



# 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 : 8287

## First Quarterly Report 2009



\* for identification purpose only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

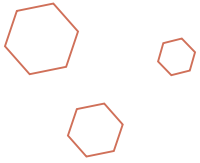
**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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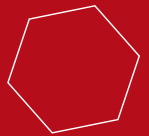
*This report, for which the directors (the “Directors”) of NANJING SAMPLE TECHNOLOGY COMPANY LIMITED\* (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*\* for identification purpose only*



# Contents

- 2** Financial Highlights
- 3** Financial Information
- 8** Management Discussion and Analysis
- 11** Other Information



# Financial Highlights

The turnover of the Group for the three months ended 31 March 2009 amounted to approximately RMB94,308,000, representing an increase of approximately 22.32% as compared to the corresponding period of last year.

The profit attributable to owners of the parent for the three months ended 31 March 2009 was approximately RMB20,251,000, representing an increase of approximately 3.26% as compared to the corresponding period of last year.

The board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 2009.



# Financial Information

The board (the “Board”) of directors (the “Directors”) of Nanjing Sample Technology Company Limited (the “Company”) would like to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2009 together with the comparative unaudited figures for the corresponding period ending 31 March 2008, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited results have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 March	
		2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Turnover	4	94,308	77,101
Cost of sales		(66,029)	(49,368)
Gross profit		28,279	27,733
Other revenue		3,503	1,159
Distribution costs		(1,341)	(1,795)
Administrative expenses		(5,545)	(5,384)
Finance costs	5	(2,356)	(1,504)
Profit before income tax		22,540	20,209
Income tax charge	6	(2,267)	(531)
Profit for the period	7	20,273	19,678
Attributable to:			
Owners of the parent		20,251	19,612
Minority interests		22	66
		20,273	19,678
Earnings per share			
— Basic (RMB cents)	9	10.47	10.13

# Financial Information

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 March	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Profit for the period	20,273	19,678
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	—	—
Total comprehensive income for the period	20,273	19,678
Attributable to:		
Owners of the parent	20,251	19,612
Minority interests	22	66
	20,273	19,678

## NOTES TO THE FIRST QUARTERLY RESULTS

### 1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited) (the "Company") 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. It is principally engaged in the provision of video security system solutions, sale of security system software and sales of related computer products. The addresses of the registered office and principal place of business of the Company are located at Room 103, Building No.1, Ruan Jian Chuang Ye Zhong Xin, High Technology Development Region Qixia District, Nanjing City, Jiangsu Province, the PRC and 1 Huangzhuang Road, Maqun Technology Park, Qixia District, Nanjing City, Jiangsu Province, the PRC, respectively.

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.

The books and records of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are maintained in Renminbi ("RMB"), the functional currency in which the majority of the Group's transactions is denominated.



# Financial Information

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong with the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM.

In the current period, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years.

## 3. SEGMENTAL INFORMATION

### Business segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from security system business. Accordingly, no detailed analysis of the Group's business segments is disclosed.

### Geographical segments

The Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no geographical segments are presented.

## 4. TURNOVER

Turnover represents net proceeds received and receivable from security system business.

## 5. FINANCE COSTS

	Three months ended 31 March	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Interest on bank borrowings wholly repayable within five years	2,356	1,504



# Financial Information

## 6. INCOME TAX CHARGE

	Three months ended 31 March	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
The charge comprises:		
PRC income tax	2,267	531

PRC income tax is calculated at the rates prevailing under the relevant laws and regulations in the PRC.

The Company is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 10%.

## 7. PROFIT FOR THE PERIOD

	Three months ended 31 March	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Profit for the period has been arrived at after charging (crediting):		
Amount of inventory recognized as expense	65,353	49,075
Research and development costs	—	381
Depreciation of property, plant and equipment	1,480	1,377
Operating lease rentals in respect of land use rights	2	169
Staff costs (including Directors' emoluments)	2,885	1,564
Interest income	(99)	(194)
PRC value added tax refunded	(1,854)	—

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).



# Financial Information

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2009 and 2008 is based on the profit attributable to owners of the parent approximately RMB20,251,000 and RMB19,612,000 respectively and on the weighted average number of 193,500,000 (2008: 193,500,000) ordinary shares in issue during the periods.

No diluted earnings per share has been presented for the three months ended 31 March 2009 and 2008 as the Company has no potential dilutive ordinary shares outstanding during the relevant periods.

