equity attributable to the parent company		2,050,074,546.52	2,039,315,195.16
Minority interest		46,531,875.58	76,274,810.97
Total owners' equity		<u>2,096,606,422.10</u>	<u>2,115,590,006.13</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>4,456,723,973.84</u>	<u>4,459,618,453.79</u>

Consolidated income statement

For the six months ended 30 June 2020

ITEMS	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
I. Total operating income		298,462,892.82	816,952,108.91
Less: Operating cost	2	204,675,144.25	619,697,654.26
Taxes and surcharges	2	2,456,123.40	3,071,472.21
Selling and distribution expenses		20,090,926.29	19,697,875.74
Administrative expenses		24,188,287.60	25,573,746.74
Research & development expenses		19,626,727.15	21,659,396.02
Financial expenses	4	25,477,374.66	31,951,075.98
Including: Interest expenses	4	25,037,701.27	33,002,632.19
Interest income	4	303,233.88	2,236,543.94
Add: Other income		10,429,671.27	9,535,678.94
Investment income (with “-” for losses)		27,746.93	813,400.00
Including: Investment income from			
associates and joint ventures		–	–
Gain on derecognition of			
financial assets at			
amortized cost		–	–
Income from net exposure to hedging			
(with “-” for losses)		–	–
Gain on fair value change			
(with “-” for losses)		–	–
Credit impairment loss			
(with “-” for losses)		-1,371,699.38	-2,450,000.00
Asset impairment loss (with “-” for losses)		–	551,110.82
Income on disposal of assets			
(with “-” for losses)		-33,820.83	3,035.82
II. Operating profit (with “-” for losses)		13,743,606.22	107,551,891.90
Add: Non-operating income		162,769.32	208,838.51
Less: Non-operating expenses		5,416.48	152,126.80
III. Total profit (with “-” for total losses)		13,900,959.06	107,608,603.61
Less: Income tax expenses	5	3,661,022.90	18,812,118.52

ITEMS	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
IV. Net profit (with “-” for net losses)		10,239,936.17	88,796,485.09
Including: net profit achieved by the merger of the merged party before the merger under the same control			
(I) Classified by business continuity			
1. Net profit from the continuing operations (with “-” for net losses)		10,239,936.17	88,796,485.09
2. Net profit from the discontinued operations (with “-” for net losses)		—	—
(II) Classified by ownership			
1. Net profit attributable to the owners of parent company		10,496,067.21	93,769,545.92
2. Minority shareholder gains and losses		-256,131.05	-4,973,060.83
V. Net other comprehensive income, net of tax		263,284.15	-1,970,833.39
Net other comprehensive income attributable to the owners of parent company, net of tax		263,284.15	-1,970,833.39
(I) Other comprehensive income that cannot be reclassified to profit or loss		—	—
1. Changes of re-measurement of defined benefit plans		—	—
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		—	—
3. Changes in fair value of other equity instruments investment		—	—
4. Changes in fair value of the company’s own credit risk		—	—
5. Others		—	—

ITEMS	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
(II) Other comprehensive income that can be reclassified to profit and loss		263,284.15	-1,970,833.39
1. Other comprehensive income under equity method that can be reclassified into profit and loss		—	—
2. Changes in fair value of other debt investments		-125,133.43	—
3. Financial assets reclassified into other comprehensive income		—	—
4. Credit impairment provisions for other debt investment		—	—
5. Reserves for cash flows hedges		—	—
6. Converted difference in foreign currency statements		388,417.58	-1,970,833.39
7. Investment income from a package disposal of subsidiaries before the loss of control		—	—
8. Conversion of other assets to investment property measured by fair value model		—	—
9. Others		—	—
VI. Total comprehensive income		10,503,220.31	86,825,651.70
Total comprehensive income attributable to the owners of parent company		10,759,351.36	91,798,712.53
Total comprehensive income attributable to minority shareholders		-256,131.05	-4,973,060.83
VII. Earnings per share:			
(1) Basic earnings per share (yuan/share)	6	0.013	0.118
(2) Diluted earnings per share (yuan/share)		0.013	0.118

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company – Financial Reporting General Provisions (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”).

