



# 南京三寶科技股份有限公司

NANJING SAMPLE TECHNOLOGY COMPANY LIMITED \*

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

Stock code : 1708



Annual Report

# 2014

\* for identification purpose only

	<i>Page</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	8
Biographical Details of Directors, Supervisors and Senior Management	14
Report of the Directors	18
Corporate Governance Report	25
Report of the Supervisory Committee	33
Auditor's Report	34
Consolidated Balance Sheet	36
Balance Sheet of the Company	38
Consolidated Income Statement	40
Income Statement of the Company	42
Consolidated Cash Flow Statement	43
Cash Flow Statement of the Company	45
Consolidated Statement of Changes in Equity	47
Statement of Changes in Equity of the Company	49
Notes to the Financial Statements	51
Five-Year Financial Summary	162

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)  
Mr. Chang Yong  
(Vice Chairman)  
Mr. Zhu Xiang  
(Chief Executive Officer)

## 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. Zhu Xiang  
Mr. Shum Shing Kei

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Mr. Zhu Xiang  
Ms. Wong Lai Yuk

## AUDITOR

BDO China  
Shu Lun Pan Certified Public Accountants (LLP)  
Room 1504, Taihu Peral Development Mansion,  
No.1890, Taihu West Avenue,  
Wuxi City,  
Jiangsu Province,  
the People's Republic of China

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited  
(Nanjing Xinjiekou Branch)  
95 Hanzhong Road, Nanjing City,  
Jiangsu Province,  
the People's Republic of China

## HONG KONG H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

## LEGAL ADVISER

Keith Lam Lau & Chan  
5th–7th Floors,  
The Chinese Club Building,  
21–22 Connaught Road Central,  
Hong Kong

## REGISTERED OFFICE

No. 10 Maqun Avenue,  
Qixia District, Nanjing City,  
the People's Republic of China

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

No. 10 Maqun Avenue,  
Qixia District, Nanjing City,  
the People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre  
168–200 Connaught Road  
Central,  
Central, Hong Kong

## STOCK CODE

1708



**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 2014 (the “period under review”)  
for your review and consideration.*





# Chairman's Statement

## RESULTS

Income and the profit attributable to the shareholders of the Company for the 2014 financial year amounted to approximately RMB907,225,991.66 and RMB137,953,042.32 respectively (for the year ended 31 December 2013: RMB787,767,966.59 and RMB126,405,756.32), representing an increase of 15.16% and 9.14%, respectively. The increase in income was mainly attributable to the rapid growth of system integration and revenue from services as compared with the same period last year, whereas the increase in the profit attributable to the shareholders of the Company for the year was mainly due to the increase in operating income of the Group during the period under review, and the increase of operating profit as compared with the same period last year.

## DIVIDEND

During the period under review, the Board recommended the payment of a final dividend of RMB0.2 per share for the year ended 31 December 2014.

## BUSINESS AND OPERATION REVIEW

According to the Group's strategy, the Company identified its strategic goal for 2014 as to be centered at Internet of Things ("IOT") and oriented to intelligent urban infrastructure and service, with technological finance as means of business breakthrough, cooperating with high end resources of the industry chain, to expand business scale rapidly, realizing maximum revenue; build an open platform, accumulating a large number of end user clients, serving a larger clientele with more resources, continuing to satisfy the demand of clients, continuing to enhance the client satisfaction, continuing to create value for customers. Centered at the above strategic goals, under the leadership of the Board of the Company, in 2014 the business scale of the Company in the intelligent urban infrastructure and service fields reached a historic high, the industry structure was further optimized, the initial results of its transformation from intelligent city maintenance service provider to information service provider were seen.

### **Better results recorded for the intelligent urban infrastructure business, leading position of IOT further secured**

Pioneered by the development strategies of industries from various countries and driven by the market demand, in 2014 the global IOT market showed an accelerated development trend. In China, the demonstrative applications in key national industries promoted the application of IOT in all industries and substantive progress was made, which facilitated an in-depth integration of new informationization and the traditional industries. Meanwhile the cloud platform of industries and sectors and Big Data of industries and sectors unveiled the room for development of IOT industries beyond imagination. The Group focuses on the development pace of the industry, strengthens technological R & D, actively promoted the application of IOT in intelligent urban infrastructure, which obtained satisfactory results.

During the period under review, eight ministries and commissions including the National Development Reform Commission, the Ministry of Industry and Information, the Ministry of Transport and the Ministry of Finance jointly issued the “Guided Opinion on the Promotion of the Healthy Development of Intelligent Cities”, which clearly defined the guided thinking, implementation path and key tasks of intelligent urban infrastructure, and further stipulated the direction of the construction of intelligent cities. Leveraging on the favourable policies, the Group actively innovated the business model of intelligent urban infrastructure and accumulated experience in overseas projects. Total operating revenue of the Company exceeded RMB900 million and total profit exceeded RMB160 million which recorded a new high level. The cash flow from operating activities reached RMB180 million which showed that the sustainable operation capability of the Company was significantly enhanced.

During the period under review, the customs on-the-track monitoring business of the Group made a breakthrough and the key layout of safety intelligent locks in the Yangtze Delta Region and Pearl Delta Region was completed. The Company successfully entered into contracts with Shanghai Customs and Guangdong Customs in relation to the safety intelligent locks operation projects and completed the construction of 71 electronic customs passages in Shanghai customs area and 10 electronic customs passages in Nanjing customs area. The Group implemented the pilot project of cross-customs area in Nanjing Customs Wuxi comprehensive bonded area, realized the application of safety intelligent locks in cross-customs area of Nanjing Customs and Shanghai Customs while the Company lowered the utilization costs to customers by innovated business models such as free hardware and service charge per use, which made value-added services more acceptable for the clients, safeguarded the long term operation service capability of the Company for all types of clients and evidenced the Company's development ideology to achieve a win-win situation with clients.

During the period under review, the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, the construction of which was undertaken by the Group, successfully passed the comprehensive assessment organized by the Ministry of Science and Technology and was officially awarded the name. Currently it has become an internationally advanced, and domestic outstanding, RFID technological R&D and innovation base, engineering technical consultation and information service centre, product industrialization and demonstration base, inspection and testing base which has remarkable characteristics and secured the leading position of the Company in IOT core RFID technological research, product development and system application. During the period under review, the Group was awarded the “China RFID Advanced Enterprise Prize”, “China RFID Innovative Product Prize”, “Golden Ants Awards-Outstanding Results in Application Award” and “Golden Ants Awards-Innovative Product Prize”.

### **Seizing the development opportunities of cross-border e-commerce, remarkable enhancement of comprehensive service capability**

2014 was a year of development for cross-border e-commerce of China. As at the end of 2014, the export business of 16 national cross-border e-commerce export pilot cities including Beijing, Nanjing and Qingdao exceeded RMB2 billion in aggregate, which covered 181 countries and regions; during the same period, the import business of 7 national cross-border e-commerce import pilot service cities including Shanghai, Hangzhou and Shenzhen exceeded RMB1 billion in aggregate. The total import and export amount of cross-border e-commerce pilot cities of China has already exceeded RMB3 billion.



## Chairman's Statement

During the period under review, the Group completed the construction of and started operation of “K Customs” service platform system product framework and business framework, and completed the adjustments of 2 pilot e-commerce companies and Jiangsu Post, while at the same time realized an interface with the uniform version system of the export and customs for cross-border e-commerce in China Customs. At present the system possesses 18 million historical classified merchandise data, 9000 tax rules, 1900 anti-dumping regulations, 5987 cross-border merchandises requiring filing. After the Company has conducted adequate market survey, it paid attention to the logistics and information flow services of cross-border e-commerce. The import and export logistics data were linked up with the customs data, commercial inspection data, quality monitoring data and tax data via the “K Customs” service platform system, which greatly speeded up the customs clearance process, while it also supported the integration of one-stop basic services of cross-border e-commerce, general trading, processing trade and “Wu Liu Yi Tao” and other products, and offered logistics selection and the financial value added services of supply chain. Besides, the Company particularly strengthened strategic cooperation with famous customs clearance companies and logistics companies, which quickly accumulated a large number of basic clients and the platform possessed the capability to serve import and export trade on a large scale.

During the period under review, the Group set up open cloud service platforms such as data space, data information, cloud storage, which increased the support for the huge amount of data in the data centre by building cloud function of the data centre, while at the same time many new techniques with industrial features were integrated in the intelligent urban infrastructure, for instance, the introduction of geomagnetic, 915M Guobiao reader and writer which are new RFID products that closely followed the applications used in industries, and they will also become an important sources of the Big Data of industries.

### PROSPECTS

IOT is an important component of the new generation of information industry, which has become a strategic support for cultivating strategic emerging industries and speeding up the economic recovery and transformation of the society. It has broad development prospects, and has important significance for the domestic economy and development of the society. The acceleration of the promotion of IOT R&D techniques and their comprehensive application in intelligent urban infrastructure have important significance for the full enhancement of the quality and level of urbanization development and facilitated synchronized development of industrialization, informationization, urbanization and modernization of the rural areas. In 2015 the state will introduce the “Made in China 2025 Planning”, which proposes the three 10-years strategies – the “Three Steps” strategy for China to build itself into a large manufacturing country, and formulate “Internet+” action plan to promote the integration between mobile internet, cloud computation, Big Data, IOT and modern manufacturing industry, and facilitate the healthy development of e-commerce, industrial internet and internet finance while launching more refined incentive and supporting policies as support. The market scale of the IOT industry by that time will reach RMB750 billion and the compound annual growth rate will reach 30%. The development of the IOT industry faces rare development opportunities, it is hopeful that it will exceed the traditional IT fields of computer, internet and mobile communication.

## Focus on core business areas, building the ecology of the industry chain

The Group will focus on intelligent transportation, intelligent logistics, cross-border e-commerce and smart car business areas, explore opportunities in the industry, deploy layouts in two large trading platforms with certain trading scale, namely the foreign trade comprehensive services and vehicle comprehensive services, launch the related intelligent terminal with own intellectual property right, center at target clients, use IOT + mobile communication methods to quickly accumulate clients, provide integrated services based on Big Data, monitoring services, e-commerce trading platform and the ancillary financial services, build a healthy and vivid ecology in the industry chain to provide high quality life to users.

## Strengthen R & D of core techniques of IOT, set up a competition threshold of the industry

In 2015, the state will launch a series of special study topics and application demonstration projects on the IOT industry at state level. The industry universal technical standard will continue to be improved as member unit of the state IOT basic standard working group and undertaking unit of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center. The Group will actively participate in the formulation of the industry standards, increase investment in R & D, undertake the R & D of the relevant special topics and the establishment of application demonstration projects, fully utilize the advantages of the Company in the IOT field to design smart products and provide value added services. The competitive edge of the Company will continue to increase, and the competition threshold of the industry will be lifted further.

## Changing the business model of the Company, adapting to the development trend of the industry

In today's society, with an explosive trend in the smart mobile devices, the mobile internet era has fully arrived. Under the new circumstances, how to innovate the internal management models of companies, to enhance the initiative of staff, to improve the creativity of a company as well as to bring products of higher quality and better services to clients are new challenges for companies.

In 2015, the Group will change its concepts, advocate client (user) experience as the core requirements, introduce by means of pilot projects the partnership system for specific projects, allocate suitable resources according to different levels and periods of time, adequately motivate the sense of responsibility and creativity of the project management team, and enhance the cohesiveness of the Company. Regarding the implementation of new projects, it will stress on the online speed, allow groups of users experience quickly, have quick repetitive computing, promote by words of mouth and protect the rapid development of innovative projects. At the same time, it cultivates the team through real implementation of projects and enables more people to participate in projects, so as to enhance the internet mindset of all staff.

On behalf of Sample Technology, I would like to extend my heart-felt gratitude to our customers, suppliers and shareholders for their unfailing support and faith. I will lead every staff member to continue to innovate development with dedicated efforts to enable the Group to achieve another pinnacle of performance.

By Order of the Board

**Sha Min**

*Chairman*

Nanjing, China

27 March 2015





# Management Discussion and Analysis

## FINANCIAL REVIEW

### Total Operating Income

Total operating income of the Group for the year ended 31 December 2014 was approximately RMB907,225,992, representing an increase of approximately 15.2% over last year. The increase was mainly due to the rapid growth of sales from system integration and service as compared to that of last year.

### Gross Profit

Gross profit margin of the Group for the year ended 31 December 2014 was approximately 32.7%, representing a decrease of approximately 0.9% over last year. The decrease was mainly due to the decrease of gross profit of system integration business.

### Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2014 was approximately RMB25,668,660, representing an increase of approximately 5.6% 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 2014 was approximately RMB95,488,724, representing an increase of approximately 26% over last year. The increase was mainly attributable to the increases of investment on research and development and the property depreciation of the newly opened research and development office building during the Period.

### Net Profit attributable to shareholders of the Company

For the year ended 31 December 2014, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB137,953,042, representing an increase of 9.1% over last year. The increase was mainly attributable to the increase in operating income and the increase in operating profit of the Group during the Period as compared to that of last year.

### Construction in progress

As at 31 December 2014, the Group's construction in progress amounted to RMB6,738,397 which recorded a substantial decrease as compared with that of the same period last year. The decrease was mainly due to the Company's research and development office building was put into use.



## FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2014, the equity of the Group's shareholders was approximately RMB1,123,761,578. Current assets were approximately RMB1,848,648,771, comprising cash and bank balances of approximately RMB900,982,057. Non-current liabilities were approximately RMB80,259,410. Current liabilities were approximately RMB1,181,395,271, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2014, net assets per share of the Group was approximately RMB5.01 (31 December 2013: RMB4.5). The short-term borrowings of the Group were RMB524,000,000.

## PLEDGE OF ASSETS

As at 31 December 2014, bank deposits of RMB118,233,799 were pledged to the bank for projects in progress (2013: RMB50,739,426).

## CAPITAL STRUCTURE

The Group's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to RMB1,173,109,262; and total liabilities amounted to RMB1,261,654,682. Total assets amounted to RMB2,434,763,943. As at the end of the period, the Company's gearing ratio was 51.8% (2013: 44.4%).

## GEARING RATIO

For the year ended 31 December 2014, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2013: 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 2014, the Group did not have any material capital commitment.

## CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, total employees' remuneration of the Group was approximately RMB45,847,000 (2013: RMB40,680,000) and the number of employees was 405 (2013: 407). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

## BUSINESS REVIEW

### BUSINESS DEVELOPMENT

#### Strategic business

As for the expressway system integration business under intelligent transportation, the Group continued to increase its market share and gain influence in the industry as its primary goal, and by actively bidding for major and significant projects, and initiatively developing strategic cooperation in the industry, the Group won bids of key projects, expanded the customer resources, secured its business income and improved customer satisfaction in the industry. During the period under review, the Group successfully signed contracts concerning projects such as the mechanical and electrical engineering project of the Eastern section of Chengdu Second Ring Expressway, upgrading and alteration project of Hunan Province Expressway electronic toll collection system, traffic control and monitoring system project of Hong Kong-Zhuhai-Macao Bridge, mechanical and electrical engineering project of the Expressway from Gaochun to Wuhu and alteration and expansion project of the Expressway from Zhuo Zhou, Hebei Province (Jing Ji Border) to Shijiazhuang, and the overpass and underground passage monitor and high definition systems in the island in Xiamen City; and the Group made remarkable improvement in the depth and width in the market resources of expressway system integration. During the period under review, the Group promoted the implementation of all the projects according to the progress of the awarded projects, and completed the construction and acceptance of the project of the third east ring road in Xuzhou; the traffic control and monitoring system project of Hong Kong-Zhuhai-Macao Bridge, being the first project of the Company in cooperation with a Hong Kong company. By winning the bid of this project, the Company accumulated experience in overseas project operation and achieved exploration for innovation in business models and expansion.

As for the intelligent urban transportation business under the intelligent transportation, the Group put effort in building and improving the structure of platform system and developed user service. The model of urban smart traffic project successfully implemented in Nanjing by the Company was actively promoted in other cities of the entire province. Currently, the projects of smart traffic environmental-friendly E-card in Xuzhou City and Huai'an City have been successfully realized and entered the pilot phase. A project agreement was signed for the project of smart traffic environmental-friendly E-card in Xuzhou City, and the project in Huai'an City entered into the phase of implementation. During the Review Period, the Group won the bids of the projects for construction of intelligent transportation public transportation information system and the project phase II of the environment monitoring system in Jiangsu Province for the emission monitoring system of motor vehicles, and meanwhile, the Group completed the construction and information access of smart car park projects such as Lishui District government, Sujian Building and post offices. As at the end of the reporting period, the smart car parking network platform constructed by the Company in Nanjing was put into trial operation and the usage of the platform hit another new record.

As for the customs logistic business, during the period under review, the Group successfully signed contracts of projects such as the Jinguan Phase 2 IOT application of Shanghai customs, the project of security smart locks of Jinguan Phase 2 application of Guangdong customs, the pilot project of Nanjing customs in Wuxi comprehensive bonded area, the construction of electronic monitoring map application system, and information project of Nanjing customs, Kashi comprehensive bonded zone project. During the period under review, the project phase 1 of RFID management system for warehouses of Huangpu customs for confiscated properties undertaken by the Group successfully completed the acceptance, and the Group won the bid of the project phase 2 of RFID management system for warehouses of Huangpu customs for confiscated properties, setting a successful model for the warehouses of customs for confiscated properties nationwide and establishing a foundation for the project promotion across the country in the future.

### Information service

During the period under review, the Group completed pilot operation of smart electronic lock at Shanghai customs, and strengthened its ability to provide information service for customs and foreign trade enterprises on the basis of smart electronic lock provision. The project was the first pilot run of the Jinguan phase 2 project of the General Administration of Customs nationwide, creating a new model of the Group to provide operation service in the field of custom logistics. On such basis, the Group successfully signed the service contract on the operation of smart locks for Shanghai customs, the service contract on the operation of smart electronic locks for Guangdong customs during the year, forming a strategic layout of joint development in both Yangtze River Delta and Pearl River Delta, and further progressing to the whole country.

During the period under review, the Group actively constructed the Jiangsu cross-border e-commerce service platform, completed the construction of product structure and business framework as well as online operations, and realized the launch for pilot operation of cross-border trade platform and micro-shopping malls. During the period under review, the Group continued to enhance the promotion of “Cloud Escort” Brand in the logistics security information services business and further expanded the coverage of intelligent terminal device while the operation data volume of users had begun to take shape. Currently, “Cloud Escort” business data is built into the cloud data service platform of the Group and processed for analysis, further enriching the database of cloud data service platform. During the period under review, the Group completed developing the mobile application for the smart courier counters, including the smart courier counter portal, smart courier counter App, mobile port for “Cloud Escort”.

During the period under review, with respect to the product tracking information service area, the Group has reached the cooperation intensions with Xinhua Promotion Office of Food Safety for Teenagers and Children and Hunan Changsha Milk Powder Association, and became the designated partner for the electronic traceability system for food manufacturers for Jiangsu Food and Drug Administration. In addition, the Group won the bid of the project of construction of circulation and tracing system for traditional Chinese medicine, which will utilize the Company’s RFID technology to establish the tracking, circulation and anti-fake system for traditional Chinese medicine. After completion, the system will be of great importance to improving the quality of medicine.