## 10. CHANGES IN EQUITY

	Attributable to owners of the parent							Minority interests	Total equity
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained profits	Total			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2009	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469	
Profit for the period	—	—	—	—	20,251	20,251	22	20,273	
At 31 March 2009	193,500	20,391	35,221	(423)	145,335	394,024	1,718	395,742	
At 1 January 2008	193,500	20,391	25,332	—	80,527	319,750	1,443	321,193	
Profit for the period	—	—	—	—	19,612	19,612	66	19,678	
At 31 March 2008	193,500	20,391	25,332	—	100,139	339,362	1,509	340,871	

## 11. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

The Group's risk management reviews the capital structure on a semi-annual basis. The overall strategy of the Group remained unchanged during the two periods ended 31 March 2009 and 2008.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Turnover

The Group's turnover for the three months ended 31 March 2009 (the "Review Period") amounted to approximately RMB94,308,000, representing an increase of approximately 22.32% as compared to the corresponding period of last year. The increase was mainly due to the increase in projects undertaken by highway sector during the Review Period.

### Gross profit margin

The Group's gross profit margin of approximately 29.99% for the Review Period decreased by approximately 5.98% as compared with approximately 35.97% of the corresponding period of last year. The decrease was due to the increased scale of highway sector and the gross profit margin of Jiangsu Intellitrans Company Limited was relatively lower than that of other companies under the control of the Company.

### Distribution costs

The distribution costs to the turnover for the three months ended 31 March 2009 was 1.42%, decreased by approximately 0.91% as compared to approximately 2.33% in the corresponding period of last year. The decrease was mainly attributable to the increased promotional expenses related to the substantial acquisition in the corresponding period of last year while no such projects was undertaken during the Review Period.

### Administrative expenses

The Group's administrative expenses experienced an increase of 2.99% from approximately RMB5,384,000 of the corresponding period of last year to approximately RMB5,545,000 for the Review Period. The increase was mainly attributable to the increase of investment in technological research and development during the Review Period.

### Profit attributable to owners of the parent

Profit attributable to owners of the parent increased by approximately 3.26% from approximately RMB19,612,000 of the corresponding period of last year to approximately RMB20,251,000 for the Review Period.



# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

### Traffic Sector

Currently, the traffic sector is primarily engaged in such public security systems as video ePolice, high-definition ePolice, customs checkpoint, high-definition customs checkpoint, Police Inspection and Reporting Post and provincial intranet system for Police Inspection and Reporting Post, and such integrated systems as Public Security Command Center and urban road surveillance system. During the Review Period, as the ePolice system project in Anqing, Anhui Province, the security technology project for preventing crime in Jiaozhou, Shandong Province and the Public Security and Traffic Police Project in Rugao City, Jiangsu Province initiated by the Group were well recognized by the market, the Group successfully captured more market shares despite intense market competitions. Meanwhile, as the main goal of enhancing its competitive edge, the Group actively developed new products based on the results from the research and development of the integrated system, with the focus of the traffic sector being placed on the research and development of high-definition products. While maintaining its existing market shares, the Group will proactively exploit new market niches through the higher public recognition of its brand and the development of socialized services.



### Logistics Sector

During the Review Period, the Group completed the development and tests for the projects of the unified platform system for Dalian Customs Command Center, the logistic control system of Bonded Harbour in Xiamen and the intranet system of Nanjing Customs. It is expected that the field installation and trial operation of those projects will be commenced in the second quarter. The project of the application of electronic customs locks in Fuzhou was officially launched. The Group also entered into a checkpoint equipment supply agreement and made a proposal in respect of its application in, and operating cooperation among, the bonded zones and ports. The Group will, in phases, carry out the application of customs locks in the bonded zones and ports of Nanjing Customs based on the progress of the construction of its intranet system in an effort to provide an overall solution for logistic control in Nanjing Customs. In the meantime, the construction of the checkpoint for the trial projects of electronic customs locks in Zhangjiagang Customs is close to completion, which, when completed, will further trace and strengthen the application of electronic customs locks in collaboration of bonded zones and ports in Zhangjiagang and among different bonded zones. The Group manages to win the bids on the checkpoint projects of Chongqing Bonded Harbour, Guangxi Bonded Harbour and Beijing Comprehensive Bonded Zone during the second quarter in order to gain participations in the construction of logistic platforms in Chongqing City, Guangxi Province and other provinces.