The accounting policies and calculation methods used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

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

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Principal operating income	285,897,483.97	803,094,785.48
Other operating income	12,565,408.85	13,857,323.43
Total operating income	<u>298,462,892.82</u>	<u>816,952,108.91</u>
Principal operating cost	203,750,858.93	618,958,833.65
Other operating cost	924,285.32	738,820.61
Total operating cost	<u>204,675,144.25</u>	<u>619,697,654.26</u>

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	Operating income	Operating cost	Operating income	Operating cost
System integration	223,895,863.14	165,483,404.27	370,958,218.05	268,723,220.39
Intelligent terminal sales	19,145,065.19	18,300,462.35	352,562,916.44	318,882,170.20
Service	42,856,555.64	19,966,992.31	79,573,650.99	31,353,443.06
Total	<u>285,897,483.97</u>	<u>203,750,858.93</u>	<u>803,094,785.48</u>	<u>618,958,833.65</u>

3. SEGMENTS INFORMATION

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

4. FINANCE COSTS

Item	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest expenses	25,037,701.27	33,002,632.19
Less: interest income	303,233.88	2,236,543.94
Exchange gain or loss	—	—
Others	742,907.27	1,184,987.73
Total	<u>25,477,374.66</u>	<u>31,951,075.98</u>

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Current income tax calculated based on tax law and related regulations	3,661,022.90	19,316,698.11
Deferred income tax adjustment	—	-504,579.59
Total	<u>3,661,022.90</u>	<u>18,812,118.52</u>

On 7 December 2017, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the effective tax rate of enterprise income tax for the Company is 15% during the reporting period.

On 27 December 2017, Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 30 November 2018, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 28 November 2018, Nanjing City Intelligent Transportation Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

On 30 November 2018, Nanjing Sample Chain Information Technology Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise Certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu Provincial Taxation Bureau of State Administration of Taxation (江蘇省科學技術廳、江蘇省財政廳、國家稅務總局江蘇省稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% during the reporting period.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period attributable to the owners of the parent company of RMB10,496,067.21 (corresponding period of 2019: RMB93,769,545.92) and weighted average number of issued ordinary shares of 792,058,500 (2019: 792,058,500) during the period.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the periods ended 30 June 2020 and 2019.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Accounts receivable	1,146,841,925.72	1,296,531,239.84
Less: Provision for bad debts for accounts receivable	167,768,630.03	182,456,209.90
Receivable financing	–	1,220,000.00
Notes receivable	33,500.00	576,000.00
Prepayments	429,916,049.53	206,861,485.08
Other receivables	137,665,953.37	159,063,772.32
Less: Provision for bad debts for other receivables	24,871,963.57	24,220,310.72
Interest receivable	–	4,519,333.06
Dividends receivable	–	–
	<hr/>	<hr/>
Total	<u>1,521,816,835.02</u>	<u>1,462,095,309.68</u>

The aging analysis of accounts receivable

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Within 1 year (including one year)	554,199,196.53	702,842,316.76
1 to 2 years	435,509,718.47	436,111,052.22
2 to 3 years	78,043,077.72	78,146,805.86
Over 3 years	79,089,933.00	78,146,805.86
	<hr/>	<hr/>
Sub-total	1,146,841,925.72	1,296,531,239.84
Less: Provision for bad debts	167,768,630.03	182,456,209.90
	<hr/>	<hr/>
Total	<u>979,073,295.69</u>	<u>1,114,075,029.94</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Accounts payable	809,853,124.71	898,959,973.99
Notes payable	-	6,593,170.50
Advances from customers	-	-
Other payables	61,491,654.93	36,026,989.45
Interest payable	-	-
Dividend payable	-	-
Contract liabilities	129,505,633.64	131,652,689.48
	<u>1,000,850,413.28</u>	<u>1,073,232,823.42</u>
Total	<u>1,000,850,413.28</u>	<u>1,073,232,823.42</u>