# Management Discussion and Analysis

## Research and Development

During the period under review, the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, construction of which was undertaken by the Company, successfully passed the comprehensive assessment organized by the Ministry of Science and Technology and was officially awarded the name. The Group actively developed new products of custom logistic smart items and intelligent electronic locks, and successfully launched two types of intelligent electronic locks, which were put into use. The Group completed the development of real-time visualized system for specific tax exemption equipment for customs, and meanwhile conducted research and developed on and tried a set of intelligent system to identify cross-border packages with RFID.

During the period under review, the Company improved the production technologies of environmental-friendly E-cards, greatly improved the product stability, and meanwhile, it customized and developed the automatic card issuing and counting system for environmental-friendly e-cards, realized the initialization of automation and counting operation, providing assurance for the tests and inspection of environmental-friendly cards. Meanwhile, the Company set up projects to develop 915MHz new reader and writer, making corresponding technical preparations for the Ministry of Public Security to promote E-plates around the country.

During the period under review, the information space and portal of the Group was constructed and launched (website: [www.cityscloud.com](http://www.cityscloud.com)), which integrated the cloud functions of Sample, unified the users registration and authorization, information storage and channels; possessed various data ports such as synchronous automatic import of isomeric database, receiving with open ports, customization of real-time monitoring; introduced and sorted out data information by self-established projects, trusted projects and network extraction and provided various services for users such as long-term information storage and online stream-oriented calculation, information subscription service and APP construction and supports. During the period under review, the Group attached great importance to the application and protection of intellectual property rights, actively carried out filing application for 6 patents, 32 software copyrights and 2 software products, and was granted 11 patents, 20 software copyrights and 2 software product licenses.

## Business Prospects

### Strategic business

In 2015, the Group will concentrate on its two core businesses, namely the intelligent logistics and the intelligent traffic businesses. The Group will focus its resources on developing technologies such as the IOT data collecting technology, big data cloud computing technology, mobile internet technology, logistics and vehicle information service technology, participate in the establishment of two major trading platform of foreign trading integrated services and vehicle integrated services with considerable trading volume, so as to form the production chain ecosystem to facilitate the transformation of business model of the Company.

In 2015, the Group's first priority is to enrich and perfect the ecosystem of its two major trading platform. On one hand, the Group will speed up the layout of intelligent terminals for intelligent customs, intelligent customs locks and food origin tracing terminal, and to build the intelligent logistics platform through on-the-track monitoring safety service, speedy customs clearing service and safety-assured food delivery service, in order to enhance its capacity in providing intelligent logistics services and cross-border trading services; on the other hand, the Group will speed up the layout of electronic environmental friendly labelling, data collection bases and geomagnetic intelligent terminals, so as to widen the data collection volume and coverage and enhance

its intelligent logistics and vehicle service capabilities through various technologies such as vehicle intelligent recognition service, environment testing service and geological location information service.

In 2015, the Group will focus on the demand of intelligent urban infrastructure under the new trend, and to integrate its internal and external infrastructure resources, to explore the PPP operation model, to optimize asset structure, and to promote the steady growth of scale of production. By expanding its businesses, the Group will create new business opportunities for its foreign trading integrated service platform in respect of logistics customs and intelligent electronic customs locks, to create new bit-resources for vehicle integrated service, and to integrate the innovative and traditional industries to achieve collaborated development.

## Information Service

In 2015, for the customs logistics sector, the Group will dedicate marketing efforts towards the Yangtze River Delta area with the innovative service model of Shanghai customs and Jinguan Phase II of Guangdong customs, so as to provide all-in-one intelligent on-the-track monitoring service based on its intelligent customs and intelligent electronic customs locks for various customs departments. The Group will also provide value-added services, including intelligent logistics and speedy customs clearing service to various logistics enterprises, in order to promote brand recognition of "Cloud Escort". At the same time, the Group will pay attention to the demand of monitoring service in respect of confiscated items at different customs departments, and will engage in marketing activities based on the experience in providing such service to the Huangpu customs project.

In 2015, for the vehicle service sector, the Group will base on its experience from the Nanjing urban intelligent traffic "320 Project", to provide intelligent travelling, intelligent parking and vehicle trading integrated services based on electronic environmental friendly labelling, data collecting stations and geomagnetic technologies for inner city traffic departments, environment protection departments, vehicle enterprises as well as the public of Nanjing, Xuzhou and Huai'an.

In 2015, for the product tracking information service sector, the Group will continue to provide RFID technology based product origin tracing, product movement management and anti-counterfeit integrated services through various channels such as websites, mobile APPs and Weixin user account.

## Research and Development

In 2015, the Group will engage the State's RFID System Engineering technology R&D Centre to carry out prospective technology research in relation to its core businesses, and will continue to cooperate with respective enterprises, colleges and research centers, to focus all research and development efforts on the expansion of its core businesses, and will research, develop and launch new lines of product. Among which, in respect of the RFID core technology, the Group will develop new models of RFID chip and readers; in respect of intelligent logistics, the Group will develop new generations of intelligent electronic locks, and upgrade and modify intelligent customs facilities; in respect of intelligent traffic, the Group will develop new types of intelligent parking geomagnetic facilities equipped with RFID sensors. With its core technologies and intelligent properties and the upgraded and repetitive computing of core products, the Group will endeavor to enhance the competitive power of its products and services, and to raise the competition threshold within the industry, so as to support the IOT and mobile internet business strategies of the Company.



## Biographical Details of Directors, Supervisors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. Sha Min (沙敏)**, aged 50, 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 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. Mr. Sha was conferred the honorary titles of "Outstanding Builder of Socialism with Chinese Characteristics of Jiangsu Province" and "Nanjing Zijin Technology Entrepreneurship Excellent Talent" in 2012, "The Eleventh Good Citizen of Nanjing City", ""and "Jiangsu Province Innovation and Entrepreneur Talent Award" in 2013 and "Outstanding Private Entrepreneurs of Jiangsu Province " in 2014. He joined the Company in December 1997 and was first appointed as an executive Director in December 1999. He is currently the president of China RFID Association, a committee member of the 11th Chinese People's Political Consultative Conference of Jiangsu Province, a standing committee member of Federation of Industry and Commerce of Jiangsu Province, secretary general of Internet of Things Alliance of Nanjing, Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing, vice president of Nanjing Software Industry Association and vice-chairman of Nanjing Enterprises Association. He is a tech entrepreneur and industrial professor.

**Mr. Chang Yong (常勇)**, aged 48, received postgraduate education, is an executive Director, vice chairman 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. Zhu Xiang (朱翔)**, aged 38, received postgraduate education, is an executive Director and president of the Company. 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 was appointed as executive Director in May 2014, and successively served as senior manager of the Company's investment department, general manager of the investment centre, general manager of financing and investment centre, secretary of the board of directors and vice president.

### NON-EXECUTIVE DIRECTOR

**Mr. Ma Jun (馬俊)**, aged 50, 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. Mr. Ma was appointed as non-executive Director of the Company in May 2010. He is currently the chairman and general manager of 南京福申房地產開發有限責任公司.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Xu Su Ming** (許蘇明), aged 58, 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. Mr. Xu was appointed as independent non-executive Director of the Company in May 2011. He is currently the professor, tutor for doctoral candidates of the Southeast University as well as a member of Advisory Committee of Economic and Social Development of the People's Government of Nanjing City, counselor of the People's Government of Nanjing City, a Standing Committee Member 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 Sainty Martine Corporation Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 2608), Jiangsu JieJie Microelectronics Co., Ltd., Suzhou Pant Piezoelectric Tech Co., Ltd. and Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.

**Mr. Geng Nai Fan** (耿乃凡), aged 63, 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 was appointed as independent non-executive Director of the Company in May 2013. He is currently the chairman of the Jiangsu Province Broadcasting and Television Association.

**Mr. Shum Shing Kei** (沈成基), aged 44, 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. 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 was appointed as independent non-executive Director of the Company in May 2011. Mr. Shum is currently a practising partner of a certified public accountant firm in Hong Kong, mainly providing business advisory service and auditing service.

### SUPERVISORS

**Mr. Qiu Xiang Yang** (仇向洋), aged 59, 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** (李鋼), aged 37, 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 SCIYON 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. Li was appointed as a supervisor of the Company in December 2011.

**Mr. Dai Jian Jun** (戴建軍), aged 44, 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.

## Biographical Details of Directors, Supervisors and Senior Management

### SENIOR MANAGEMENT AND CORE TECHNICAL PERSONNEL

**Mr. Xin Ke Jun (辛柯俊)**, aged 45, received university education, is professor level senior engineer and executive vice president of the Company. 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. He worked for Nanjing Merit Automation Co. Ltd as the deputy general manager in 2000. 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 a member of the academic board of Wireless Sensor Network High Technology Research Key Laboratory of Jiangsu Province and vice president of China Chief Information Officer Union.

**Ms. Miao Yun (繆雲)**, aged 45, received university education, is senior accountant and chief financial officer of the Company. She graduated from the East China Metallurgic Institute (now known as Anhui University of Technology) with a bachelor degree in July 1992, and then graduated from Nanjing University with MBA postgraduate in June 2007. She became a non-practicing member of China Certified Public Accountant Association in 2002. She worked in the financial department of Jinling Petrochemical Alkylbenzene Plant from 1992 to 1993, served as financial manager of Jintung Petrochemical Corporation Ltd. from 1993 to 2005 and chief financial officer of Jiangsu Sidiw Corporation Group from 2005 to 2013.

**Mr. Xie Jinliang (解金亮)**, aged 38, bachelor's degree, and acted as secretary to the board of directors of the Company. Mr. Xie graduated from Qingdao University with a bachelor degree. From March 2002 to April 2007, he worked for Qingdao Technology Property Right Exchange, and has served successively as project manager, department manager and assistant president. From May 2007 to January 2013, he worked for Jiangsu Kanion Pharmaceutical Co.,Ltd, and has served successively as investment consultant, manager of the securities department and representative of securities affairs. He joined in the Company in February 2013 and successively served as investment manager and manager of the securities department.

# Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2014.

## 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 2014 are set out on pages 36 to 161 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.2 per share for the year ended 31 December 2014 (2013: RMB0.1 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(X) 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 (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)  
(*Appointed on 28 May 2014*)

Mr. Guo Ya Jun (*Resigned on 28 May 2014*)

### 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



## 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 2014, 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 2014, 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	Beneficial owner/corporate	29.33%
Active Gold Holding Limited	49,545,000 Domestic Shares	Beneficial owner/corporate	22.11%
Atlantis Capital Holdings Limited (Note 2)	21,120,000 H Shares	Interest of controlled corporation	9.42%
Liu Yang (Note 2)	21,120,000 H Shares	Interest of controlled corporation	9.42%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua")	15,000,000 Domestic Shares	Beneficial owner/corporate	6.69%
Golden Meditech Holdings Limited (Note 3)	12,097,000 H Shares	Interest of controlled corporation	5.40%
Riverwood Asset Management (Cayman) Ltd. (Note 2)	11,120,000 H Shares	Investment Manager	4.96%
Manygain Global Limited	10,000,000 H Shares	Beneficial owner	4.46%
Norges Bank	7,000,000 H Shares	Beneficial owner	3.12%
Citigroup Inc.	6,723,000 H Shares	Interest of controlled corporation/ Custodian corporation/approved lending agent	3.00%

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) 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 21,120,000 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.



## DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2014, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2014, 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

On 21 October 2014, the Company entered into the Domestic Shares Subscription Agreement with Nanjing Sample Technology Group Company Limited. Pursuant to the terms of the Domestic Shares Subscription Agreement, Nanjing Sample Technology Group Company Limited agreed to subscribe in cash for an aggregate of 92,723,400 new Domestic Shares at the subscription price of RMB4.50 per new Domestic Share. The total consideration was RMB417,255,300. Nanjing Sample Technology Group Company Limited is beneficially owned as to approximately 47.91% by Mr. Sha Min, the chairman of the Company and an executive Director, as to approximately 4.67% by Mr. Chang Yong, an executive Director and as to approximately 47.42% by 16 individuals who are all Independent Third Parties, therefore, Mr. Sha Min and Mr. Chang Yong had indirect material interest of Domestic Shares Subscription Agreement during the year. Save as disclosed above, 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 49.44% (2013: 32.52%) of the total sales for the year and sales to the largest customer included therein amounted to 20.52% (2013: 7.85%). 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 22.33% (2013: 20.11%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 5.59% (2013: 8.08%). 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.

# Report of the Directors

## EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, supervisors and employees and the five highest individuals of the Group are set out in Note V(XLI) 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 162 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note V(XXVI) to the financial statements. As at 31 December 2014, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 132,300,000 domestic shares.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

## 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 2014, the Group's reserves available for distribution amounted to RMB752,268,736 (2013: RMB642,216,593).

## INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the People's Republic of China ("PRC"). A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, during the reporting period, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of the final dividend of the year to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of final dividend of the year to natural persons whose names are registered on the H shares register of members of the Company. Details can be referred to the results announcement published by the Company on 27 March 2015.

## 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 2014.

## **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 2014, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2014, 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.

## **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 recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

## **RETIREMENT FUND OBLIGATION**

The Group makes monthly contribution to certain defined contribution plan, pension schemes operated by Chinese provincial and municipal governments. The relevant provincial and municipal governments promised to fulfil the benefit obligations pursuant to these retirement schemes for all existing and future retired employees. Apart from these contributions, the Group has no other retirement benefit obligations. Contributions to these pension scheme is paid when incurs.

# Report of the Directors

## CONNECTED TRANSACTIONS

On 21 October 2014, the Company entered into the Domestic Shares Subscription Agreement with Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司) (“Sample Group”), a substantial shareholder of the Company. Pursuant to the terms of the Domestic Shares Subscription Agreement, Nanjing Sample Technology Group Company Limited agreed to subscribe in cash for an aggregate of 92,723,400 new Domestic Shares at the subscription price of RMB4.50 per new Domestic Share. The total consideration was RMB417,255,300. Nanjing Sample Technology Group Company Limited is beneficially owned as to approximately 47.91% by Mr. Sha Min, the chairman of the Company and an executive Director, as to approximately 4.67% by Mr. Chang Yong, an executive Director and as to approximately 47.42% by 16 individuals who are all Independent Third Parties. Therefore, the Domestic Shares Subscription constitutes a connected transaction of the Company.

Related party transactions entered by the Group during the year ended 31 December 2014, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note VII to the consolidated financial statements.

## WITHDRAWAL PROPOSED ISSUE OF A SHARES

The Company had applied to the CSRC for withdrawal of the Company’s application for the Issue of A Shares (the “Withdrawal”) during the period under review. The Withdrawal was approved by CSRC on 12 June 2014. The Board considered that the Withdrawal will not have any material adverse effect on the financial condition and business operation of the Group.

## 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 2014 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  
27 March 2015

## 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. The 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 2014.

## 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 (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*) (*Appointed on 28 May 2014*)

Mr. Guo Ya Jun (*Resigned on 28 May 2014*)

### Non-executive Director

Mr. Ma Jun

### Independent Non-executive Directors

Mr. Xu Su Ming

Mr. Geng Nai Fan

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 2014, the Board held six meetings, two of which were regular meetings.

The Directors can attend meetings in persons 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 each Director at the Board meetings held during the year.

Name of Directors	Number of attendance
<b>Executive Directors</b>	
Mr. Sha Min ( <i>Chairman</i> )	5/6
Mr. Chang Yong ( <i>Vice Chairman</i> )	5/6
Mr. Zhu Xiang ( <i>Chief Executive Officer</i> ) ( <i>Appointed on 28 May 2014</i> )	5/6
Mr. Guo Ya Jun ( <i>Resigned on 28 May 2014</i> )	1/6
<b>Non-executive Director</b>	
Mr. Ma Jun	6/6
<b>Independent Non-executive Directors</b>	
Mr. Xu Su Ming	6/6
Mr. Geng Nai Fan	6/6
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 28 May 2014 and one extraordinary general meeting was held on 29 December 2014. 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 each Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2014 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
<b>Executive Directors</b>		
Mr. Sha Min	√	√
Mr. Chang Yong	√	√
Mr. Zhu Xiang	√	√
Mr. Guo Ya Jun ( <i>Resigned on 28 May 2014</i> )	√	√
<b>Non-executive Director</b>		
Mr. Ma Jun	√	√
<b>Independent Non-executive Directors</b>		
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. Zhu Xiang.

The role and function of the remuneration committee included determining the policy for the remuneration of directors, making recommendation to the board 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, making recommendations to the board of the remuneration of non-executive Directors, assessing performance of executive directors and approving the terms of executive directors' service contracts. 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.

One meeting was 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.

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, to determine the policy, procedures and criteria of nomination of directors 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:

	<b>Number of attendance</b>
Mr. Xu Su Ming	2/2
Mr. Geng Nai Fan	2/2
Mr. Shum Shing Kei	2/2

# Corporate Governance Report

During the year, the Group's annual audited results for the year ended 31 December 2013 and the unaudited interim results for the six months ended 30 June 2014 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 2014 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 2014 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 2014 are set out below:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Services rendered</b>		
Audit services		
– BDO China Shu Lun Pan Certified Public Accountants LLP	<b>750</b>	750
Non-audit services	–	–
	<b>750</b>	750

## 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.

## 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](http://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](http://www.hkexnews.hk)) and the Company ([www.sampletech.com.cn](http://www.sampletech.com.cn)) immediately after the relevant general meetings.

## CHANGE IN CONSTITUTIONAL DOCUMENT

During the period under review, the shareholders of the Company approved the amendment of the Company's Articles of Association to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of new domestic shares pursuant to the Domestic Shares Subscription, details of which was disclosed in the Company's circular dated 2 December 2014. Save as disclosed, there has been no significant change in the Company's Articles of Association during the year ended 31 December 2014.



## Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2014 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  
27 March 2015

## **TO THE SHAREHOLDERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED:**

We have audited the accompanying financial statements of Nanjing Sample Technology Company Limited (hereinafter "the Sample Technology Company"), which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014 financial year and the notes to the financial statements.