# Management Discussion and Analysis

## Highway Sector

During the Review Period, the Group maintained its healthy operations in such key regional markets as Jiangsu Province, Anhui Province, Zhejiang Province and Chongqing City, participated in the tenders of various major projects and won the bid on the Liuwu Expressway Project in Anhui Province. Meanwhile, the Group put more efforts in new market exploitation in Gansu Province and Shanxi Province in Northwest China, and made significant progress in broadening customer base, developing strategic cooperation and strengthening the corporate influence. During the year, the Group will strengthen its teamwork to further enhance its overall competitive edge in an effort to achieve excellent results on projects in Fuzhou of Anhui Province, Qinglan of Shanxi Province, Guangba of Sichuan Province, and Changkun of Jiangsu Province, seek to further capture more market shares in highway mechanical and electrical engineering projects and promote the applications of the softwares for traffic industry.

## RFID Sector

Currently, the market growth of the RFID industry, in particular the UHF RFID market, is expanding and the government authority further promoted the application of RFID technology. Among the first pilot projects of State Informatization announced by the National Development and Reform Commission, the projects of RFID application covered the fields of production, manufacturing, logistics, warehousing, transportation, food safety, mobile payment, special facilities and ETC. During the Review Period, the Group actively promoted the application of electronic vehicle license in urban transport on the basis of access control and custom application, and adopted a conservative strategy for growth, with aims of controlling the costs, increasingly adding value to its product, reducing production cost, imposing stringent control over the risks and outputs of tailor-made products and reducing its inventories. Meanwhile, the Group focused on conducting a number of training programmes, including ISO quality management, product technology, production technology and marketing, and held regular meetings on quality analysis for staff members from research and development department, purchasing department, production department and marketing department to further enhance the product quality.



## Other Information

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

As at 31 March 2009, 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 Rules 5.46 to 5.47 of the GEM Listing Rules.

#### Long positions in shares of the Company:



<b>Name of director</b>	<b>Number of domestic shares</b>	<b>Nature of interests</b>	<b>Approximate percentage of the registered capital of the Company (%)</b>
Sha Min	1,350,000	Beneficial owner	0.7

*Note:* As Du Yu (杜予) is the spouse of Sha Min, Du Yu is deemed to be interested in 1,350,000 domestic shares held by Sha Min pursuant to Part XV of the SFO.



## Other Information

### INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far to the knowledge of the Directors, as at 31 March 2009, the following shareholders (other than the Directors, supervisors or chief executive officers of the Company) had interests or 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:

#### Long positions in shares of the Company:

Name of Shareholders	Number of domestic shares	Nature of interests	Approximate percentage of the registered capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note)	58,950,000	Beneficial and corporate	30.47
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation	22,455,000	Beneficial	11.60
Active Gold Holding Limited	49,545,000	Beneficial and corporate	25.60

Note: Sample Group directly holds 54,000,000 domestic shares and is also interested in 95.00% 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 in turn is directly interested in 4,950,000 Domestic Shares. Pursuant to section 316 of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Commerce City.



## Other Information

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

Save as disclosed above, as at 31 March 2009, none of the Directors or supervisors is authorised to subscribe for any H shares of the Company. As at 31 March 2009, none of the Directors or supervisors or any of their spouses or children under eighteen years of age has any right to subscribe for any H shares of the Company or has exercised any such right during the Review Period.

### **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. As at 31 March 2009, none of the options is granted under the Share Option Scheme.

### **COMPETING BUSINESS AND CONFLICTS OF INTEREST**

None of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

### **CODE OF CONDUCT FOR SECURITIES TRANSACTION BY DIRECTORS**

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the three months ended 31 March 2009.

### **AUDIT COMMITTEE**

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to supervise the financial reporting process and internal control of the Company. The audit committee comprises three independent non-executive Directors, namely Mr. Zhang Zhan (the chairman of the audit committee), Mr. Wang Wei and Mr. Lau Shek Yau John. The audit committee of the Company has reviewed the unaudited results of the Group for the Review Period and has provided advice and comments thereon.



# Other Information

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

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

11 May 2009  
Nanjing, the PRC

*As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Guo Ya Jun; the non-executive Directors is Mr. Ge Jun and the independent non-executive Directors are Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John.*

\* for identification purpose only