The aging analysis of accounts payable

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Within 1 year	516,304,443.38	605,157,534.69
1 to 2 years	153,893,452.37	155,235,187.65
Over 2 years	139,655,228.96	138,567,251.65
	<u>809,853,124.71</u>	<u>898,959,973.99</u>
Total	<u>809,853,124.71</u>	<u>898,959,973.99</u>

The aging analysis of notes payable

Items	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Within 1 year	-	6,593,170.50
1 to 2 years	-	-
Over 2 years	-	-
	<u>-</u>	<u>6,593,170.50</u>
Total	<u>-</u>	<u>6,593,170.50</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total operating income

For the six months ended 30 June 2020 (the “Review Period”), the total operating income of the Group amounted to RMB298,462,892.82, representing a decrease of approximately 63.47% over that of the corresponding period of last year. The decrease was mainly attributed to (i) the delay in resumption of some projects resulted by the cities lockdown and quarantine for inbound persons as influenced by the novel coronavirus (COVID-19) epidemic; and (ii) the decrease in revenue of system integration and intelligent terminal sales for the six months ended 30 June 2020 due to decrease in projects successfully bid.

Gross profit margin

The gross profit margin for the Review Period increased from approximately 24.15% for the corresponding period of last year to approximately 31.42% which was mainly due to the weighting of revenue of system integration and intelligent terminal sales with relatively low gross profit margins have decreased in the total revenue.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2020 was RMB20,090,926.29, representing an increase of approximately 2.00% as compared with the corresponding period of last year. The main reason for the increase was that the Group maintained its input in sales in order to strive for the improvement of results in the second half of the year.

Administrative expenses

The administrative expenses recorded a decrease of approximately 5.42% from RMB25,573,746.74 in the corresponding period of last year to RMB24,188,287.60 for the Review Period. The decrease was mainly attributed to the continual optimization of internal structure by the Company which enhanced the internal operational efficiency.

Research and development expenses

The research and development expenses for the six months ended 30 June 2020 were RMB19,626,727.15, representing a decrease of approximately 9.38% as compared with the same period last year. The decrease was mainly due to the fact that the research and development plan has been delayed due to the impact of COVID-19 in the first half of the year.

Financial expenses

The financial expenses for the six months ended 30 June 2020 were RMB25,477,374.66, representing a decrease of approximately 20.26% as compared with the same period last year. The main reason for the decrease was attributed to the decrease in the overall loan interest rates of the Group.

Prepayments

As at 30 June 2020, the Group's prepayments amounted to RMB429,916,049.53, representing an increase of approximately 107.83% as compared to that of 31 December 2019. The increase was mainly due to the increase in prepayment for procurement for the active business expansion by the Group.

Other payables

As at 30 June 2020, the Group's other payables were RMB61,491,654.93, representing an increase of approximately 70.68% as compared to that of 31 December 2019. The increase was mainly attributed to the potential fund units transfer payment due to Nanjing Dongbang Equipment Co., Ltd. (For details of the transaction, please refer to the Group's announcement dated 19 March 2020 and 17 June 2020).

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group's working capital (being current assets less current liabilities) as at 30 June 2020 was RMB809,855,071.34 (At 31 December 2019: RMB807,688,234.33).

As at 30 June 2020, the bank balances and cash of the Group amounted to RMB154,157,620.78 (At 31 December 2019: RMB163,444,153.79).

Capital Structure

As at 30 June 2020, the total bank borrowings of the Group was RMB1,271,430,644.85 (At 31 December 2019: RMB1,173,529,550.35), which included secured bank borrowings of RMB222,250,000.00 with annual interest rates ranging from 4.9% to 5.35% and are repayable within 3 years. The remaining of RMB1,049,180,644.85 was unsecured bank borrowings, including bank borrowings of RMB949,180,644.85 with annual interest rates ranging from 3.92% to 7% and are repayable within one year, bank borrowings amounted to RMB100,000,000 with annual interest rate ranging from 5.22% to 7% and are repayable within two years. During the Review Period, the bank borrowings was mainly used in support of the Group's business development and the funds obtained was mainly used for project procurement and prepayments for projects.