### **I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management of the Sample Technology 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 Sample Technology Company as at 31 December 2014, and its operating results and cash flows for the 2014 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

27 March 2015

# Consolidated Balance Sheet

At 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	2014	2013
<b>Current assets:</b>			
Cash at bank and on hand	(I)	900,982,056.56	579,052,891.83
Notes receivable	(II)	7,842,580.10	3,300,000.00
Accounts receivable	(III)	234,683,339.39	343,612,285.44
Prepayments	(IV)	42,448,774.83	96,418,562.53
Other receivables	(V)	78,119,619.28	92,493,603.10
Inventories	(VI)	577,127,799.95	283,576,874.55
Other current assets	(VII)	7,444,600.40	–
<b>Total current assets</b>		<b>1,848,648,770.51</b>	<b>1,398,454,217.45</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	(VIII)	119,506,244.94	101,386,244.94
Long-term equity investments	(IX)	709,053.12	–
Fixed assets	(X)	412,553,068.26	197,473,466.90
Construction in progress	(XI)	6,738,396.67	166,580,798.69
Construction materials	(XII)	4,027,060.50	1,906,895.00
Intangible assets	(XIII)	19,506,004.56	21,828,164.51
Long-term deferred expenses	(XIV)	12,881,878.40	2,886,273.36
Deferred income tax assets	(XV)	10,193,466.27	11,348,029.95
<b>Total non-current assets</b>		<b>586,115,172.72</b>	<b>503,409,873.35</b>
<b>TOTAL ASSETS</b>		<b>2,434,763,943.23</b>	<b>1,901,864,090.80</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings	(XVI)	524,000,000.00	285,000,000.00
Notes payable	(XVII)	36,520,312.90	6,115,952.00
Accounts payable	(XVIII)	406,030,216.39	316,606,125.09
Advances from customers	(XIX)	60,493,872.25	25,481,574.39
Staff remuneration payables	(XX)	397,375.48	392,855.74
Taxes payable	(XXI)	36,188,173.83	35,754,695.27
Other payables	(XXII)	47,765,320.26	25,303,089.24
Non-current liabilities due within 1 year	(XXIII)	70,000,000.00	50,000,000.00
<b>Total current liabilities</b>		<b>1,181,395,271.11</b>	<b>744,654,291.73</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	(XXIV)	70,000,000.00	76,250,000.00
Deferred income	(XXV)	9,622,739.47	22,925,895.86
Deferred income tax liabilities	(XV)	636,670.96	973,618.23
<b>Total non-current liabilities</b>		<b>80,259,410.43</b>	<b>100,149,514.09</b>
<b>Total liabilities</b>		<b>1,261,654,681.54</b>	<b>844,803,805.82</b>

# Consolidated Balance Sheet

At 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

	Note V	2014	2013
<b>Shareholders' equity:</b>			
Share capital	(XXVI)	<b>224,100,000.00</b>	224,100,000.00
Capital surplus	(XXVII)	<b>99,627,613.95</b>	99,627,613.95
Other comprehensive income	(XXVIII)	<b>(3,879,022.15)</b>	(3,776,850.71)
Surplus reserve	(XXIX)	<b>51,644,250.39</b>	46,153,350.13
Undistributed profits	(XXX)	<b>752,268,735.54</b>	642,216,593.48
		<hr/>	<hr/>
Total equity attributable to the shareholders of the Company		<b>1,123,761,577.73</b>	1,008,320,706.85
Minority interest		<b>49,347,683.96</b>	48,739,578.13
		<hr/>	<hr/>
Total shareholders' equity		<b>1,173,109,261.69</b>	1,057,060,284.98
		<hr/>	<hr/>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,434,763,943.23</b>	1,901,864,090.80
		<hr/>	<hr/>
<b>Net current assets</b>		<b>667,253,499.40</b>	653,799,925.72
		<hr/>	<hr/>
<b>Total asset less current assets</b>		<b>1,253,368,672.12</b>	1,157,209,799.07
		<hr/>	<hr/>

Page 36 to page 161 of the financial statements were signed by the following person in charge:

**Sha Min**  
Director

**Zhu Xiang**  
Director

**Sha Min**  
Legal representative

**Miao Yun**  
Person in charge of  
accounting function

**Li Cheng Yang**  
Person in charge of  
accounting department

# Balance Sheet of the Company

At 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note XIV	2014	2013
<b>Current assets:</b>			
Cash at bank and on hand		<b>121,916,062.47</b>	55,204,087.55
Notes receivable		<b>7,752,080.00</b>	3,300,000.00
Accounts receivable	(I)	<b>71,527,607.28</b>	75,046,647.45
Prepayments		<b>29,070,493.76</b>	4,201,686.65
Other receivables	(II)	<b>74,581,674.32</b>	76,285,519.18
Inventories		<b>18,802,276.60</b>	12,206,761.45
Other current assets		<b>2,578,639.90</b>	–
<b>Total current assets</b>		<b><u>326,228,834.33</u></b>	<u>226,244,702.28</u>
<b>Non-current assets:</b>			
Available-for-sale financial assets		<b>119,506,244.94</b>	101,386,244.94
Long-term equity investments	(III)	<b>318,077,688.00</b>	318,077,688.00
Fixed assets		<b>270,879,387.26</b>	40,074,630.90
Construction in progress		<b>5,796,131.90</b>	166,271,592.51
Intangible assets		<b>14,941,330.72</b>	15,326,731.48
Deferred income tax assets		<b>3,141,055.36</b>	2,399,462.52
<b>Total non-current assets</b>		<b><u>732,341,838.18</u></b>	<u>643,536,350.35</u>
<b>TOTAL ASSETS</b>		<b><u>1,058,570,672.51</u></b>	<u>869,781,052.63</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings		<b>264,000,000.00</b>	120,000,000.00
Notes payable		<b>10,885,661.00</b>	–
Accounts payable		<b>76,088,595.07</b>	39,173,723.12
Advances from customers		<b>18,176,795.18</b>	8,661,423.63
Staff remuneration payables		<b>97,155.47</b>	115,517.73
Taxes payable		<b>5,996,441.60</b>	2,957,650.84
Other payables		<b>5,490,885.50</b>	2,543,515.70
Non-current liabilities due within 1 year		<b>40,000,000.00</b>	40,000,000.00
<b>Total current liabilities</b>		<b><u>420,735,533.82</u></b>	<u>213,451,831.02</u>

# Balance Sheet of the Company

At 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

Note XIV	2014	2013
<b>Non-current liabilities:</b>		
Long-term borrowings	–	40,000,000.00
Deferred income	<b>916,914.52</b>	11,910,000.00
<b>Total non-current liabilities</b>	<b>916,914.52</b>	51,910,000.00
<b>Total liabilities</b>	<b>421,652,448.34</b>	265,361,831.02
<b>Shareholders' equity:</b>		
Share capital	<b>224,100,000.00</b>	224,100,000.00
Capital reserve	<b>98,283,776.53</b>	98,283,776.53
Surplus reserve	<b>51,644,250.39</b>	46,153,350.13
Undistributed profits	<b>262,890,197.25</b>	235,882,094.95
<b>Total shareholders' equity</b>	<b>636,918,224.17</b>	604,419,221.61
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,058,570,672.51</b>	869,781,052.63
<b>Net current assets</b>	<b>(94,506,699.49)</b>	12,792,871.26
<b>Total assets less current liabilities</b>	<b>637,835,138.69</b>	656,329,221.61

Page 36 to page 161 of the financial statements were signed by the following person in charge:

**Sha Min**  
Director

**Zhu Xiang**  
Director

**Sha Min**  
Legal representative

**Miao Yun**  
Person in charge of  
accounting function

**Li Cheng Yang**  
Person in charge of  
accounting department



# Consolidated Income Statement

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2014	2013
<b>I. Total operating income</b>	(XXXI)	<b>907,225,991.66</b>	787,767,966.59
<b>II. Total operating cost</b>		<b>763,727,347.95</b>	655,075,598.95
Including: Operating cost	(XXXI)	<b>610,857,619.95</b>	523,328,683.75
Taxes and surcharges	(XXXII)	<b>11,430,581.82</b>	11,207,510.01
Selling and distribution expenses	(XXXIII)	<b>25,668,659.74</b>	24,316,401.22
General and administrative expenses	(XXXIV)	<b>95,488,723.80</b>	75,788,482.51
Financial expenses	(XXXV)	<b>26,340,633.46</b>	8,904,116.66
Asset impairment losses	(XXXVI)	<b>(6,058,870.82)</b>	11,530,404.80
Share of profit of associates and jointly controlled entities	(XXXVII)	<b>(90,946.88)</b>	–
<b>III. Operating profit</b>		<b>143,407,696.83</b>	132,692,367.64
Add: Non-operating income	(XXXVIII)	<b>24,422,386.96</b>	19,106,603.52
Less: Non-operating expenses	(XXXIX)	<b>158,750.56</b>	175,016.57
<b>IV. Total profit</b>		<b>167,671,333.23</b>	151,623,954.59
Less: Income tax expenses	(XLII)	<b>27,710,185.08</b>	21,496,476.06
<b>V. Net profit</b>		<b>139,961,148.15</b>	130,127,478.53
Net profit attributable to the shareholders of the Company		<b>137,953,042.32</b>	126,405,756.32
Minority interests		<b>2,008,105.83</b>	3,721,722.21
<b>VI. Net other comprehensive income after tax</b>		<b>(102,171.44)</b>	(132,748.50)
Net other comprehensive income attributable to the shareholders of the Company after tax		<b>(102,171.44)</b>	(132,748.50)
Items to be re-categorized into profit and loss when satisfied the stipulated conditions subsequently		<b>(102,171.44)</b>	(132,748.50)
Converted difference in foreign currency statements		<b>(102,171.44)</b>	(132,748.50)
<b>VII. Total comprehensive income</b>		<b>139,858,976.71</b>	129,994,730.03
Total comprehensive income attributable to the shareholders of the Company		<b>137,850,870.88</b>	126,273,007.82
Total comprehensive income attributable to minority shareholders		<b>2,008,105.83</b>	3,721,722.21

# Consolidated Income Statement

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2014	2013
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share (yuan/share)		<b>0.616</b>	0.564
(2) Diluted earnings per share (yuan/share)		<b>0.616</b>	0.564
<b>IX. Dividend</b>	(XLIII)	<b>22,410,000.00</b>	44,820,000.00

# Income Statement of the Company

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	2014	2013
<b>I. Operating income</b>	(IV)	<b>255,003,429.98</b>	203,777,235.43
Less: Operating cost	(IV)	<b>157,749,597.96</b>	117,980,532.78
Taxes and surcharges		<b>1,192,895.17</b>	976,434.24
Selling and distribution expenses		<b>11,526,147.93</b>	10,823,012.35
General and administrative expenses		<b>45,388,861.35</b>	36,787,909.53
Financial expenses		<b>10,784,724.90</b>	3,791,298.27
Asset impairment losses		<b>6,451,891.20</b>	(2,053,936.89)
Share of profit of associates and jointly controlled entities		—	—
Other investment income	(V)	<b>20,000,000.00</b>	—
<b>II. Operating profit</b>		<b>41,909,311.47</b>	35,471,985.15
Add: Non-operating income		<b>19,370,906.96</b>	15,019,643.95
Less: Non-operating expenses		<b>134,274.22</b>	128,446.57
<b>III. Total profit</b>		<b>61,145,944.21</b>	50,363,182.53
Less: Income tax expenses		<b>6,236,941.65</b>	7,812,824.00
<b>IV. Net profit</b>		<b>54,909,002.56</b>	42,550,358.53
<b>V. Total comprehensive income</b>		<b>54,909,002.56</b>	42,550,358.53

# Consolidated Cash Flow Statement

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2014	2013
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>799,114,111.87</b>	826,914,131.31
Refund of taxes and surcharges		<b>3,242,111.67</b>	9,546,287.67
Cash received relating to other operating activities	(XLIV).1	<b>61,812,271.98</b>	196,312,804.91
Sub-total of cash inflows from operating activities		<b>864,168,495.52</b>	1,032,773,223.89
Cash paid for goods and services		<b>467,121,635.93</b>	661,015,700.91
Cash paid to and on behalf of employees		<b>45,360,613.05</b>	41,544,671.79
Payments of taxes charges		<b>55,008,305.13</b>	70,288,459.26
Cash paid relating to other operating activities	(XLIV).2	<b>113,622,195.93</b>	207,973,906.15
Sub-total of cash outflows from operating activities		<b>681,112,750.04</b>	980,822,738.11
<b>Net cash flows from operating activities</b>		<b>183,055,745.48</b>	51,950,485.78
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		-	64,600,000.00
Cash received from returns on investments		-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>76,361.29</b>	58,177.78
Net cash received from disposal of subsidiaries and other operating entities		-	-
Cash received relating to other investing activities		-	-
Sub-total of cash inflows from investing activities		<b>76,361.29</b>	64,658,177.78
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>107,317,226.69</b>	120,401,501.97
Cash paid to acquire investments		<b>18,470,000.00</b>	-
Net increase of pledged loans		-	-
Net cash paid to acquire subsidiaries and other operating entities		-	-
Cash paid relating to other investing activities		-	-
Sub-total of cash outflows from investing activities		<b>125,787,226.69</b>	120,401,501.97
<b>Net cash flows from investing activities</b>		<b>(125,710,865.40)</b>	(55,743,324.19)

# Consolidated Cash Flow Statement

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2014	2013
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		–	8,000,000.00
Including: Cash received from minority shareholders investment by subsidiary		–	8,000,000.00
Cash received from borrowings		<b>665,000,000.00</b>	390,000,000.00
		<hr/>	<hr/>
Sub-total of cash inflows from financing activities		<b>665,000,000.00</b>	398,000,000.00
		<hr/>	<hr/>
Cash repayments of borrowings		<b>412,250,000.00</b>	196,750,000.00
Cash payments for interest expenses and distribution of dividends or profits		<b>55,774,668.86</b>	58,233,168.19
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		<b>1,400,000.00</b>	–
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		<b>468,024,668.86</b>	254,983,168.19
		<hr/>	<hr/>
<b>Net cash flows from financing activities</b>		<b>196,975,331.14</b>	143,016,831.81
		<hr/> <hr/>	<hr/> <hr/>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>114,581.09</b>	(134,756.84)
		<hr/> <hr/>	<hr/> <hr/>
<b>V. Net increase in cash and cash equivalents</b>		<b>254,434,792.31</b>	139,089,236.56
Add: Cash and cash equivalents at beginning of period		<b>528,313,465.63</b>	389,224,229.07
		<hr/>	<hr/>
<b>VI. Cash and cash equivalent at end of period</b>		<b>782,748,257.94</b>	528,313,465.63
		<hr/> <hr/>	<hr/> <hr/>

# Cash Flow Statement of the Company

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	2014	2013
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>297,676,852.34</b>	242,873,335.62
Refund of taxes and surcharges		<b>2,916,907.20</b>	8,670,064.76
Cash received relating to other operating activities		<b>11,487,619.21</b>	16,345,281.70
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		<b>312,081,378.75</b>	267,888,682.08
		<hr/>	<hr/>
Cash paid for goods and services		<b>181,131,280.42</b>	164,470,271.30
Cash paid to and on behalf of employees		<b>21,522,926.52</b>	17,540,133.62
Payments of taxes and surcharges		<b>17,521,103.32</b>	32,189,563.26
Cash paid relating to other operating activities		<b>24,494,719.60</b>	17,121,940.66
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		<b>244,670,029.86</b>	231,321,908.84
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		<b>67,411,348.89</b>	36,566,773.24
		<hr/> <hr/>	<hr/> <hr/>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		–	64,600,000.00
Cash received from returns on investments		<b>20,000,000.00</b>	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>18,100.00</b>	8,500.00
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		<b>20,018,100.00</b>	64,608,500.00
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>76,516,558.85</b>	67,977,239.52
Cash paid to acquire investments		<b>18,120,000.00</b>	82,000,000.00
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		<b>94,636,558.85</b>	149,977,239.52
		<hr/>	<hr/>
<b>Net cash flows from investing activities</b>		<b>(74,618,458.85)</b>	(85,368,739.52)
		<hr/> <hr/>	<hr/> <hr/>

# Cash Flow Statement of the Company

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XIV	2014	2013
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		<u>290,000,000.00</u>	<u>120,000,000.00</u>
Sub-total of cash inflows from financing activities		<u>290,000,000.00</u>	<u>120,000,000.00</u>
Cash repayments of borrowings		<u>186,000,000.00</u>	<u>60,000,000.00</u>
Cash payments for interest expenses and distribution of dividends or profits		<u>34,135,323.92</u>	<u>49,036,505.58</u>
Sub-total of cash outflows from financing activities		<u>220,135,323.92</u>	<u>109,036,505.58</u>
<b>Net cash flows from financing activities</b>		<u><u>69,864,676.08</u></u>	<u><u>10,963,494.42</u></u>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>V. Net increase in cash and cash equivalents</b>		<u>62,657,566.12</u>	<u>(37,838,471.86)</u>
Add: Cash and cash equivalents at beginning of period		<u>55,204,087.55</u>	<u>93,042,559.41</u>
<b>VI. Cash and cash equivalent at end of period</b>		<u><u>117,861,653.67</u></u>	<u><u>55,204,087.55</u></u>



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2014										Total shareholders' equity
	Attributable to the shareholders of the Company										
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	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	-	(3,776,850.71)	-	46,153,350.13	-	642,216,593.48	-	48,739,576.13	1,057,060,284.98
II. Opening balance of current year	224,100,000.00	99,627,613.95	-	(3,776,850.71)	-	46,153,350.13	-	642,216,593.48	-	48,739,576.13	1,057,060,284.98
III. Changes during the period	-	-	-	(102,171.44)	-	5,490,900.26	-	110,052,142.06	-	608,105.83	116,048,976.71
(I) Total comprehensive income	-	-	-	(102,171.44)	-	-	-	137,953,042.32	-	2,008,105.83	139,859,976.71
(II) Shareholders contribution and capital reduction	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	5,490,900.26	-	(27,900,900.26)	-	(1,400,000.00)	(23,810,000.00)
1. Appropriation to surplus reserves	-	-	-	-	-	5,490,900.26	-	(5,490,900.26)	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	(22,410,000.00)	-	(1,400,000.00)	(23,810,000.00)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	224,100,000.00	99,627,613.95	-	(3,879,022.15)	-	51,644,250.39	-	752,288,735.54	-	49,347,683.96	1,173,109,261.69

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(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	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Others	Minority interest	
<b>I. Closing balance of prior year</b>	224,100,000.00	99,627,613.95	-	(3,644,102.21)	-	41,898,314.28	-	564,885,873.01	-	37,017,855.92	963,885,554.95
<b>II. Opening balance of current year</b>	224,100,000.00	99,627,613.95	-	(3,644,102.21)	-	41,898,314.28	-	564,885,873.01	-	37,017,855.92	963,885,554.95
<b>III. Changes during the period</b>											
(I) Total comprehensive income	-	-	-	(132,748.50)	-	4,255,035.85	-	77,330,720.47	-	11,721,722.21	83,174,730.03
(II) Shareholders contribution and capital reduction	-	-	-	(132,748.50)	-	-	-	126,405,756.32	-	3,721,722.21	129,994,730.03
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	8,000,000.00	8,000,000.00
(III) 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. Distribution to shareholders	-	-	-	-	-	-	-	(44,820,000.00)	-	-	(44,820,000.00)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Closing balance of current period</b>	224,100,000.00	99,627,613.95	-	(3,776,850.71)	-	46,153,350.13	-	642,216,538.48	-	48,739,578.13	1,057,060,284.98

# Statement of Changes In Equity of the Company

For the year ended 31 December 2014  
(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2014							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
<b>I. Closing balance of prior year</b>	224,100,000.00	98,283,776.53	-	-	-	46,153,350.13	235,882,094.95	604,419,221.61
<b>II. Opening balance of current year</b>	224,100,000.00	98,283,776.53	-	-	-	46,153,350.13	235,882,094.95	604,419,221.61
<b>III. Changes during the period</b>	-	-	-	-	-	5,490,900.26	27,008,102.30	32,499,002.56
(I) Total comprehensive income	-	-	-	-	-	-	54,909,002.56	54,909,002.56
(II) Shareholders contribution and capital reduction	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	5,490,900.26	(27,900,900.26)	(22,410,000.00)
1. Appropriation to surplus reserves	-	-	-	-	-	5,490,900.26	(5,490,900.26)	-
2. Distribution to shareholders	-	-	-	-	-	-	(22,410,000.00)	(22,410,000.00)
3. Others	-	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Closing balance of current period</b>	224,100,000.00	98,283,776.53	-	-	-	51,644,250.39	262,890,197.25	636,918,224.17

# Statement of Changes In Equity of the Company

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## I. BASIC CORPORATE INFORMATION

### (I) Company Overview

#### 1. 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.

#### 2. The nature of the industry

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

#### 3. 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.

#### 4. 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.

#### 5. 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.

#### 6. The financial statements was approved by the board of directors on 27 March 2015.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## I. BASIC CORPORATE INFORMATION *(Continued)*

### (II) Scope of consolidated financial statements

As at 31 December 2014, the Company's subsidiaries within the consolidated financial statements are as follows:

#### **Name of subsidiaries**

江蘇智運科技發展有限公司(Jiangsu Intellitrans Company Limited\*, hereafter referred to as "Jiangsu Intellitrans")

江蘇瑞福智能科技有限公司(Jiangsu Ruifu Intelligent Tech. Co., Limited\*, hereafter referred to as "Ruifu")

南京三寶物流科技有限公司(Nanjing Sample Logistic Company Limited\*, hereafter referred to as "Logistic")

南京物聯網研究院發展有限公司

(Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited\*, hereafter referred to as "Wu Lian Wang")

Sample Technology (H.K.) Co., Limited, hereafter referred to as "Sample HK")

Federal International Enterprise Limited, hereafter referred to as "Federal")

南京城市智能交通有限公司(Nanjing City Intelligent Transportation Co., Ltd.\*, hereafter referred to as "Intelligent Transportation")

江蘇三寶信息技術有限公司(Jiangsu Sample Information Technology Co., Ltd.\*, hereafter referred to as "Sample Information")

徐州三寶智能科技發展有限公司(Xuzhou Sample Intelligent Technology Development Co., Ltd.\*, hereafter referred to as "Xuzhou Sample")

江蘇跨境電子商務服務有限公司(Jiangsu Cross-border e-Commerce Services Co., Ltd.\*, hereafter referred to as "Cross-border e-Commerce")

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (I) Basis of preparation

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance ("Hong Kong Companies Ordinance"); and the accounting policies and estimates of Notes III (SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES).