As at 30 June 2020, the registered and issued share capital of the Company was RMB792,058,500.00 which was divided into 229,500,000 H Shares and 562,558,500 Domestic Shares.

Pledge of Assets of the Group

As at 30 June 2020, the Group had the following assets pledged:

- (i) The total book value of the Group's assets of RMB559,911,493.30 (including: investment property of RMB230,602,600, fixed assets of RMB103,724,533.67, intangible assets of RMB7,817,459.63, other equity instruments investment of RMB217,766,900) were pledged to banks to secure outstanding bank loans of approximately RMB222,250,000.00.
- (ii) The bank deposits of RMB14,370,554.11 (As at 31 December 2019: RMB27,523,624.03) were pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2020, the Group has an aggregate of 255 employees (At 30 June 2019: 316 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB26,755,378.47 (corresponding period of 2019: RMB32,301,246.93).

The salary and bonus policy of the Group is principally determined by the performance of the individual employee.

Gearing Ratio

The gearing ratio (being short-term borrowings plus long-term borrowings plus non-current liabilities due within one year less cash and cash equivalents divided by equity) of the Group as at 30 June 2020 was approximately 53.98% (At 31 December 2019: approximately 49.05%). This was mainly attributed to the increase of bank borrowings for the project procurement and project prepayments in support of the Group's business development.

Risk in Foreign Exchange

The revenue and expenses of the Group were denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant.

Substantial Acquisition and Disposal and Significant Investment

The Disposal

On 19 March 2020, the Company and China Overseas Development and Construction Group Co., Ltd. ("China Overseas"), Jiangsu Zhongyi Smart City Construction Co., Ltd. ("Jiangsu Zhongyi") and Nanjing Dongbang Equipment Co., Ltd. ("Nanjing Dongbang") entered into the Acquisition and Cooperation Agreement, pursuant to which, China Overseas conditionally agreed to purchase and the Company and Jiangsu Zhongyi conditionally agreed to sell approximately 60.33% and 39.45% equity

interests in Nanjing Dongbang held by them respectively at a total consideration of RMB460,460,000, of which the transfer of the approximately 60.33% equity interest (of which RMB438,000,000 is paid-up capital) in Nanjing Dongbang held by the Company to China Overseas (the “Disposal”) was at a consideration of RMB438,027,500 and the transfer of the approximately 39.45% equity interest (of which RMB22,431,000 is paid-up capital and RMB264,000,000 is unpaid capital) in Nanjing Dongbang held by Jiangsu Zhongyi to China Overseas was at a consideration of RMB22,432,500. On 23 March 2020, the abovementioned disposal has been changed its registration with Market Supervision and Administration Bureau of Yuhuatai District in Nanjing.

The Possible Acquisition

On 19 March 2020, the Company (as the transferee) and Nanjing Dongbang (as the transferor) and the fund manager signed the Fund Transfer Agreement, pursuant to which, the Company agreed to purchase all units of the Xuyi Fund that held by Nanjing Dongbang at a consideration of RMB450,000,000. Pursuant to the Acquisition and Cooperation Agreement, the parties agreed to provide an option to China Overseas, which is exercisable by China Overseas within 90 days after the Acquisition and Cooperation Agreement comes into effect to decide whether the Fund Transfer Agreement is lapsed. If China Overseas uses the Option to decide that the Fund Transfer Agreement is lapsed, it will mean that China Overseas will continue to hold the Xuyi Fund through Nanjing Dongbang. If China Overseas decides that the Fund Transfer Agreement is effective, it will mean that the Company shall purchase the Xuyi Fund held by Nanjing Dongbang and pay the consideration of RMB450,000,000 to Nanjing Dongbang pursuant to the Fund Transfer Agreement.

On 17 June 2020, China Overseas, the Company, Jiangsu Zhongyi and Nanjing Dongbang entered into a supplemental agreement, pursuant to the which, all parties agreed to amend the option period from 90 days to 180 days by further extending the option period for 90 days. All other terms and conditions of the Acquisition and Cooperation Agreement and the Fund Transfer Agreement remain unchanged.

Details in relation to the Disposal and the Possible Acquisition can be referred to the Company’s announcement dated 19 March 2020, 24 March 2020 and 17 June 2020.

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

Future Plans Relating to Material Investment or Capital Asset

As at the date of this announcement, the Group has not executed any agreement in respect of proposed acquisition and did not have any other future plan of material investment or capital asset.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business development

During the period under review, the outbreak of the COVID-19 pandemic at the beginning of the year delayed construction starting on various Group projects and affected the progress of others. Despite severe challenges, the Group and its employees strove to serve customers without interruption, taking whatever measures necessary to overcome difficulties and mitigate adverse impacts on the path to resuming work and production. In April 2020, the Group was included in the “List of Key Secured Enterprises for the Prevention and Control of Novel Coronavirus Pneumonia Epidemic”, a recognition from all levels of government of our business expertise and utilisation of internet-of-things for epidemic prevention and control.

In the domain of expressway intelligent transportation, the Group has always taken a customer-orientated approach, continuously strengthening its execution, refining its management standards for project implementation, and enhancing its market competitiveness. In accordance with its strategic planning and competition strategy formulated at the beginning of the year, the Group has optimised its business plan and worked to consolidate its market leadership by leveraging on its advantages in the traditional market. In a fiercely competitive market, the Group participated in bidding for projects, and in markets where it was less competitive, the Group strove to secure targeted projects, develop new areas of business and explore development direction. The Group also entered into strategic cooperative relationships with industry peers for the expansion of new geographical markets and business projects.

During the period under review, the Group made progress in the construction of the QHJD03 section of Liyang-Ningde National Expressway (mechanical and electrical engineering project) in Chun’an, Zhejiang Province; mechanical and electrical engineering construction for the JD1 section of the Panzhihua-Dali Expressway (Sichuan section); capacity expansion of the Hangzhou section of the Deqing-Fuyang section of the G25 Changshen Expressway; and the JD05 section of the G25 Fuyang-G60 Zhuji Expressway link (mechanical and electrical engineering project).

The Group also signed several new contracts, including the PY-JD3 mechanical and electrical engineering project for the Pusi Overpass on National Highway 104; the CY-91 mechanical and electrical engineering project for the Changzhou-Yixing Expressway; mechanical and electrical engineering for the Sanmingjing Youxi Zhongxian-Jianning Lixin section of the Puyan Expressway (the first new project the Group secured in four years since it won the 2016 bid for projects in Fujian Province); the integrated mechanical and electrical engineering for the Xintai-Taierzhuang Malantun section of the Xintai-Taierzhuang (the junction of Shandong Province and Jiangsu Province) Highway (our first project in Shandong Province’s market area); and the intelligent construction of the water pipeline for the Linhe-Baigeda section (within the Alxa League) of the Beijing-Xinjiang Expressway – the Group’s first successfully tendered intelligent water treatment project.

The Group commenced a range of major projects during the period under review providing clients with integrated system services comprising highway monitoring, communications, tolls and tunnel electromechanical work. In addition to continuing to improve its project management and data collection capabilities, the Group explored big data analysis applications relating to transportation in new frontiers and extended the intelligent transportation concept to every business segment.

In the customs intelligent logistics business, the Group is leveraging RFID core technology while providing packaged intelligent solutions such as information planning, software, hardware, integration of information system and operation and maintenance services for logistics customers such as the customs, the customs special regulatory districts (including bonded zone, cross-border comprehensive experimental zone, etc.), port terminals and airports to enhance regulatory efficiency, reduce regulatory costs and improve the convenience of customs clearance, thus facilitating trade flows.