### (II) Going concern

The Group has ability to continue as a going concern for at least 12 months since the end of the reporting period and there's no significant events affecting its ability to continue as a going concern.

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

### (I) Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Group 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 2014, and the consolidation and the Company's operating results and cash flow and other related information during the year then ended.

### (II) Accounting period

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

### (III) Operating period

The Group's operating period is 12 months.



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (IV) Reporting currency

The reporting currency of the Company is Renminbi ("RMB"). The reporting currency for the offshore subsidiaries and 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 assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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 current period.

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 out-flow 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (VI) Preparation of consolidated financial statements

#### 1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Group is based on controlling interests, and all the subsidiaries (including separate entities controlled by the Group) are included in the consolidated financial statements.

#### 2. Consolidation method

The consolidated financial statements are prepared by the Group based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Group's consolidated financial statements, the Group will treat the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Group. 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. For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. 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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation method *(Continued)*

##### (1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business 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 or business 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 or business 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 the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

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 or business 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 or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Group at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation method *(Continued)*

##### (2) Disposal of subsidiaries or business

##### ① General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

Where control of the investee is lost due to partial disposal of the equity investment, 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 difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognised in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation method *(Continued)*

##### (2) Disposal of subsidiaries or business *(Continued)*

##### ② Disposal of subsidiary achieved by stages

When disposal of equity interests of subsidiaries through multiple transactions until control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- i. These transactions are achieved at the same time or the mutual effects on each other are considered.
- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- iii. Achieving a transaction depends on at least achieving of one of the other transaction.
- iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions. If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Consolidation method *(Continued)*

##### (3) Acquisition of minority interest of subsidiaries

The Group shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings in case the share premium in the capital reserve is insufficient for write-down.

##### (4) Partial disposal of equity investment in subsidiaries without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient.

### (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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (VIII) Foreign currency transactions *(Continued)*

#### 2. Translation of foreign currency financial statements

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

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

### (IX) Financial instruments

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

#### 1. Classification of the financial instruments

The financial instruments was classified at the time of initial recognition 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 and held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

#### 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.

- (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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

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

##### (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, 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 other comprehensive income. However, measurement at cost shall be used when there is no quoted price in an active market and the fair value of investments in equity instruments cannot be reliably measured and derivative financial assets is linked to equity instruments where equity instrument shall be settled by delivery.

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 other comprehensive income shall be transferred to profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (IX) Financial instruments *(Continued)*

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (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 based on the credit risk characteristics

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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 different type of inventories

Net realisable value of held-for-sale commodity stocks, such as finished goods, 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.

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.

The net realizable value of inventories at the end of current period is determined based on the market price.



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(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. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Group together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Group.

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 Group.

#### 2. Determination of initial investment cost

##### (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 in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 2. Determination of initial investment cost *(Continued)*

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

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. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

- (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.

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 and the related tax payable, 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 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

#### 3. Subsequent measurement and recognition of profit or loss

##### (1) Long-term equity investment accounted for by cost method

Long-term equity investment in subsidiaries of the Group is accounted for by 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' shares of the cash dividends or profits declared by the investee.

##### (2) Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities 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.

The Group recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, adjustment shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner' equity in the consolidated financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

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

##### (2) Long-term equity investment accounted for by equity method *(Continued)*

In recognition of share of losses in the investee, the Group treats it in the following order: Firstly, the Group will write off the carrying value of long-term equity investments. Secondly, in the event, the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

##### (3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

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

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

##### (3) Disposal of long-term equity investments *(Continued)*

When the Group loses the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When the Group loses the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal can not impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred on pro rata basis; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XIII) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

The Group's existing investment property is measured at cost. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

### (XIV) 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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XIV) Fixed assets

#### 2. Method for depreciation of different fixed assets *(Continued)*

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

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

#### 3. 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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

### (XV) Construction in progress

#### 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 depreciation 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.

### (XVI) 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.



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XVI) Borrowing costs *(Continued)*

#### 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 borrowing costs should be suspended.

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

#### 3. Suspension of capitalisation period

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XVI) Borrowing costs *(Continued)*

#### 4. Calculation of capitalisation of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalised amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

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

### (XVII) 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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XVII) Intangible assets *(Continued)*

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

- (1) Intangible assets are initially measured at cost upon acquisition *(Continued)*

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.

- (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.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XVII) Intangible assets *(Continued)*

#### 3. **Judgement basis for the intangible assets with indefinite useful lives and the procedure for review of its useful lives**

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

#### 4. **Specific criteria for the division of research phase and development phase**

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.

#### 5. **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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XVIII) Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, projects under construction, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent accounting periods.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

### (XIX) 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
Consultation fee	Straight-line method	5 years	Benefit period

### (XX) Employee Benefits

#### 1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Group will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Group will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Group will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

#### 2. Method of accounting treatment for retirement benefit plan

##### (1) Defined contribution scheme

The Group will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Group will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to basic pension insurance, the Group also established the enterprise annuity payment system (supplementary pension insurance)/enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Group makes payment to local social insurance agencies/annuity scheme based on a certain proportion of total staff remunerations. Corresponding expenditure is included in the profit or loss for the current period or costs of related assets.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XX) Employee Benefits *(Continued)*

#### 2. Method of accounting treatment for retirement benefit plan *(Continued)*

##### (2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets. When the defined benefit scheme has surplus, the Group will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period.

When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

#### 3. Method of accounting treatment for termination benefits

The Group will pay termination benefits when the Group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognized as liabilities which would be charged into current profits and loss.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXI) Estimated liabilities

#### 1. Recognition criteria for estimated liabilities

The Group shall recognise the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring 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 various 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXI) Estimated liabilities *(Continued)*

#### 2. Method of measuring the various 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.

### (XXII) Revenue

#### 1. Principles of recognition of the revenue from sales of goods and method 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) *Criteria for judging recognition of the revenue from sales of goods of the Group and the specific judgement criteria of the time of recognition*

Sales of goods (products) of the Group 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Revenue *(Continued)*

#### 2. Principles of recognition of revenue from use by others of assets and method 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. Principles of recognition of revenue from rendering of services and method of measurement

Revenue from rendering of services of the Group 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. Principles of recognition of revenue from general system integration and method of measurement

General system integration projects of the Group 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Revenue *(Continued)*

#### 5. Principles of recognition of revenue from construction contract using percentage of completion method and method of measurement

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

Revenue from intelligent transportation construction development projects of the Group 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, the Group shall recognize revenue and expenses related to such contracts 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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXII) Revenue *(Continued)*

#### 5. Principles of recognition of revenue from construction contract using percentage of completion method and method 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 Group is carried out by direct sales through tender, in which the Group directly provides customers with complete system integrating services, specifically: to design industrial solutions by itself, develop or direct procurement of software systems by itself, purchase in the market or produce by itself general equipment, engage factories certified to manufacture hardware equipment of correspondent systems to manufacture special hardware equipment and finally combine these three elements into a complete information system through overall coordination, management, installation and adjustment. Duration of intelligent transportation projects of the Group, 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.

### (XXIII) 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.

Government grants related to assets is obtained by the Group for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

The standard for the Company to classify the government grant as asset-related is: government grant that is used to purchase or form long-term assets in any other method, including the government allocations for purchase of fixed assets or intangible assets and financial interest subsidy for special loans for fixed assets.

The standard for the Company to classify the government grant as income-related is: government grant other than asset-related government grants.

#### 2. Recognition time point

Government grants related to assets, recognition shall be made when the asset constructed or procured is put into use or relevant inspection report is obtained from the relevant departments.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXIII) Government grant *(Continued)*

#### 3. Accounting treatment

Government grants related to 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.

### (XXIV) 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. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

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, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

### (XXV) Change in major accounting policies and accounting estimates

#### 1. Change in major accounting policies

The Group has executed the following new and revised accounting standards issued by the Ministry of Finance in 2014:

“Accounting Standards for Business Enterprises – Basic Standard” (Revised)

“Accounting Standards for Business Enterprises No. 2 – Long-term equity investment” (Revised)

“Accounting Standards for Business Enterprises No. 9 – Employee Benefits” (Revised)

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

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

“Accounting Standards for Business Enterprises No. 37 – Financial instrument presentation” (Revised)

“Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement”

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

“Accounting Standards for Business Enterprises No. 41 – Disclosure of equity in other entity”

The main effect of the application of the above Accounting Standards for Business Enterprises by the Group is as follow:

- (1) Pursuant to the “Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments” (Revised), the Group has retrospectively adjusted the investment in entities not under common control or without significant influence and do not have a quoted market price in an active market and whose fair value cannot be reliably measured under Long-term Equity Investments and classified it as available-for-sale financial assets.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

### (XXV) Change in major accounting policies and accounting estimates (Continued)

#### 1. Change in major accounting policies (Continued)

The main effect of the above retrospective adjustments to the current and previous financial statements is as follow:

Adjustments	Items of financial statements that are affected	Affected amount	
		2014	2013
The equity investment in Jiangsu Information Industry Institute Union Joint Stock Company under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	2,000,000.00	2,000,000.00
	Long-term equity investments	2,000,000.00	2,000,000.00
The equity investment in Nanjing City Information Investment Holdings Co., Ltd. under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	42,520,000.00	24,400,000.00
	Long-term equity investments	42,520,000.00	24,400,000.00
The equity investment in Zhong Jian Zhi Kang Supply Chain Management Company Limited under long-term equity investments be retrospectively adjusted to available-for-sale financial assets	Available-for-sale financial assets	74,986,244.94	74,986,244.94
	Long-term equity investments	74,986,244.94	74,986,244.94
Total	Available-for-sale financial assets	119,506,244.94	101,386,244.94
	Long-term equity investments	119,506,244.94	101,386,244.94

- (2) Pursuant to the “Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements” (Revised), the deferred income shall be separately presented and the Group made retrospective adjustment.

Adjustments	Items of financial statements that are affected	Affected amount	
		2014	2013
Deferred income be separately presented	Other non-current liabilities	9,622,739.47	22,925,895.86
	Deferred income	9,622,739.47	22,925,895.86

The above changes in accounting policy only has impact on the amounts of four items of available-for-sale financial assets, long-term equity investments, other non-current liabilities, deferred income in the financial statements. It has no impact to the Group's total assets, total liabilities, net assets and net profit for the current and previous years.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

### (XXV) Change in major accounting policies and accounting estimates (Continued)

#### 2. Change in major accounting estimates

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

## IV. TAXATION

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

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

#### Enterprise income tax

Name of the company	Tax rate	Notes
The Company	15%	High and new technology enterprise
Jiangsu Intellitrans Company Limited	15%	High and new technology enterprise
Jiangsu Ruifu 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.	12.5%	Software company
Other subsidiaries	25%	

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## IV. TAXATION (Continued)

### (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 Ruiifu 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 Transporations 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.

#### 2. Enterprise income tax

On 2 September 2014, 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 2014.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## IV. TAXATION (Continued)

### (II) Tax preferential and approval document (Continued)

#### 2. Enterprise income tax (Continued)

On 31 October 2014, 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 is 15% during the reporting period.

On 22 December 2009, 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 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 Group, 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 effective enterprise income tax rate of the Company for 2014, 2015, 2016 is 12.5%.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (I) Cash at bank and on hand

Item	2014	2013
Cash on hand	<b>275,658.26</b>	127,605.39
Bank deposits	<b>782,472,599.68</b>	528,185,860.24
Others	<b>118,233,798.62</b>	50,739,426.20
Total	<b>900,982,056.56</b>	579,052,891.83
Including: Total amount of deposits abroad	<b>33,807,807.77</b>	33,917,387.32

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

Items	2014	2013
Deposits for bank accepted bills of exchange	<b>91,849,992.02</b>	3,058,956.00
Deposits of guarantee letter	<b>26,258,806.60</b>	47,380,470.20
Guarantee deposits	<b>125,000.00</b>	–
Deposits of letter of credit	–	300,000.00
Total	<b>118,233,798.62</b>	50,739,426.20

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (II) Notes receivable

#### 1. Classification of notes receivable

Type	2014	2013
Bank accepted bills of exchange	<u>7,842,580.10</u>	<u>3,300,000.00</u>

#### 2. There were no pledged notes receivable at the end of the year.

#### 3. At the end of the year, notes receivable endorsed or discounted and not yet due as at the balance sheet date

Items	Derecognized amount at the end of the period	Amount not yet derecognize at the end of the period
Endorsed bank accepted bills of exchange	<u>10,055,000.00</u>	<u>—</u>
Total	<u>10,055,000.00</u>	<u>—</u>

#### 4. There were no notes receivable which were converted to account receivables due to the drawer's inability to settle the note.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable

#### 1. The aging analysis of accounts receivable

Aging	2014				2013			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	Percentage		Percentage		Percentage		Percentage	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year	106,752,852.16	40.75	3,462,176.24	3.24	217,602,559.78	57.29	6,599,146.82	3.03
1 to 2 years	126,652,359.26	48.34	9,876,519.70	7.80	99,733,090.85	26.26	6,422,592.93	6.44
2-3 years	19,039,435.14	7.27	4,556,994.18	23.93	55,933,217.53	14.72	16,712,772.07	29.88
Over 3 years	9,534,907.58	3.64	9,400,524.63	98.59	6,589,572.96	1.73	6,511,643.86	98.82
Total	261,979,554.14	100.00	27,296,214.75	10.42	379,858,441.12	100.00	36,246,155.68	9.54

#### 2. Disclosure of accounts receivable by categories

Categories	2014					2013				
	Closing balance		Provision for bad debts		Carrying Amount	Closing balance		Provision for bad debts		Carrying Amount
	Percentage		Percentage			Percentage		Percentage		
	Amount	(%)	Amount	(%)	Amount	Amount	(%)	Amount	(%)	Amount
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-	-
Including: due from governments	30,688,029.18	11.71	2,588,404.38	8.43	28,099,624.80	33,483,226.96	8.81	754,024.68	2.25	32,729,202.28
due from non-governments	231,291,524.96	88.29	24,707,810.37	10.68	206,583,714.59	346,375,214.16	91.19	35,492,131.00	10.25	310,883,083.16
Sub-total for the group	261,979,554.14	100.00	27,296,214.75	10.42	234,683,339.39	379,858,441.12	100.00	36,246,155.68	9.54	343,612,285.44
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
Total	261,979,554.14	100.00	27,296,214.75	10.42	234,683,339.39	379,858,441.12	100.00	36,246,155.68	9.54	343,612,285.44

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## 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	2014		2013	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	<b>30,688,029.18</b>	<b>2,588,404.38</b>	33,483,226.96	754,024.68

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

Aging	2014				2013			
	Closing balance		Provision for bad debts	Provision Percentage	Closing balance		Provision for bad debts	Provision Percentage
	Amount	Percentage (%)			Amount	Percentage (%)		
Within 1 year	93,928,185.25	40.61	2,817,845.55	3.00	205,586,617.16	59.35	6,266,150.33	3.00
1 to 2 years	117,561,496.46	50.83	9,404,919.72	8.00	78,643,006.63	22.70	6,028,635.66	8.00
2 to 3 years	10,452,568.79	4.52	3,135,770.64	30.00	55,640,350.53	16.06	16,692,105.17	30.00
Over 3 years	9,349,274.46	4.04	9,349,274.46	100.00	6,505,239.84	1.89	6,505,239.84	100.00
Total	<b>231,291,524.96</b>	<b>100.00</b>	<b>24,707,810.37</b>	<b>10.68</b>	<b>346,375,214.16</b>	<b>100.00</b>	<b>35,492,131.00</b>	<b>10.25</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable (Continued)

#### 4. The situation of provision, reversal or receipt of provision of bad debts for the current year

Item	2013	Increase for the current period	Decrease for the current period	2014
Provision of bad debts	36,246,155.68	–	8,949,940.93	<b>27,296,214.75</b>

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

Name of Unit	Accounts Receivable	2014 Percentage of the total accounts receivable (%)	Provision of bad debts
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)	31,171,678.00	11.90	2,493,734.24
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)	17,409,025.00	6.65	1,392,722.00
Nanjing City Public Security Bureau (南京市公安局)	14,883,664.00	5.68	446,509.92
Department of Construction of Expressway (南京市公路建設處)	8,459,348.00	3.23	676,747.84
Hunan Expressway Authority (湖南省高速公路管理局)	7,607,251.56	2.90	228,217.55
Total	<b>79,530,966.56</b>	<b>30.36</b>	<b>5,237,931.55</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (III) Accounts receivable (Continued)

#### 6. Accounts receivables derecognised due to transfer of financial assets in the current reporting period

Item	Derecognised Amount	Way of transfer of financial assets	Gain or loss relating to derecognition
Nanjing Feng Sheng Industry Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)	10,625,716.46	non-recourse factoring	625,716.46
Nanjing Taixin Project Construction Co., Ltd. (南京泰新工程建設有限公司)	12,185,687.00	non-recourse factoring	585,687.00
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	12,301,986.50	non-recourse factoring	251,986.50
Fuzhou Bonded Logistics Development Company Limited (福州保稅物流發展有限公司)	2,314,549.00	non-recourse factoring	44,549.00
Total	<u>37,427,938.96</u>		<u>1,507,938.96</u>

#### 7. There were no accounts receivables not completely derecognised but transferred in the reporting period.

#### 8. There were no accounts receivable-backed securitisations in the reporting period.

### (IV) Prepayments

#### 1. Prepayments by aging

Aging	2014		2013	
	Closing balance	Percentage (%)	Closing balance	Percentage (%)
Within 1 year	<b>36,527,805.18</b>	<b>86.05</b>	86,512,302.26	89.73
1 to 2 years	<b>3,362,263.65</b>	<b>7.92</b>	9,619,998.62	9.97
2 to 3 years	<b>2,427,742.61</b>	<b>5.72</b>	153,000.00	0.16
Over 3 years	<b>130,963.39</b>	<b>0.31</b>	133,261.65	0.14
Total	<u><b>42,448,774.83</b></u>	<u><b>100.00</b></u>	<u>96,418,562.53</u>	<u>100.00</u>



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (IV) Prepayments (Continued)

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

Name of Unit	Relationship with the Company	Closing balance	Aging	Reason of unsettlement
Nanjing Fire Engineering Co., Ltd., Xiamen Branch (南京市消防工程有限公司廈門分公司)	non-related party	3,374,459.02	Within 1 year	prepayments for construction work
Sichuan Qingyu Transportation Technology Co., Ltd. (四川晴宇交通科技有限公司)	non-related party	3,308,728.27	Within 1 year	prepayments for construction work
Jiangsu Communication Services Co., Ltd. Wangying Branch (江蘇省通信服務有限公司網盈分公司)	non-related party	3,300,000.00	Within 1 year	prepayments for construction work
Beijing Zhiyuan Information Technology Co., Ltd. (北京數智源信息技術有限公司)	non-related party	2,829,884.00	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 party	2,000,000.00	Within 1 year	prepayments for construction work
Total		14,813,071.29		

#### 3. There were no significant prepayments aged over 1 year included in the closing balance at the end of the year.

### (V) Other receivables

#### 1. The aging analysis of other receivables

Types	2014				2013			
	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)	37,124,650.74	46.61	202,261.75	0.54	46,497,321.30	50.06	85,937.91	0.18
1 to 2 years	8,194,013.74	10.29	32,012.20	0.39	28,884,522.43	31.10	271,268.01	0.94
2 to 3 years	24,270,369.55	30.47	1,265,529.80	5.21	9,689,295.62	10.43	39,942.33	0.41
Over 3 years	10,067,458.99	12.64	37,069.99	0.37	7,819,612.00	8.41	-	-
Total	79,656,493.02	100.00	1,536,873.74	1.93	92,890,751.35	100.00	397,148.25	0.43

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (V) Other receivables (Continued)

#### 2. Disclosure of other receivables by categories

Types	2014					2013				
	Closing balance		Provision for bad debts			Closing balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-	-
Including: Retention monies	72,723,006.34	91.30	-	-	72,723,006.34	88,141,701.79	94.89	-	-	88,141,701.79
Others	6,933,486.68	8.70	1,536,873.74	22.17	5,396,612.94	4,749,049.56	5.11	397,148.25	8.36	4,351,901.31
Sub-total for the group	79,656,493.02	100.00	1,536,873.74	1.93	78,119,619.28	92,890,751.35	100.00	397,148.25	0.43	92,493,603.10
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>79,656,493.02</b>	<b>100.00</b>	<b>1,536,873.74</b>	<b>1.93</b>	<b>78,119,619.28</b>	<b>92,890,751.35</b>	<b>100.00</b>	<b>397,148.25</b>	<b>0.43</b>	<b>92,493,603.10</b>

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

Aging	2014				2013			
	Closing balance		Provision		Closing balance		Provision	
	Amount	Percentage (%)	Provision for bad debts	percentage (%)	Amount	Percentage (%)	Provision for bad debts	percentage (%)
Within 1 year	4,045,235.04	58.34	202,261.75	5.00	1,960,029.86	41.27	85,937.91	4.38
1 to 2 years	320,122.05	4.62	32,012.20	10.00	2,712,680.08	57.12	271,268.01	10.00
2 to 3 years	2,531,059.60	36.50	1,265,529.80	50.00	76,339.62	1.61	39,942.33	52.32
Over 3 years	37,069.99	0.54	37,069.99	100.00	-	-	-	-
<b>Total</b>	<b>6,933,486.68</b>	<b>100.00</b>	<b>1,536,873.74</b>	<b>22.17</b>	<b>4,749,049.56</b>	<b>100.00</b>	<b>397,148.25</b>	<b>8.36</b>

#### 3. The situation of provision, reversal or receipt of provision of bad debts for the current year

Item	2013	Increase for the current period	Decrease for the current period	2014
Provision of bad debts	397,148.25	1,139,725.49	-	<b>1,536,873.74</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (V) Other receivables (Continued)

4. There were no actual write-off of other receivables in the current period.

#### 5. Classification of other receivables by nature

Nature of fund	2014	2013
Retention monies	72,723,006.34	88,141,701.79
Petty Cash	3,679,255.42	1,707,663.04
Other	3,254,231.26	3,041,386.52
Total	79,656,493.02	92,890,751.35

#### 6. Particulars of the top five of other receivable at the end of the year

Name	Nature or content	Closing balance	Aging	Percentage of the total other receivables (%)	Closing amount of provision of bad debts
Nanping Ningwu Expressway Co., Ltd. (南平寧武高速公路有限責任公司)	Retention monies	10,485,236.00	2 to 3 years	13.16	-
Headquarter for Construction of Yunnan Meng-Xin Expressway (雲南蒙新高速公路建設指揮部)	Retention monies	5,050,000.00	Over 3 years	6.34	-
Hunan Province Jihuai Expressway Construction and Development Co., Ltd. (湖南省吉懷高速公路建設開發有限公司)	Retention monies	4,616,206.38	2 to 3 years	5.80	-
Headquarters of Modification State Road 318-Section of Ganziv (國道318線甘孜境段改造工程指揮部)	Retention monies	4,330,000.00	Within 1 year	5.44	-
Hubei Public Resources Trading Centre (湖北省公共資源交易中心)	Retention monies	4,000,000.00	Within 1 year	5.02	-
Total		28,481,442.38		35.76	-

7. There were no other receivables derecognised due to transfer of financial assets in the reporting period.

8. There were no other receivables not completely derecognised but transferred in the reporting period.

9. There were no other receivables-backed securitisations in the reporting period.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VI) Inventories

#### 1. Classification of Inventories

Items	2014			2013		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	595,615.61	-	595,615.61	743,130.37	-	743,130.37
Commodity Stocks	10,583,597.25	1,013,597.23	9,570,000.02	4,176,231.00	770,191.57	3,406,039.43
Work in progress	16,195,170.77	-	16,195,170.77	11,001,981.36	-	11,001,981.36
Assets of construction contract completed but not yet settle	550,767,013.55	-	550,767,013.55	268,425,723.39	-	268,425,723.39
<b>Total</b>	<b>578,141,397.18</b>	<b>1,013,597.23</b>	<b>577,127,799.95</b>	<b>284,347,066.12</b>	<b>770,191.57</b>	<b>283,576,874.55</b>

#### 2. Provisions for declines in the value of inventories

Type of inventory	2013	Current period provision	Current period reductions		2014
			Reversal	Write-off	
Commodity stocks	770,191.57	243,405.66	-	-	1,013,597.23
<b>Total</b>	<b>770,191.57</b>	<b>243,405.66</b>	<b>-</b>	<b>-</b>	<b>1,013,597.23</b>

#### 3. Assets of construction contract completed but not yet settle

Items	2014	2013
Accumulated costs incurred	1,039,805,695.22	411,931,964.23
Accumulated recognised gross profit	306,405,837.10	170,502,596.62
Less: Expected loss	-	-
Amount billed	795,444,518.77	314,008,837.46
<b>Assets of construction contract completed but not yet settle</b>	<b>550,767,013.55</b>	<b>268,425,723.39</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## 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
Xuzhou City Transportation Bureau (ancillary works construction cooperation contract for Xuzhou Third Ring Road Elevated Expressway Project) 徐州市交通運輸局(徐州市三環東路高架快速路項目附屬工程合作建設合同)	2014	196,000,000.00	95.00%	156,500,000.00	37,525,000.00	-	194,025,000.00
Section A5 contract for project of the Eastern section of Chengdu Second Ring Expressway 成都第二繞城高速公路東段項目第A5合同段	2014	293,100,088.00	40.00%	82,384,528.04	34,844,087.44	30,775,509.00	86,453,106.48
Electromechanical Engineering for Handan to Daming (Ji Lu Border) Expressway (Handan City Bureau of Transportation Highway Project Office) 邯鄲至大名(冀魯界)高速公路機電工程(邯鄲市交通局公路項目辦公室)	2013	75,296,286.00	95.00%	42,307,816.28	33,529,638.20	48,942,585.90	26,894,868.58
Hebei Province Beijing-Shijiazhuang Highway Expansion Preparatory Office (Electrical and Mechanical Engineering of expansion project of the Expressway from Zhuo Zhou, Hebei Province (Jing Ji Border) to Shijiazhuang) 河北省高速公路京石改擴建籌建處(河北省涿州(京冀界)至石家莊公路改擴建工程項目機電工程)	2014	77,911,218.00	80.00%	40,908,260.54	18,703,104.18	33,820,539.00	25,790,825.72
Guangdong Erguang Highway Co., Ltd. (Guangdong Lianzhou (Hunan and Guangdong border) to Huaiji Highway Project) 廣東二廣高速公路有限公司(廣東連州(湘粵界)至懷集公路項目)	2014	80,077,936.00	60.00%	54,022,230.84	15,508,540.80	48,046,761.60	21,484,010.04
Electromechanical Engineering for Fujian Xiacheng Expressway Zhangzhou section and Chang Tai Mei Gong to Chen Xian Highway Traffic (Zhangzhou Xiacheng Expressway Co., Ltd.) (Transfer to formal) 福建省廈成高速公路漳州段及長泰美宮至陳巷高速公路交通機電工程(漳州廈成高速公路有限責任公司)(轉正式)	2013	57,607,252.00	95.00%	53,512,163.75	21,518,214.40	54,726,889.40	20,303,488.75

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## 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
Electromechanical Engineering for Lot SHJD-1 highway construction Shijian to Baihe (Hubei and Shaanxi border) (Headquarter for Construction of Shijian 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%	59,380,861.92	7,700,241.11	49,494,998.40	17,586,104.63
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	95.77%	37,760,534.16	13,834,224.63	34,723,553.79	16,871,205.00
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	95.00%	33,741,577.92	16,031,118.91	33,542,790.72	16,229,906.11
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%	58,394,379.88	19,848,441.20	67,269,803.05	10,973,018.03
Total		984,386,055.33		618,912,353.33	219,042,610.87	401,343,430.86	436,611,533.34

*Note:* The auxiliary project of the East Third Ring Expressway of Xuzhou was the BT (build-transfer) project signed between the Group and Xuzhou Transportation Bureau and constructed. Intellitrans, a subsidiary of the Group was the main constructor that recognized the revenue and income based on the accounting of the contract; Xuzhou Sample, a subsidiary of the Group, was the project financing company recognized the long-term receivable and relevant revenue, cost and financing expenses during the acceptance and the transfer of the project.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VII) Other current assets

Item	2014	2013
Deductible input VAT	<b>7,444,600.40</b>	–
Total	<b>7,444,600.40</b>	–

### (VIII) Available-for-sale financial assets

#### 1. Particulars of available-for-sale financial assets

Items	2014			2013		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investments in entities not under common control or without significant influence and do not have a quoted market price in an active market and whose fair value cannot be reliably measured	119,506,244.94	–	119,506,244.94	101,386,244.94	–	101,386,244.94
Including: measured at cost	119,506,244.94	–	119,506,244.94	101,386,244.94	–	101,386,244.94
Total	<b>119,506,244.94</b>	<b>–</b>	<b>119,506,244.94</b>	<b>101,386,244.94</b>	<b>–</b>	<b>101,386,244.94</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (VIII) Available-for-sale financial assets (Continued)

#### 2. Available-for-sale financial assets measured at cost at the end of the year

Investee	2013	Closing balance		2013	Impaired provision		2014	Equity Interest held (%)	Dividend for the current period
		Increase in the current period	Decrease in the current period		Increase in the current period	Decrease in the current period			
Jiangsu Information Industry Institute Union Joint Stock Company	2,000,000.00	-	-	-	-	-	-	4.00	-
Nanjing City Information Investment Holdings Co., Ltd.	24,400,000.00	18,120,000.00	-	42,520,000.00	-	-	-	15.12	-
Zhong Jian Zhi Kang Supply Chain Management Company Limited	74,986,244.94	-	-	74,986,244.94	-	-	-	19.00	-
Total	101,386,244.94	18,120,000.00	-	119,506,244.94	-	-	-	-	-

### (IX) Long-term equity investments

Investee	2013	Increase/decrease in the current period		2014	Impairment provision for the current period	Closing balance of impairment provision at the end of the period
		Additional investment	Decrease in investment			
Jointly controlled entities: Nanjing Lapin Network Technology Co., Ltd. 南京莱珉网络科技有限公司	-	800,000.00	-	(90,946.88)	-	709,053.12
Sub-total	-	800,000.00	-	(90,946.88)	-	709,053.12
Total	-	800,000.00	-	(90,946.88)	-	709,053.12



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (X) Fixed assets

#### 1. Particulars of fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
<b>1. Original book value</b>					
(1) 2013 Balance	57,314,042.13	161,680,090.70	5,436,795.13	41,920,979.98	<b>266,351,907.94</b>
(2) Increase in the current period	223,487,083.24	-	101,820.10	18,099,873.28	<b>241,688,776.62</b>
— Purchase	-	-	101,820.10	8,141,092.96	<b>8,242,913.06</b>
— Transfer from construction in progress	223,487,083.24	-	-	9,958,780.32	<b>233,445,863.56</b>
(3) Decrease in the current period	-	-	217,077.00	1,806,816.67	<b>2,023,893.67</b>
— Disposal and scrap	-	-	217,077.00	1,806,816.67	<b>2,023,893.67</b>
(4) 2014 Balance	280,801,125.37	161,680,090.70	5,321,538.23	58,214,036.59	<b>506,016,790.89</b>
<b>2. Accumulated depreciation</b>					
(1) 2013 Balance	22,482,572.60	18,288,727.42	3,621,324.17	24,485,816.85	<b>68,878,441.04</b>
(2) Increase in the current period	3,703,664.09	14,942,119.74	655,828.23	5,678,407.85	<b>24,980,019.91</b>
— Provision	3,703,664.09	14,942,119.74	655,828.23	5,678,407.85	<b>24,980,019.91</b>
(3) Decrease in the current period	-	-	175,290.06	219,448.26	<b>394,738.32</b>
— Disposal and scrap	-	-	175,290.06	219,448.26	<b>394,738.32</b>
(4) 2014 Balance	26,186,236.69	33,230,847.16	4,101,862.34	29,944,776.44	<b>93,463,722.63</b>
<b>3. Impairment provision</b>					
(1) 2013 Balance	-	-	-	-	-
(2) Increase in the current period	-	-	-	-	-
— Provision	-	-	-	-	-
(3) Decrease in the current period	-	-	-	-	-
— Disposal and scrap	-	-	-	-	-
(4) 2014 Balance	-	-	-	-	-
<b>4. Book value</b>					
(1) 2014 Book value	254,614,888.68	128,449,243.54	1,219,675.89	28,269,260.15	<b>412,553,068.26</b>
(2) 2013 Book value	34,831,469.53	143,391,363.28	1,815,470.96	17,435,163.13	<b>197,473,466.90</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (X) 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 2014.
7. There was no pledge of fixed assets at the end of the year.

### (XI) Construction in progress

#### 1. Projects under construction

Items	2014			2013		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Smart electronic lock promotional project	4,232,231.74	-	4,232,231.74	-	-	-
Complex building	-	-	-	164,760,891.61	-	164,760,891.61
Sporadic projects	2,506,164.93	-	2,506,164.93	1,819,907.08	-	1,819,907.08
<b>Total</b>	<b>6,738,396.67</b>	<b>-</b>	<b>6,738,396.67</b>	<b>166,580,798.69</b>	<b>-</b>	<b>166,580,798.69</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XI) Construction in progress (Continued)

#### 2. Changes of major projects under construction

Name of projects	2013	Increase in the current period	Transfer to fixed assets in the current period	Other decrease in the current period	2014	Progress of projects	Aggregate amount of capitalization of interests	Including:	Source of fund
								amount of capitalization of interests in the current period	
Complex building	164,760,891.61	68,833,616.29	233,445,863.56	148,644.34	-	100%	12,675,891.67	5,127,791.67	Self financed, loan
Total	164,760,891.61	68,833,616.29	233,445,863.56	148,644.34	-		12,675,891.67	5,127,791.67	

#### 3. There were no impairment provision for construction in progress identified at the end of the year.

### (XII) Construction materials

Items	2014	2013
Special equipment	4,027,060.50	1,906,895.00
Total	4,027,060.50	1,906,895.00

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XIII) Intangible assets

#### 1. Particulars of intangible assets

Item	Land use rights	Software	Know-how	Total
<b>1. Original book value</b>				
(1) 2013 Balance	17,390,032.80	3,359,387.17	16,570,020.48	<b>37,319,440.45</b>
(2) Increase in the current period	–	590,735.82	–	<b>590,735.82</b>
– Purchase	–	590,735.82	–	<b>590,735.82</b>
(3) Decrease in the current period	–	–	–	<b>–</b>
– Disposal	–	–	–	<b>–</b>
(4) 2014 Balance	<u>17,390,032.80</u>	<u>3,950,122.99</u>	<u>16,570,020.48</u>	<b><u>37,910,176.27</u></b>
<b>2. Accumulated amortization</b>				
(1) 2013 Balance	2,063,301.32	750,458.35	12,677,516.27	<b>15,491,275.94</b>
(2) Increase in the current period	385,400.76	581,242.31	1,946,252.70	<b>2,912,895.77</b>
– Provision	385,400.76	581,242.31	1,946,252.70	<b>2,912,895.77</b>
(3) Decrease in the current period	–	–	–	<b>–</b>
– Disposal	–	–	–	<b>–</b>
(4) 2014 Balance	<u>2,448,702.08</u>	<u>1,331,700.66</u>	<u>14,623,768.97</u>	<b><u>18,404,171.71</u></b>
<b>3. Impairment provision</b>				
(1) 2013 Balance	–	–	–	<b>–</b>
(2) Increase in the current period	–	–	–	<b>–</b>
– Provision	–	–	–	<b>–</b>
(3) Decrease in the current period	–	–	–	<b>–</b>
– Disposal	–	–	–	<b>–</b>
(4) 2014 Balance	<u>–</u>	<u>–</u>	<u>–</u>	<b><u>–</u></b>
<b>4. Book value</b>				
(1) 2014 Book value	<u>14,941,330.72</u>	<u>2,618,422.33</u>	<u>1,946,251.51</u>	<b><u>19,506,004.56</u></b>
(2) 2013 Book value	<u>15,326,731.48</u>	<u>2,608,928.82</u>	<u>3,892,504.21</u>	<b><u>21,828,164.51</u></b>

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

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XIV) Long-term deferred expenses

Items	1 January 2014	Increase in the year	Amortized in the year	Other decrease	31 December 2014
Renovation costs	587,487.69	-	167,853.60	-	419,634.09
e-card fee	2,298,785.67	5,599,515.55	836,056.91	-	7,062,244.31
Consultation fee	-	6,000,000.00	600,000.00	-	5,400,000.00
Total	<u>2,886,273.36</u>	<u>11,599,515.55</u>	<u>1,603,910.51</u>	<u>-</u>	<u>12,881,878.40</u>

### (XV) Deferred income tax

#### 1. Deferred tax assets before offsetting

Item	2014		2013	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment on assets	<b>29,846,685.72</b>	<b>4,456,956.10</b>	37,413,495.50	5,611,519.78
Accrued construction costs	<b>38,243,401.12</b>	<b>5,736,510.17</b>	38,243,401.12	5,736,510.17
Total	<u><b>68,090,086.84</b></u>	<u><b>10,193,466.27</b></u>	<u>75,656,896.62</u>	<u>11,348,029.95</u>