During the period under review, the Group explored new business and strove to maintain its competitive advantages in the customs intelligent logistic business. This was demonstrated by increased investment in artificial intelligence and video technologies, including the development and successful launches of AI container number identification, container inspection, empty container identification, railway and cross-border express systems. Many of these new products have been successfully launched on the market with orders secured to gradually build up the Group's business niche and differentiated competitive advantage.

During the period under review, the Group secured the Taicang port gate's intelligent renovation project. The project uses the Group's new AI container number identification system to enable automated management. The Group also began its logistics surveillance project for the Wuxi Hi-tech comprehensive bonded zone. This uses the Group's updated Smart Eye Access 2.0 regulation system to reduce the time needed for customs clearance. Finally, the Group also secured the informatisation project for Hongguang terminal in Pengze, Jiujiang City.

Research and development (“R&D”)

During the period under review, the Group closely cooperated with Southeast University on a high-value patent cultivation project for the Jiangsu Province Intellectual Property Office. The Group also implemented government projects such as the NDRC's “Internet +” and the “2019 Provincial Industry and Information Transformation and Upgrade Project Fund”.

During the period under review, the Group was included among the 2019 Top 100 New Hi-tech Enterprises in Nanjing. On 23 July 2020, the Ministry of Transport published comprehensive national credit evaluation results for highway construction enterprises in 2019, with Jiangsu Intellitrans Company Limited – a subsidiary of the Company – obtaining an ‘AA’ rating.

During the period under review, the Group strongly emphasised the effective application and protection of intellectual property rights. The Group filed applications for 15 software copyrights, and was granted one invention patent and nine software copyrights during the period.

Future prospects

During the second half of the year, the Group will continue “development through innovation” and advance its business and management in line with the strategies and goals established at the beginning of the year. To this end it will strive to clarify the core driving force and direction of its long-term sustainable development, adjust and refine its development strategy as needed in response to its latest business condition and changing market environment, and increase R&D investment in core technologies. As it strives toward a transformation of its growth pattern, the Group will also improve its management system with a focus on information and internal controls.

In the second half of the year, the Group will maintain its focus on the core sectors of expressway intelligent transportation and intelligent customs logistics. It will provide customers in these sectors with “smart hardware + platform system + data services”, supported with integrated “Internet + Internet of Things” technologies. Technological innovation is the Group’s central driving force, and essential to its “technology + market” dual-wheel driving development model. In the expressway intelligent transportation sector, the Group will pursue technological upgrades in line with smart highway application scenarios, advance the implementation of smart road pilot projects and cloud platform monitoring. In intelligent customs logistics, the Group will maintain its focus on product differentiation and extend research into application scenarios, increase product R&D, and further upgrade solutions for core customers.

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.

Competing Business and Conflicts of Interests

None of the Directors or substantial shareholders of the Company 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 any other conflicts of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the six months ended 30 June 2020.

Audit Committee

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duty of the audit committee is to supervise the financial reporting process and internal control of the Company.

The audit committee comprises of three independent non-executive Directors, namely Mr. Gao Lihui (the chairman of the audit committee), Mr. Niu Zhongjie and Mr. Hu Hanhui. The audit committee of the Company has reviewed the unaudited results of the Group for the Review Period and has provided advice and comments thereon.

Corporate Governance Code

For the six months ended 30 June 2020, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Change in Constitutional Document

During the period under review, there has been no significant change in the Company's Articles of Association.

Purchase, Redemption or Sales of Listed Securities of the Company

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

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

28 August 2020
Nanjing, the PRC

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Ma Fengkui, Mr. Zhang Junmin; the non-executive Director is Mr. Chang Yong and the independent non-executive Directors are Mr. Gao Lihui, Mr. Niu Zhongjie and Mr. Hu Hanhui.

* For identification purpose only