#### 2. Deferred tax liabilities before offsetting

Item	2014		2013	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset gains from business combinations involving entities not under common control	<b>6,049,980.40</b>	<b>636,670.96</b>	8,116,258.10	973,618.23
Total	<u><b>6,049,980.40</b></u>	<u><b>636,670.96</b></u>	<u>8,116,258.10</u>	<u>973,618.23</u>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XVI) Short-term borrowings

#### 1. Classification of short-term borrowings

Items	2014	2013
Guaranteed loan	<b>524,000,000.00</b>	275,000,000.00
Fiduciary loan	<b>-</b>	10,000,000.00
Total	<b>524,000,000.00</b>	285,000,000.00

2. There were no due short-term borrowings outstanding at the end of the year.

3. All borrowings at the end of year are due within one year.

### (XVII) Notes payable

Type	2014	2013
Bank accepted bills of exchange	<b>36,520,312.90</b>	6,115,952.00
Total	<b>36,520,312.90</b>	6,115,952.00

### (XVIII) Accounts payable

#### 1. Balances of accounts payable

Items	2014	2013
Material engineering and expenses payable	<b>406,030,216.39</b>	316,606,125.09
Total	<b>406,030,216.39</b>	316,606,125.09

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XVIII) Accounts payable (Continued)

#### 2. Significant accounts payable aged over 1 year at the end of the year

Name of unit	Closing balance	Reason of not transfer
Fujian Newland Software Engineering Co., Ltd. 福建新大陸軟件工程有限公司	6,941,849.53	Payment has not due
Hunan Xiangzhu Transportation Technology Co., Ltd. (湖南省湘築交通科技有限公司)	4,378,015.00	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
Shanghai Sansi Electronic Engineering Ltd. 上海三思電子工程有限公司	3,174,675.41	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
Total	<u>21,844,374.94</u>	

### (XIX) Advances from customers

#### 1. Balances of advances from customers

Items	2014	2013
Advances from customers	<u>60,493,872.25</u>	<u>25,481,574.39</u>

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XX) Staff remuneration payables

1. Staff remuneration payables disclosed as follow:

Item	1 January 2014	Increase in the current period	Decrease in the current period	31 December 2014
Short-term salaries payable	307,878.45	40,502,872.37	40,498,352.63	<b>312,398.19</b>
Post-employee benefits-defined contribution plan	59,492.29	5,593,983.85	5,593,983.85	<b>59,492.29</b>
Termination benefits	25,485.00	134,217.00	134,217.00	<b>25,485.00</b>
Total	<u>392,855.74</u>	<u>46,231,073.22</u>	<u>46,226,553.48</u>	<u><b>397,375.48</b></u>

2. Short-term salaries payable disclosed as follow:

Items	1 January 2014	Increase in the current period	Decrease in the current period	31 December 2014
(1) Wages or salaries, bonuses, allowances and subsidies	145,106.58	33,882,134.15	33,877,614.41	<b>149,626.32</b>
(2) Welfare	–	1,191,906.77	1,191,906.77	–
(3) Social insurance	28,527.81	2,657,075.22	2,657,075.22	<b>28,527.81</b>
Including: Medical insurance	24,797.24	2,318,271.34	2,318,271.34	<b>24,797.24</b>
Work injury insurance	1,426.67	134,846.68	134,846.68	<b>1,426.67</b>
Maternity insurance	2,303.90	203,957.20	203,957.20	<b>2,303.90</b>
(4) Housing funds	8,220.60	2,522,432.43	2,522,432.43	<b>8,220.60</b>
(5) Staff education costs	126,023.46	249,323.80	249,323.80	<b>126,023.46</b>
Total	<u>307,878.45</u>	<u>40,502,872.37</u>	<u>40,498,352.63</u>	<u><b>312,398.19</b></u>



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XX) Staff remuneration payables (Continued)

3. Defined contribution plan disclosed as follow:

Item	1 January 2014	Increase in the current period	Decrease in the current period	31 December 2014
Basic pension contribution	54,095.45	5,147,941.07	5,147,941.07	<b>54,095.45</b>
Unemployment insurance	5,396.84	446,042.78	446,042.78	<b>5,396.84</b>
Total	<u>59,492.29</u>	<u>5,593,983.85</u>	<u>5,593,983.85</u>	<b><u>59,492.29</u></b>

### (XXI) Taxes payable

Tax items	2014	2013
VAT	<b>2,691,518.40</b>	104,734.05
Business tax	<b>18,341,357.45</b>	20,078,707.30
Enterprise income tax	<b>11,821,076.71</b>	12,591,532.92
Individual income tax	<b>104,312.97</b>	64,071.37
City maintenance and construction tax	<b>1,601,516.97</b>	1,680,618.95
Education surcharge	<b>1,010,266.45</b>	1,020,525.06
Others	<b>618,124.88</b>	214,505.62
Total	<b><u>36,188,173.83</u></b>	<u>35,754,695.27</u>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXII) Other payables

#### 1. Other payables disclosed by nature

Item	2014	2013
Retention monies	38,288,050.19	16,333,192.97
Collection and payment	5,078,072.47	3,545,589.13
Other	4,399,197.60	5,424,307.14
Total	47,765,320.26	25,303,089.24

#### 2. Significant other payables aged over 1 year at the end of the year:

Name of unit	Closing balance	Nature of fund	Reason of not payment
Hunan Xiangzhu Transportation Technology Co., Ltd. (湖南省湘筑交通科技有限公司)	5,616,206.38	Retention monies	Payment has not due

### (XXIII) Non-current liabilities due within 1 year

#### Particulars of non-current liabilities due within one year

Items	2014	2013
Long-term borrowing due within 1 year	70,000,000.00	50,000,000.00
Total	70,000,000.00	50,000,000.00

### (XXIV) Long-term borrowing

#### Classification of long-term borrowing

Items	2014	2013
Guaranteed loan	70,000,000.00	76,250,000.00
Total	70,000,000.00	76,250,000.00

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXV) Deferred income

Item	1 January 2014	Increase in the current period	Decrease in the current period	31 December 2014
Government subsidies	22,925,895.86	800,000.00	14,103,156.39	9,622,739.47
Total	22,925,895.86	800,000.00	14,103,156.39	9,622,739.47

Projects involving government subsidies:

Liabilities items	1 January 2014	Increase in the current period	Credited to Non- operating income in the current period	Other movements	31 December 2014	related to an asset/ related to income
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	11,910,000.00	-	10,993,085.48	-	916,914.52	related to an asset
Financial assistance for national scientific and technological support projects	10,665,895.86	-	2,760,070.91	-	7,905,824.95	related to an asset
Provincial financial assistance for echnological innovation and technology transfer	350,000.00	-	350,000.00	-	-	
Provincial grants for international cooperation	-	800,000.00	-	-	800,000.00	related to an asset
Total	22,925,895.86	800,000.00	14,103,156.39	-	9,622,739.47	

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVI) Share capital

Name of shareholders	1 January 2014		Increase in the current period	Decrease in the current period	31 December 2014	
	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>

### (XXVII) Capital reserve

#### 1. Particulars of capital reserve

Items	2014	2013
Share capital premium	96,217,430.61	96,217,430.61
Other capital reserves	3,410,183.34	3,410,183.34
Total	<u>99,627,613.95</u>	<u>99,627,613.95</u>

#### 2. Particulars of movements for the year

Items	1 January 2014	Increase in the year	Decrease in the year	31 December 2014
Share capital premium	96,217,430.61	-	-	96,217,430.61
Other capital reserves	3,410,183.34	-	-	3,410,183.34
Total	<u>99,627,613.95</u>	<u>-</u>	<u>-</u>	<u>99,627,613.95</u>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXVIII) Other comprehensive income

Items	1 January 2014	Amounts incurred before income tax in the current period	Amounts incurred in the current period		Less: income tax expenses	Attributable to the Company after tax	Attributable to minority interests after tax	31 December 2014
			Less: Previously recognized in other comprehensive income and transferred to profit or loss in the current period					
Other comprehensive income to be re-categorized into profit and loss subsequently	(3,776,850.71)	(102,171.44)	-	-	-	-	(3,879,022.15)	
Including: Converted difference in foreign currency statements	(3,776,850.71)	(102,171.44)	-	-	-	-	(3,879,022.15)	
Total other comprehensive income	(3,776,850.71)	(102,171.44)	-	-	-	-	(3,879,022.15)	

### (XXIX) Surplus reserve

#### 1. Particulars of Surplus reserve

Items	2014	2013
Statutory surplus reserve	51,644,250.39	46,153,350.13
Total	51,644,250.39	46,153,350.13

#### 2. Particulars of movements for the period

Item	1 January 2014	Increase in the year	Decrease in the year	31 December 2014
Statutory surplus reserve	46,153,350.13	5,490,900.26	-	51,644,250.39
Total	46,153,350.13	5,490,900.26	-	51,644,250.39

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXX) Undistributed profits

Items	2014	2013
Undistributed profit at the beginning of the year	<b>642,216,593.48</b>	564,885,873.01
Add: Current net profit attributable to shareholders of the Company	<b>137,953,042.32</b>	126,405,756.32
Less: Provision of statutory surplus reserves	<b>5,490,900.26</b>	4,255,035.85
Ordinary shares dividends payable	<b>22,410,000.00</b>	44,820,000.00
	<hr/>	<hr/>
Closing balance of undistributed profit	<b>752,268,735.54</b>	642,216,593.48
	<hr/> <hr/>	<hr/> <hr/>

### (XXXI) Operating income and operating cost

#### 1. Operating income and operating cost

Items	2014	2013
Principal operating income	<b>901,027,948.26</b>	782,313,992.08
Other operating income	<b>6,198,043.40</b>	5,453,974.51
	<hr/>	<hr/>
Total operating income	<b>907,225,991.66</b>	787,767,966.59
	<hr/> <hr/>	<hr/> <hr/>
Principal operating cost	<b>607,862,625.44</b>	520,672,373.41
Other operating cost	<b>2,994,994.51</b>	2,656,310.34
	<hr/>	<hr/>
Total operating cost	<b>610,857,619.95</b>	523,328,683.75
	<hr/> <hr/>	<hr/> <hr/>

#### 2. Principal operations (by product)

Name of Products	2014		2013	
	Operating income	Operating cost	Operating income	Operating cost
System integration	<b>659,440,413.49</b>	<b>468,399,613.56</b>	577,906,131.29	407,172,888.03
Intelligent terminal sales	<b>153,238,871.31</b>	<b>106,518,857.97</b>	138,472,466.30	93,322,367.23
Service	<b>88,348,663.46</b>	<b>32,944,153.91</b>	65,935,394.49	20,177,118.15
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>901,027,948.26</b>	<b>607,862,625.44</b>	782,313,992.08	520,672,373.41
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# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXI) Operating income and operating cost (Continued)

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

Name of the customers	2014	
	Total operating income	Percentage of the total operating income of the Group (%)
Xuzhou City Transportation Bureau	186,200,000.00	20.52
Chengdu Longguang Erhuan Expressway Co., Ltd.	117,220,035.20	12.92
Hebei Province Beijing-Shijiazhuang Highway Expansion Preparatory Office	59,360,928.58	6.54
Guangdong Erguang Highway Co., Ltd.	48,046,761.60	5.30
Nanjing City Public Security Bureau	37,733,807.52	4.16
Total	448,561,532.90	49.44

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXII) Taxes and surcharges

Items	2014	2013
Business tax	<b>9,134,023.94</b>	8,672,239.53
City construction tax	<b>1,204,243.83</b>	1,438,748.42
Education surcharge tax	<b>1,092,314.05</b>	1,096,522.06
Total	<b>11,430,581.82</b>	11,207,510.01

### (XXXIII) Selling and distribution expenses

Items	2014	2013
Salary and surcharge	<b>8,736,110.68</b>	12,510,433.36
Entertainment expenses	<b>5,169,511.81</b>	4,133,757.60
Travelling expenses	<b>3,626,410.66</b>	2,603,033.83
Composite fees for construction	<b>2,920,206.84</b>	1,653,293.69
Bidding fees	<b>206,846.00</b>	187,128.00
Water and electricity charges	<b>500,541.05</b>	222,449.39
Motor vehicle expenses	<b>918,145.97</b>	525,640.70
Office expenses	<b>665,097.13</b>	271,404.62
Telephone charges	<b>304,655.82</b>	210,030.79
Advertisement and promotion expenses	<b>78,711.94</b>	43,557.65
Postage	<b>163,202.12</b>	114,296.78
Depreciation charges	<b>423,716.38</b>	386,710.79
Others	<b>1,955,503.34</b>	1,454,664.02
Total	<b>25,668,659.74</b>	24,316,401.22



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXIV) General and administrative expenses

Items	2014	2013
Salary and surcharge	<b>31,263,245.51</b>	24,160,231.07
Research and development materials fees	<b>25,669,494.86</b>	26,795,203.56
Depreciation charges	<b>9,153,475.60</b>	4,862,041.84
Technical service fees	<b>6,378,206.70</b>	3,945,487.73
Intangible assets amortisation	<b>2,899,283.06</b>	2,877,711.56
Entertainment expenses	<b>3,029,726.00</b>	2,441,384.36
Agency fees	<b>1,828,530.41</b>	2,650,318.78
Taxation charges	<b>1,646,460.06</b>	1,117,531.58
Travelling expenses	<b>902,937.28</b>	987,857.27
Consulting fees	<b>641,254.72</b>	124,645.40
Rental expenses	<b>780,043.22</b>	738,550.88
Water and electricity charges	<b>1,598,633.46</b>	649,243.91
Motor vehicle expenses	<b>1,091,378.26</b>	1,002,230.70
Promotion expenses	<b>366,647.32</b>	396,126.32
Board's fee	<b>183,200.00</b>	259,662.00
Others	<b>8,056,207.34</b>	2,780,255.55
Total	<b>95,488,723.80</b>	75,788,482.51

### (XXXV) Financial expenses

Items	2014	2013
Interest expenses	<b>31,964,668.86</b>	13,413,168.19
Less: interest income	<b>6,331,440.47</b>	5,628,309.80
Exchange gain and loss	<b>(200,923.15)</b>	717,844.80
Others	<b>908,328.22</b>	401,413.47
Total	<b>26,340,633.46</b>	8,904,116.66

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXVI) Asset impairment losses

Items	2014	2013
Loss from bad debts	<b>(6,302,276.48)</b>	11,485,963.82
Loss from declines in values of inventories	<b>243,405.66</b>	44,440.98
Total	<b>(6,058,870.82)</b>	11,530,404.80

### (XXXVII) Investment income

Items	2014	2013
Income from long-term equity investments under equity method	<b>(90,946.88)</b>	—
Total	<b>(90,946.88)</b>	—

### (XXXVIII) Non-operating income

#### 1. Breakdown of non-operating income

Items	2014	2013
Total gain on disposal of non-current assets	<b>272,927.61</b>	0.02
Including: gain on disposal of fixed assets	<b>272,927.61</b>	0.02
Government grants	<b>19,167,166.39</b>	8,077,136.64
VAT refund	<b>4,844,049.70</b>	10,813,965.55
Others	<b>138,243.26</b>	215,501.31
Total	<b>24,422,386.96</b>	19,106,603.52

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXVIII) Non-operating income (Continued)

#### 2. Particulars of government grants recognized into profit and loss in the current period

Items	2014	2013	Related to assets/ related to income
National IOT development grants	3,300,000.00	–	related to income
E-commerce special fund plan	500,000.00	–	related to income
National high technology research and development program	482,000.00	–	related to income
Patent grants	39,410.00	–	related to income
RFID Engineering Center subsidy	10,993,085.48	–	related to assets
Talent recruitment expenses	120,000.00	–	related to income
Professional grants	2,600.00	–	related to income
Nanjing joint distribution project subsidies	150,000.00	–	related to income
Special guided grant of Industry and Information transformation and upgrade of Jiangsu Province	400,000.00	–	related to income
Nanjing Science and Technology Development Project	50,000.00	–	related to income
Research fund for national scientific and technological support projects	2,760,070.91	1,184,466.64	related to assets
Financial assistance for provincial technological innovation and achievements	350,000.00	550,000.00	related to assets
Technology projects for Guangling district of Yangzhou	20,000.00	–	related to income
Services special fund	–	250,000.00	related to income
Patent grant from Qixia Technology Bureau	–	7,920.00	related to income
Payment from Nanjing Bureau of Finance (subsidy for capital market financing agency fee)	–	850,000.00	related to income
Pukou District Finance (municipal patent grant) income	–	2,540.00	related to income
Year 2013 subsidy for special funds guide for upgrading and transformation of software industry of Jiangsu provincial industrial and information industry	–	5,000,000.00	related to income
Software subsidy from Qixia District Development and Reform Bureau	–	25,000.00	related to income
Subsidy from Qixia District Development and Reform Bureau	–	4,000.00	related to income
Innovation fund of Qixia District Technology Bureau	–	20,000.00	related to income
Patent grant funds of Qixia District Technology Bureau	–	5,070.00	related to income
2012 patent grant of Jiangning District of Nanjing City Finance Bureau	–	1,170.00	related to income
Collaboration fee from Nanjing Institute of Agricultural Science and Technology	–	130,000.00	related to income
2012 patent grant of Qixia District Technology Bureau	–	4,470.00	related to income
Grants for software entities from Nanjing Software Industry Association	–	12,500.00	related to income
Subsidy of science and technology projects from Finance Bureau of Yangzhou	–	30,000.00	related to income
<b>Total</b>	<b>19,167,166.39</b>	<b>8,077,136.64</b>	

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XXXIX) Non-operating expenses

Items	2014	2013
Total loss on disposal of non-current assets	<b>46,943.41</b>	51,099.78
Including: Loss on disposal of fixed assets	<b>46,943.41</b>	51,099.78
Penalty and overdue fines	<b>10,602.80</b>	58,376.02
Others	<b>101,204.35</b>	65,540.77
Total	<b>158,750.56</b>	175,016.57

### (XL) Auditor's remuneration

Auditor's remuneration for the year was RMB750,000.00 (2013: RMB750,000.00).

### (XLI) Directors, supervisors and employees' emoluments

#### 1. Directors and supervisors' emoluments

Items	2014	2013
<b>Directors and supervisors' fees</b>		
Executive directors	<b>60,000.00</b>	75,000.00
Non-executive director and independent non-executive directors	<b>100,000.00</b>	100,000.00
Supervisors	<b>30,000.00</b>	30,000.00
Sub-total	<b>190,000.00</b>	205,000.00
<b>Executive directors' other emoluments</b>		
Basic salaries and allowance	<b>819,866.00</b>	776,904.00
Contributions to retirement benefits/ pensions schemes	<b>224,529.60</b>	158,021.79
Sub-total	<b>1,044,395.60</b>	934,925.79
<b>Supervisors</b>		
Basic salaries and allowance	<b>146,280.00</b>	162,890.00
Contributions to retirement benefits/ pensions schemes	<b>58,203.44</b>	40,569.66
Sub-total	<b>204,483.44</b>	203,459.66
Total	<b>1,438,879.04</b>	1,343,385.45

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 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLI) Directors', supervisors' and employees' emoluments (Continued)

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

Name	2014			Total
	Fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
<b>Executive Directors</b>				
Mr. Sha Min	25,000.00	346,604.00	74,843.20	446,447.20
Mr. Chang Yong	25,000.00	236,631.00	74,843.20	336,474.20
Mr. Zhu Xiang	10,000.00	236,631.00	74,843.20	321,474.20
Sub-total	60,000.00	819,866.00	224,529.60	1,104,395.60
<b>Non-executive Director</b>				
Mr. Ma Jun	30,000.00	-	-	30,000.00
Sub-total	30,000.00	-	-	30,000.00
<b>Independent Non-Executive Directors</b>				
Mr. Xu Su Ming	20,000.00	-	-	20,000.00
Mr. Shum Shing Kei	50,000.00	-	-	50,000.00
Mr. Geng Nai Fan	-	-	-	-
Sub-total	70,000.00	-	-	70,000.00
<b>Supervisors</b>				
Mr. Dai Jian Jun	10,000.00	-	-	10,000.00
Mr. Li Gang	10,000.00	146,280.00	58,203.44	214,483.44
<b>Independent supervisor</b>				
Mr. Qiu Xiang Yang	10,000.00	-	-	10,000.00
Sub-total	30,000.00	146,280.00	58,203.44	234,483.44
<b>Total</b>	<b>190,000.00</b>	<b>966,146.00</b>	<b>282,733.04</b>	<b>1,438,879.04</b>

On 28 May 2014, Mr. Guo Ya Jun resigned as executive director and Mr. Zhu Xiang was appointed as executive director.

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLI) Directors', supervisors' and employees' emoluments (Continued)

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

Name	2013			Total
	Fees	Basic salaries and allowance	Other emoluments Contributions to retirement benefits/pensions schemes	
<b>Executive Directors</b>				
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
<b>Non-executive Director</b>				
Mr. Ma Jun	30,000.00	-	-	30,000.00
Sub-total	30,000.00	-	-	30,000.00
<b>Independent Non-Executive Directors</b>				
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
<b>Supervisors</b>				
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
<b>Independent supervisor</b>				
Mr. Qiu Xiang Yang	10,000.00	-	-	10,000.00
Sub-total	30,000.00	162,890.00	40,569.66	233,459.66
<b>Total</b>	<b>205,000.00</b>	<b>939,794.00</b>	<b>198,591.45</b>	<b>1,343,385.45</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLI) Directors', supervisors' and employees' emoluments (Continued)

#### 3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, three (2013: three) were directors. The emoluments of them were disclosed in the notes above. The emoluments of the remaining two (2013: two) individuals were as follows:

Items	2014	2013
Basic salaries and allowance	<b>436,216.75</b>	450,825.00
Contributions to retirement benefits schemes	<b>110,806.40</b>	105,347.86
Total	<b>547,023.15</b>	556,172.86

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	2014 number	2013 number
Nil to HK\$500,000 (nil to RMB410,000)	<b>2</b>	2

#### 4. Emolument of senior management were within the following bands:

Items	2014 number	2013 number
Nil to HK\$500,000 (nil to RMB410,000.00)	<b>3</b>	3

### (XLII) Income tax expenses

#### 1. Table of income tax expenses

Items	2014	2013
Current income tax calculated based on tax law and related regulations	<b>26,892,568.67</b>	26,558,458.90
Adjustment to deferred income tax	<b>817,616.41</b>	(5,061,982.84)
Total	<b>27,710,185.08</b>	21,496,476.06

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLII) Income tax expenses (Continued)

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

Items	2014	2013
Total profit	<b>167,671,333.23</b>	151,623,954.59
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	<b>26,574,567.96</b>	22,643,155.85
Effect of different tax rates applicable to subsidiaries	<b>1,189,877.41</b>	–
Income tax adjustments on prior periods	<b>3,309,015.56</b>	6,203,129.63
Impact of non-taxable income	<b>(4,976,131.64)</b>	(2,666,644.14)
Expenses, costs and losses not deductible for tax purposes	<b>795,239.38</b>	378,817.56
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	<b>817,616.41</b>	(5,061,982.84)
Income tax expenses	<b>27,710,185.08</b>	21,496,476.06

### (XLIII) Dividend

Items	2014	2013
Final dividend proposed of RMB0.1 per share	–	22,410,000.00
Final dividend proposed of RMB0.2 per share	<b>63,364,680.00</b>	–

After the balance sheet date, the Company has issued 92,723,400 new domestic shares, so that the total issued shares of the Company increased to 316,823,400 shares, details of which can be referred to Note X.1. to the financial statements of the Company. On the basis of a total of 316,823,400 shares as at the date of annual results announcement, the directors recommend the payment of final dividend of RMB63,364,680 at RMB0.2 per share (2013: RMB0.1 per share) for the year ended 31 December 2014 on 27 March 2015.



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLIII) Dividend (Continued)

The final dividend proposed after the end of reporting period has not been recognized as a liability at the end of reporting period and is subject to approval by the shareholders at the annual general meeting.

Items	2014	2013
Final dividend in respect of the previous year, approved and paid during the year	<b>22,410,000.00</b>	44,820,000.00
Total	<b>22,410,000.00</b>	44,820,000.00

### (XLIV) Notes to cash flow statement

#### 1. Cash received relating to other operating activities

Items	2014	2013
Interest income on bank deposits received	<b>6,331,440.47</b>	5,628,309.80
Amounts of transactions with units received	<b>6,154,017.01</b>	34,294,907.45
Non-operating income received	<b>5,422,905.72</b>	6,997,096.41
Retention monies received	<b>43,103,908.78</b>	142,262,491.25
Government grants received	<b>800,000.00</b>	7,130,000.00
Total	<b>61,812,271.98</b>	196,312,804.91

#### 2. Cash paid relating to other operating activities

Items	2014	2013
Administrative expenses paid	<b>18,489,471.41</b>	17,163,804.86
Selling expenses paid	<b>14,333,614.55</b>	12,020,362.48
Non-operating expenses paid	<b>111,807.15</b>	123,916.79
Amounts of transactions with units paid	<b>2,092,969.00</b>	38,582,068.59
Handling charges paid to banks	<b>908,328.22</b>	399,888.28
Retention monies paid	<b>77,686,005.60</b>	139,683,865.15
Total	<b>113,622,195.93</b>	207,973,906.15

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLV) Supplementary information of cash flow statements

#### 1. Supplementary information of cash flow statements

Items	2014	2013
<b>1. Reconciliation of net profit to cash flow of operating activities</b>		
Net profit	<b>139,961,148.15</b>	130,127,478.53
Add: Provision for assets impairment	<b>(6,058,870.82)</b>	11,530,404.80
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	<b>24,980,019.91</b>	19,264,733.30
Amortisation of intangible assets	<b>2,912,895.77</b>	2,886,591.56
Amortisation of long-term deferred expenses	<b>1,603,910.51</b>	253,922.61
Loss on disposal of fixed assets, intangible assets and other long-term assets	<b>(225,984.20)</b>	51,099.76
Loss on scrapped fixed assets	-	-
Loss on change in fair value	-	-
Financial expenses	<b>31,964,668.86</b>	13,413,168.19
Investment loss	<b>90,946.88</b>	-
Decrease in deferred tax assets	<b>1,154,563.68</b>	(4,755,041.80)
Increase in deferred tax liabilities	<b>(336,947.27)</b>	(306,941.04)
Decrease in inventories	<b>(108,294,331.06)</b>	(16,035,773.02)
Decrease of operating receivables	<b>(286,062,740.92)</b>	(108,922,221.95)
Increase of operating payables	<b>381,366,465.99</b>	4,443,064.84
Others	-	-
Net cash flows from operating activities	<b>183,055,745.48</b>	51,950,485.78
<b>2. Significant investing and financing activities that do not involve cash receipts and payments</b>		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
<b>3. Net movement in cash and cash equivalents</b>		
Cash at the end of the period	<b>782,748,257.94</b>	528,313,465.63
Less: cash at the beginning of period	<b>528,313,465.63</b>	389,224,229.07
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the period	-	-
Net increase in cash and cash equivalents	<b>254,434,792.31</b>	139,089,236.56

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

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

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

### (XLV) Supplementary information of cash flow statements (Continued)

#### 3. The composition of cash and cash equivalents

Items	2013	2012
<b>I. Cash</b>	<b>782,748,257.94</b>	528,313,465.63
Including: Cash on hand	<b>275,658.26</b>	127,605.39
Bank deposit available for payment at any time	<b>782,472,599.68</b>	528,185,860.24
Other monetary funds available for payment at any time	-	-
<b>II. Cash equivalents</b>	-	-
Including: Bond investment due in three months	-	-
<b>III. Cash and cash equivalents at the end of the period</b>	<b>782,748,257.94</b>	528,313,465.63

### (XLVI) Foreign currency monetary items

Item	Foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand	42,854,777.12	0.7889	33,807,807.77
Including: Hong Kong dollars	42,854,777.12	0.7889	33,807,807.77

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VI INTERESTS IN OTHER ENTITIES

### (I) Interests in subsidiaries

#### 1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Jiangsu Intellitrans Company Limited	Nanjing, PRC	PRC	Intelligent transportation	100	–	business combination of enterprises not under common control
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	Nanjing, PRC	PRC	Electronic products	–	100	business combination of enterprises not under common control
Nanjing Sample Logistic Company Limited	Nanjing, PRC	PRC	Computer software	100	–	Established
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Nanjing, PRC	PRC	Internet of things technology	85	15	Established
Sample Technology (H.K.) Co., Limited	Hong Kong	Hong Kong	Consultation and investment	100	–	Established
Federal International Enterprise Limited	Hong Kong	Hong Kong	Electronic products	–	100	business combination of enterprises not under common control
Nanjing City Intelligent Transportation Co., Ltd.	Nanjing, PRC	PRC	Information technology	–	65	business combination of enterprises not under common control
Jiangsu Sample Information Technology Co., Ltd.	Yangzhou, PRC	PRC	IOT technology, development & application of products	30	70	Established
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Xuzhou, PRC	PRC	Intelligent transportation	100	–	Established
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Nanjing, PRC	PRC	e-Commerce	60	–	Established

#### 2. Significant non-wholly-owned subsidiaries

Name of subsidiaries	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests in the current period	Dividends attributable to minority interests in the current period	Balance of Minority interests at the end of period
Nanjing City Intelligent Transportation Co., Ltd.	35%	2,714,314.89	1,400,000.00	42,053,893.02
Jiangsu Cross-border e-Commerce Services Co., Ltd.	40%	(706,209.06)	–	7,293,790.94

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VI INTERESTS IN OTHER ENTITIES (Continued)

### (I) Interests in subsidiaries (Continued)

#### 3. Key financial information of significant non-wholly-owned subsidiary

Name of subsidiaries	2014				2013			
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Total liabilities
Nanjing City Intelligent Transportation Co., Ltd.	92,000,839.66	171,789,792.03	263,790,631.71	145,527,805.06	49,939,394.02	175,234,428.24	219,172,822.26	104,632,191.01
Jiangsu Cross-border e-Commerce Services Co., Ltd.	17,376,212.18	879,679.34	18,255,891.52	21,414.18	20,000,000.00	-	20,000,000.00	-

  

Name of subsidiaries	2014			2013		
	Operating income	Net profit	Cash flows from operating activities	Operating income	Net profit	Cash flows from operating activities
Nanjing City Intelligent Transportation Co., Ltd.	60,216,423.44	7,755,185.40	9,844,393.23	42,523,231.51	10,633,492.03	30,846,266.80
Jiangsu Cross-border e-Commerce Services Co., Ltd.	-	(1,765,522.66)	(2,047,447.67)	-	-	-

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VI INTERESTS IN OTHER ENTITIES (Continued)

### (II) Interests in joint arrangement or associates

#### 1. Joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Accounting treatment for investment in joint ventures or associates
				Direct	Indirect	
Nanjing Laipin Network Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	-	40	Equity method

#### 2. Financial information of joint ventures or associates

Item	2014	2013
Joint venture: Nanjing Laipin Network Technology Co., Ltd.		
Total book value of investment	800,000.00	-
Follows were calculated by the proportion of shareholding:		
— Net profit	(90,946.88)	-
— Other comprehensive income	-	-
— Total comprehensive income	(90,946.88)	-

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (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 ("Sample Group")	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 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (II) Information of subsidiaries of the Group:

(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	220,000	100	100	72058184-3
Jiangsu RuiFu Intelligent Tech. Co., Ltd.	Wholly-owned subsidiary	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)	PRC	Chang Yong	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	Xin Ke Jun	Computer software	6,000	100	100	73314243-6
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Wholly-owned subsidiary	Limited company	PRC	Chang Yong	Internet of things technology	100,000	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	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	100	100	58997316-2
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Wholly-owned subsidiary	Limited company	PRC	Liu Min	Intelligent transportation	70,000	100	100	08502083-5
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Controlled subsidiary	Limited company	PRC	Sha Min	e-Commerce	20,000	60	60	08596180-3

# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Information about joint ventures or associates of the Group

Details of significant joint ventures or associates of the Group can be referred to Note (VI) Interests in other entities.

### (IV) Related party transactions

1. For the subsidiaries which are controlled by the Group 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

(1) Particulars of the Company providing guarantees for subsidiaries

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
The Company	Jiangsu Intellitrans	30,000,000.00	2014-8-19	2015-8-14	No
The Company	Jiangsu Intellitrans	50,000,000.00	2014-11-7	2015-5-6	No
The Company	Jiangsu Intellitrans	50,000,000.00	2013-9-13	2015-12-31	No
The Company	Jiangsu Intellitrans	50,000,000.00	2013-9-13	2015-12-31	No
The Company	Jiangsu Intellitrans	30,000,000.00	Two years from the date of expiry of the deadline for paying debts		No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-6-3	2015-6-2	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-7-9	2015-1-9	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-8-21	2015-2-21	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-9-4	2015-3-3	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-10-30	2015-6-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-3-1	2015-3-1	No
The Company	Jiangsu Intellitrans	130,000,000.00	2013-11-26	2015-6-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-2-24	2015-12-31	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-5-4	2015-4-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-6-10	2015-4-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-6-10	2015-12-31	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-6-18	2015-9-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-7-4	2015-7-4	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-7-8	2015-6-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-7-8	2015-7-7	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-8-5	2015-11-5	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-8-11	2015-12-31	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-8-15	2017-12-30	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-9-25	2015-12-31	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-12-10	2016-2-28	No
The Company	Jiangsu Intellitrans	130,000,000.00	2014-12-18	2015-6-30	No
The Company	Jiangsu Intellitrans	50,000,000.00	2014-10-17	2015-9-30	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-12-26	2015-3-26	No



# Notes to the Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related party transactions (Continued)

#### 2. Related party providing guarantees (Continued)

(1) Particulars of the Company providing guarantees for subsidiaries (Continued)

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
The Company	Jiangsu Intellitrans	30,000,000.00	2014-12-26	2015-6-26	No
The Company	Jiangsu Intellitrans	30,000,000.00	2014-12-26	2015-6-26	No
The Company	Jiangsu Intellitrans	90,000,000.00	2012-11-29	Upon issuance of the progress payment certificate by employer which clearly states that full offset is made	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-3-19	Upon issuance of the progress payment certificate by employer which clearly states that full offset is made	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-5-8	2015-12-31	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-5-8	The date of issuance of the acceptance certificate by the employer	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-6-24	2015-12-31	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-7-2	2015-7-3	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-7-18	The date of certificate of completion acceptance	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-8-23	2015-12-31	No
The Company	Jiangsu Intellitrans	70,000,000.00	2013-9-2	2015-12-31	No
The Company	Jiangsu Intellitrans	70,000,000.00	2014-7-22	2015-1-22	No
The Company	Jiangsu Intellitrans	70,000,000.00	2014-9-17	2017-12-20	No
The Company	Jiangsu Intellitrans	70,000,000.00	2014-9-17	2015-6-30	No
The Company	Jiangsu Intellitrans	70,000,000.00	2014-12-5	2015-10-31	No
The Company	Jiangsu Intellitrans	70,000,000.00	2014-12-5	2015-10-31	No
The Company	Xuzhou Sample	160,000,000.00	2014-5-6	2015-5-6	No
The Company	Intelligent Transportation	100,000,000.00	2014-7-25	2019-7-25	No

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related party transactions (Continued)

#### 2. Related party providing guarantees (Continued)

##### (1) Particulars of the Company providing guarantees for subsidiaries (Continued)

- (A) As at 31 December 2014, the Company has respectively provided guarantee to banks to secure a loan for a total of RMB160,000,000 in favour of its subsidiary, Jiangsu Intellitrans Company Limited and an entrusted loan for a total of RMB90,000,000 in favour of its subsidiary, Nanjing City Intelligent Transportation Co. Ltd.
- (B) As at 31 December 2014, the Company provided guarantee to Jiangsu Intellitrans Company Limited, a subsidiary of the Company for their issuance of a guarantee for a total of RMB135,983,018.33 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 Beijing East Road Branch of Industrial Bank Co., Ltd. in Nanjing. As at 31 December 2014, the amount of the bank accepted bills of exchange issued by the Company through the Beijing East Road Branch of Industrial Bank Co., Ltd. in Nanjing was RMB18,806,201.90 of which RMB7,091,231.97 was retention monies for bills of exchange and the remaining RMB11,714,969.93 was secured by the guarantee provided by the Company. The Company provided guarantee for Xuzhou Sample Intelligent Technology Development Co., Ltd., a subsidiary of the Company, to secure the bank accepted bills of exchange in Xuzhou Branch of Huaxia Bank. As at 31 December 2014, the amount of the bank accepted bills of exchange issued by the Company through the Xuzhou Branch of Huaxia Bank was RMB160,000,000.00 which RMB 80,000,000.00 was retention monies for bills of exchange and the remaining RMB80,000,000.00 secured by the guarantee provided by the Company.

##### (2) Particulars of related party providing guarantees for the Company and its subsidiaries

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
Sample Group	Intelligent Transportation	100,000,000.00	2013-3-8	2017-3-7	No
Sample Group	The Company	40,000,000.00	2014-1-16	2015-1-15	No
Sample Group	The Company	30,000,000.00	2014-9-15	2014-9-14	No
Sample Group	The Company	20,000,000.00	2014-11-4	2015-11-3	No
Sample Group	The Company	40,000,000.00	2014-3-7	2015-3-6	No
Sample Group	The Company	50,000,000.00	2014-8-8	2015-8-8	No
Sample Group	The Company	20,000,000.00	2014-12-17	2015-12-12	No
Sample Group	The Company	10,000,000.00	2014-12-18	2015-12-18	No

Among the total guarantees provided by the related party, Sample Group, for the Company, as of 31 December 2014, the balance for the borrowings that the Company obtained was RMB210,000,000.

Sample Group provided guarantee to bank to secure a loan for a total of RMB10,000,000 in favour of Intelligent Transportation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## VIII. 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, Nanjing City Intelligent Transportation Co. Ltd., Xuzhou Sample Intelligent Technology Development Co., Ltd. by the Company as at 31 December 2014, please see Note VII.(IV).2.(1).

2. Save as the above contingent matter, as at 31 December 2014, there is no other significant contingent matter which needs to be disclosed but has not been disclosed.

## IX. SIGNIFICANT COMMITMENTS

### 1. Properties Usufruct Trust

On 25 July 2014, Nanjing City Intelligent Transportation Co., Ltd, a subsidiary of the Company, entered into the Properties Usufruct Trust Contract of Nanjing City Intelligent Transportation Co., Ltd with Yingda International Trust Co.,Ltd, in which it was agreed that: Nanjing City Intelligent Transportation Co., Ltd, as the trustor, entrusted all of its properties (rights) usufruct it legally possessed to Yingda International Trust Co.,Ltd, as the trustee, to manage, operate and dispose pursuant to the provisions of the contract; The properties usufruct represents the right to obtain benefits in future from all revenues arising from operation and disposal of Nanjing Urban Intelligent Transportation Public Service Platform built by Nanjing City Intelligent Transportation Co., Ltd. during the term of trust. The term of trust commenced from the date of establishment of the trust (25 July 2014) to the date of termination of the trust contract (25 July 2019); The value of the properties (rights) usufruct were the aggregate amount of RMB138,278,000.00 which are expected to be obtained from the date of establishment of the trust (25 July 2014) to 25 July 2019. Meanwhile, the Company (Nanjing Sample Technology Company Limited) agreed to provide joint liability guarantee for the trustor in respect of its relevant obligations under the trust scheme, and the trustor agreed to pledge the Usufruct in Nanjing Urban Intelligent Transportation Public Service Platform it held to the trustee.

2. Save as the commitment disclosed above, as at 31 December 2014, there is no significant commitment which needs to be disclosed but has not been disclosed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## X. EVENTS AFTER BALANCE SHEET DATE

### 1. Issue of new domestic shares

According to the resolutions of the Company's 2014 First Extraordinary General Meeting and the Domestic Shares Subscription agreement, the Company issued 92,723,400 domestic shares at par value of RMB1 each. The issue price was RMB4.50 and total fund of RMB417,255,300 has been raised. The target of this issue was Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司). The target subscriber subscribed the issued shares by cash (monetary). As of 20 January 2015, the Company completed this issue of shares and the increase of capital, the Company's registered capital and the paid up capital (share capital) has changed to RMB316,823,400. The capital verification was carried out by BDO China Shu Lun Pan Certified Public Accountants LLP and a capital verification report Xin Hui Shi Bao Zi (2015) No. 110070 was issued on 15 January 2015.

### 2. Entrusted loan

On 2 March 2015, Jiangsu Intellitrans Company Limited\* (江蘇智運科技發展有限公司), a wholly-owned subsidiary of the Company, and Jiangsu Zhengyang Investment Holding Group Co., Ltd.\* (江蘇正陽投資控股集團有限公司), Bank of Ningbo, Nanjing Gulou Sub-Branch entered into the Entrusted Loan Agreement, pursuant to which Jiangsu Intellitrans Company Limited, as lender, has agreed to provide the entrusted loan in the principal amount of RMB200,000,000 to Jiangsu Zhengyang Investment Holding Group Co., Ltd., as the borrower, through Bank of Ningbo, Nanjing Gulou Sub-Branch, as the lending agent. The term of the loan is 8 months. The interest rate is 10.8% per annum. Whereas Kunshan Zhongxu Real Estate Development Co., Ltd.\* (昆山中旭房地產發展有限公司), being the parent company of Jiangsu Zhengyang Investment Holding Group Co., Ltd., has provided a guarantee for the above loan in favour of Jiangsu Intellitrans Company Limited.

### 3. Save as the above-mentioned post balance sheet events, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XI. 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 system integration, intelligent terminal sales and service businesses. 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 system integration, intelligent terminal sales and service businesses.

Name of Products	2014		2013	
	Operating income	Operating cost	Operating income	Operating cost
System integration	<b>659,440,413.39</b>	<b>468,399,613.56</b>	577,906,131.29	407,172,888.03
Intelligent terminal sales	<b>153,238,871.31</b>	<b>106,518,857.97</b>	138,472,466.30	93,322,367.23
Service	<b>88,348,663.46</b>	<b>32,944,153.91</b>	65,935,394.49	20,177,118.15
Total	<b>901,027,948.26</b>	<b>607,862,625.44</b>	782,313,992.08	520,672,373.41

## XII. 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 Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. 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, long-term trusted borrowing. 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 11.90% (2013: 12.55%) and 30.6% (2013: 38.01%) 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 Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. 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	2014 Carrying amount	Total contractual discounted cash flow	More than		
			Less than 3 months	3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	36,520,312.90	36,520,312.90	26,123,956.90	10,396,356.00	-
Accounts payable	406,030,216.39	406,030,216.39	304,417,114.94	81,307,016.26	20,306,085.19
Other payables	47,765,320.26	47,765,320.26	35,545,474.19	9,853,061.05	2,366,785.02
Staff remuneration payables	397,375.48	397,375.48	397,375.48	-	-
Short-term borrowings	524,000,000.00	537,628,694.44	214,598,333.33	71,826,250.00	251,204,111.11
Non-current liabilities due within 1 year	70,000,000.00	71,809,054.17	30,194,416.67	10,301,000.00	31,313,637.50
<b>Total</b>	<b>1,048,713,225.03</b>	<b>1,100,150,973.64</b>	<b>611,276,671.51</b>	<b>183,683,683.31</b>	<b>305,190,618.82</b>

Company	2013 Carrying amount	Total contractual discounted cash flow	More than		
			Less than 3 months	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	316,606,125.09	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	298,147,916.67	40,493,333.33	-	257,654,583.34
Non-current liabilities due within 1 year	50,000,000.00	51,158,793.06	20,071,750.00	3,799,066.67	27,287,976.39
<b>Total</b>	<b>683,418,022.07</b>	<b>697,724,731.80</b>	<b>310,026,927.49</b>	<b>77,289,975.58</b>	<b>308,407,828.73</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. 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, long-term bank borrowing 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 Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

### (I) Accounts receivable

#### 1. Disclosure of accounts receivable by categories

Categories	2014				2013				
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Amount	Percentage (%)	Amount	Provision percentage (%)	
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-
Including: due from governments	30,688,029.18	38.21	2,588,404.38	8.43	33,483,226.96	42.24	754,024.68	2.25	32,729,202.28
due from non-governments	49,634,315.80	61.79	6,206,333.32	12.50	45,776,706.38	57.76	3,459,261.21	7.56	42,317,445.17
Sub-total for the group	80,322,344.98	100.00	8,794,737.70	10.95	79,259,933.34	100.00	4,213,286.89	5.32	75,046,647.45
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-
Total	80,322,344.98	100.00	8,794,737.70		79,259,933.34	100.00	4,213,286.89		75,046,647.45

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (I) Accounts receivable (Continued)

#### 1. 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	2014		2013	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	<b>30,688,029.18</b>	<b>2,588,404.38</b>	33,483,226.96	754,024.68

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

Aging	2014				2013			
	Closing balance		Provision for bad debts	Provision percentage	Closing balance		Provision for bad debts	Provision percentage
	Amount	Percentage (%)			Amount	Percentage (%)		
Within 1 year	21,686,514.15	43.69	650,595.42	3.00	27,503,643.13	60.08	825,109.29	3.00
1 to 2 years	21,864,894.05	44.05	1,749,191.52	8.00	15,089,100.25	32.96	1,207,128.02	8.00
2 to 3 years	3,251,944.60	6.55	975,583.38	30.00	2,509,913.00	5.48	752,973.90	30.00
Over 3 years	2,830,963.00	5.71	2,830,963.00	100.00	674,050.00	1.48	674,050.00	100.00
Total	<b>49,634,315.80</b>	<b>100.00</b>	<b>6,206,333.32</b>	<b>12.50</b>	<b>45,776,706.38</b>	<b>100.00</b>	<b>3,459,261.21</b>	<b>7.56</b>

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

3. The situation of provision, reversal or recovered of bad debts for the current year

Item	2013	Increase for the current period	Decrease for the current period	2014
Provision of bad debts	4,213,285.89	6,089,390.77	1,507,938.96	8,794,737.70

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (I) Accounts receivable (Continued)

#### 4. Particulars of the top five of accounts receivable at the end of the year

Name of Unit	Accounts Receivable	2014	Provision of bad debts
		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)	6,469,661.89	8.05	194,089.86
Zhejiang Electronic Port Co., Ltd. (浙江電子口岸有限公司)	6,361,456.00	7.92	190,843.68
Changchun Xinglong Comprehensive Bonded Zone Investment and Construction Co., Ltd. (長春興隆綜合保稅區投資建設 有限公司)	5,053,940.80	6.29	404,315.26
Fuzhou Bonded Logistics Development Company Limited (福州保稅物流發展有限公司)	4,956,188.00	6.17	1,486,856.40
Nanjing Bureau of Commerce (南京市商務局)	4,824,185.00	6.01	144,725.55
Total	27,665,431.69	34.44	2,420,830.75

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (I) Accounts receivable (Continued)

#### 5. Accounts receivables derecognised due to transfer of financial assets in the current reporting period

Item	Derecognised Amount	Way of transfer of financial assets	Gain or loss relating to derecognition
Nanjing Feng Sheng Industry Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)	10,625,716.46	non-recourse factoring	625,716.46
Nanjing Taixin Project Construction Co., Ltd. (南京泰新工程建設有限公司)	12,185,687.00	non-recourse factoring	585,687.00
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	12,301,986.50	non-recourse factoring	251,986.50
Fuzhou Bonded Logistics Development Company Limited (福州保稅物流發展有限公司)	2,314,549.00	non-recourse factoring	44,549.00
Total	<u>37,427,938.96</u>		<u>1,507,938.96</u>

#### 6. There were no accounts receivables not completely derecognised but transferred in the reporting period.

#### 7. There were no accounts receivable-backed securitisations in the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### (II) Other receivables

#### 1. Disclosure of other receivables by categories

Categories	2014			2013		
	Closing balance		Provision for bad debts Provision percentage (%)	Closing balance		Provision for bad debts Provision 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	64,199,113.78	85.89	64,161,611.17	84.06	-	64,161,611.17
Retention monies	8,422,622.88	11.27	11,662,891.63	15.28	-	11,662,891.63
Others	2,121,590.14	2.84	161,652.48	0.66	42,557.71	461,016.38
Sub-total for the group	74,743,326.80	100.00	161,652.48	100.00	42,557.71	76,285,519.18
Individually insignificant but subject to separate provision	-	-	-	-	-	-
Total	74,743,326.80	100.00	161,652.48	100.00	42,557.71	76,285,519.18

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (II) Other receivables (Continued)

#### 1. Disclosure of other receivables by categories (Continued)

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

Aging	2014				2013			
	Closing balance	Percentage	Provision for bad debts	Provision percentage	Closing balance	Percentage	Provision for bad debts	Provision percentage
	Amount	(%)		(%)	Amount	(%)		(%)
Within 1 year	1,961,019.65	92.43	98,050.98	5.00	426,349.64	84.66	21,317.48	5.00
1 to 2 years	83,615.54	3.94	8,361.55	10.00	43,430.00	8.62	4,343.00	10.00
2 to 3 years	43,430.00	2.05	21,715.00	50.00	33,794.45	6.72	16,897.23	50.00
Over 3 years	33,524.95	1.58	33,524.95	100.00	-	-	-	-
<b>Total</b>	<b>2,121,590.14</b>	<b>100.00</b>	<b>161,652.48</b>	<b>7.62</b>	<b>503,574.09</b>	<b>100.00</b>	<b>42,557.71</b>	<b>8.45</b>

#### 2. The situation of provision, reversal or recovered of bad debts for the current year

Item	2013	Increase for the current period	Decrease for the current period	2014
Provision of bad debts	42,557.71	119,094.77	-	161,652.48

#### 3. There were no actual write-off of other receivables in the reporting period.

#### 4. Classification of other receivables by nature

Nature of fund	Closing balance	Opening balance
Retention monies	8,422,622.88	11,662,891.63
Petty Cash	1,334,953.52	280,753.86
Other	786,636.62	222,820.23
Internal current account	64,199,113.78	64,161,611.17
<b>Total</b>	<b>74,743,326.80</b>	<b>76,328,076.89</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (II) Other receivables (Continued)

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

Name of unit	Nature or content	Closing balance	Aging	Percentage of the total other receivables (%)	Closing amount of provision of bad debts
Sample Technology (H.K.) Co., Ltd. 三寶科技(香港)有限公司	Internal current account	63,942,751.78	Over 3 years	85.55	-
Fuzhou Bonded Logistics Development Company Limited 福州保稅物流發展有限公司	Retention monies	1,617,653.00	Over 3 years	2.16	-
Changchun Xinglong Comprehensive Bonded Zone Investment and Construction Co., Ltd. 長春興隆綜合保稅區投資建設有限公司	Retention monies	901,485.20	2 to 3 years	1.21	-
Jilin Province Bureau of Commerce 吉林省商務局	Retention monies	462,000.00	Within 1 year	0.62	-
Huai'an City Public Security Bureau 淮安市公安局	Retention monies	412,969.00	Over 3 years	0.55	-
Total		<u>67,336,858.98</u>		<u>90.09</u>	<u>-</u>

#### 6. 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 三寶科技(香港)有限公司	wholly-owned subsidiary	63,942,751.78	85.55
Nanjing City Intelligent Transportation Co. Ltd. 南京城市智能交通有限公司	controlled subsidiary	256,362.00	0.34
Total		<u>64,199,113.78</u>	<u>85.89</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (II) Other receivables (Continued)

7. There were no other receivables derecognised due to transfer of financial assets in the reporting period.
8. There were no other receivables not completely derecognised but transferred in the reporting period.
9. There were no accounts receivable-backed securitisations in the reporting period.

### (III) Long-term equity investments

Item	2014			2013		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investment in subsidiaries	318,077,688.00	-	318,077,688.00	318,077,688.00	-	318,077,688.00
Total	318,077,688.00	-	318,077,688.00	318,077,688.00	-	318,077,688.00

#### Particulars of investment in subsidiaries

Investee	Accounting method	Investment cost	2014			Impairment provision in the current year	Closing balance of impairment provision
			2013	Increase in the year	Decrease in the year		
Subsidiaries:							
Jiangsu Inteltrans Company Limited	Cost method	130,000,000.00	130,000,000.00	-	-	130,000,000.00	-
Nanjing Sample Logistic Company Limited	Cost method	6,000,000.00	6,000,000.00	-	-	6,000,000.00	-
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Cost method	85,000,000.00	85,000,000.00	-	-	85,000,000.00	-
Sample Technology (H.K.) Co., Limited	Cost method	77,688.00	77,688.00	-	-	77,688.00	-
Jiangsu Sample Information Technology Co., Ltd.	Cost method	15,000,000.00	15,000,000.00	-	-	15,000,000.00	-
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Cost method	70,000,000.00	70,000,000.00	-	-	70,000,000.00	-
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Cost method	12,000,000.00	12,000,000.00	-	-	12,000,000.00	-
Total			318,077,688.00	-	-	318,077,688.00	-



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. 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	2014	2013
Principal operating income	<b>248,550,386.58</b>	198,534,286.16
Other operating income	<b>6,453,043.40</b>	5,242,949.27
Total operating income	<b>255,003,429.98</b>	203,777,235.43
Principal operating cost	<b>154,832,878.01</b>	115,325,461.76
Other operating cost	<b>2,916,719.95</b>	2,655,071.02
Total operating cost	<b>157,749,597.96</b>	117,980,532.78

#### 2. Principal operations (by product)

Name of Products	2014		2013	
	operating income	operating cost	operating income	operating cost
System integration	<b>85,116,163.08</b>	<b>52,317,500.80</b>	70,464,946.53	41,004,739.33
Intelligent terminal sales	<b>133,904,223.50</b>	<b>102,515,377.21</b>	106,439,339.63	74,320,722.43
Service	<b>29,530,000.00</b>	-	21,630,000.00	-
Total	<b>248,550,386.58</b>	<b>154,832,878.01</b>	198,534,286.16	115,325,461.76

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. 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	2014	
	Total operating income	Percentage of the total operating income of the Company (%)
Nanjing Feng Sheng Industry Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)	32,580,305.49	12.78
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	25,483,052.60	9.99
Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司)	20,122,266.64	7.89
Nanjing Taixin Project Construction Co., Ltd. (南京泰新工程建設有限公司)	18,120,121.36	7.11
Nanjing Gori Energy Technology Co., Ltd. (南京國瑞能源科技有限公司)	17,301,638.90	6.78
Total	<b>113,607,384.99</b>	<b>44.55</b>

### (V) Investment income

Items	2014	2013
Investment income from long-term equity investments of wholly owned subsidiaries under cost method	20,000,000.00	—
Total	<b>20,000,000.00</b>	<b>—</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### (VI) Supplementary information of cash flow statements

Items	2014	2013
<b>1. Reconciliation of net profit to cash flow of operating activities</b>		
Net profit	54,909,002.56	42,550,358.53
Add: Provision for assets impairment	6,451,891.20	(2,053,936.89)
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	6,145,476.16	4,393,135.35
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	24,038.39	11,996.21
Loss on scrapped fixed assets	-	-
Loss on change in fair value	-	-
Financial expenses	11,725,323.92	4,216,505.58
Investment loss	(20,000,000.00)	-
Decrease in deferred tax assets	(741,592.84)	1,134,102.29
Increase in deferred tax liabilities	-	-
Decrease in inventories	(6,838,920.81)	(6,778,616.50)
Decrease of operating receivables	(45,354,333.35)	5,802,731.90
Increase of operating payables	60,705,062.90	(13,094,903.99)
Others	-	-
Net cash flows from operating activities	<b>67,411,348.89</b>	<b>36,566,773.24</b>
<b>2. Significant investing and financing activities that do not involve cash receipts and payments</b>		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
<b>3. Net movement in cash and cash equivalents</b>		
Cash at the end of the period	117,861,653.67	55,204,087.55
Less: cash at the beginning of year	55,204,087.55	93,042,559.41
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the year	-	-
Net increase in cash and cash equivalents	<b>62,657,566.12</b>	<b>(37,838,471.86)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

(All amounts in Renminbi yuan unless otherwise stated)

## XV. SUPPLEMENTAL INFORMATION

### (I) Summary of non-recurring profit or loss of the Group

Items	2014	2013
Profits or losses on disposal of non-current assets	<b>(46,810.70)</b>	(51,099.78)
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)	<b>19,167,166.39</b>	8,077,136.64
Other non-operating income and expenses other than the aforementioned items	<b>299,231.01</b>	91,584.54
Other profit or loss items meeting the definition of non-recurring profit or loss	—	—
Impact on income tax	<b>(2,891,310.50)</b>	(937,654.49)
Impact on minority interests (after-tax)	<b>(1,043,042.74)</b>	(616,961.56)
Total	<b>15,485,233.46</b>	6,563,005.35

### (II) Return on net assets and earnings per share

2014	Weighted average return on net assets	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.94%	0.616	0.616
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	11.49%	0.546	0.546

  

2013	Weighted average return on net assets	Earnings per share (yuan/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

## Five-Year Financial Summary

### RESULTS

	2014	Year ended 31 December			
		2013	2012	2011	2010 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total operating income	<b>907,226</b>	787,768	737,690	542,389	508,016
Total profit	<b>167,671</b>	151,624	206,840	171,440	127,727
Net profit	<b>139,961</b>	130,128	169,219	146,054	111,532
Net profit attributable to shareholders of the Company	<b>137,953</b>	126,406	167,928	146,054	111,532
Non-controlling interests	<b>2,008</b>	3,722	1,291	–	–
Basic earnings per share (Renminbi Yuan)	<b>0.616</b>	0.564	0.749	0.65	0.50

### ASSETS AND LIABILITIES

	2014	At 31 December			
		2013	2012	2011	2010 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	<b>1,848,649</b>	1,398,454	1,191,208	1,149,434	965,594
Non-current assets	<b>586,115</b>	503,410	414,993	298,916	142,367
Current liabilities	<b>1,181,395</b>	744,654	542,777	654,298	447,843
Net current assets	<b>667,253</b>	653,800	648,431	495,136	517,751
Equity attributable to shareholders of the Company	<b>1,123,762</b>	1,008,321	926,868	784,722	658,852
Total shareholders' equity	<b>1,173,109</b>	1,057,060	963,886	792,449	658,852