



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)

(Stoke Code: 8287)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

**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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take on responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

FINANCIAL HIGHLIGHTS

The turnover of Nanjing Sample Technology Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the nine months ended 30 September 2009 amounted to approximately RMB361,972,000, representing an increase of approximately 55.5% as compared to the corresponding period of last year.

The profit attributable to owners of the parent for the nine months ended 30 September 2009 was approximately RMB71,254,000, representing a decrease of approximately 3.8% as compared to the corresponding period of last year.

The board of directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 30 September 2009.

The Board of the Company would like to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2009 together with the comparative unaudited figures for the corresponding period ending 30 September 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	Nine months ended 30 September		Three months ended 30 September	
		2009 (Unaudited) RMB’000	2008 (Unaudited) RMB’000	2009 (Unaudited) RMB’000	2008 (Unaudited) RMB’000
Turnover	4	361,972	232,810	85,288	60,606
Cost of sales		(262,315)	(132,558)	(63,231)	(37,446)
Gross profit		99,657	100,252	22,057	23,160
Other revenue		19,379	20,170	3,573	15,582
Distribution costs		(8,131)	(8,033)	(3,934)	(1,987)
Administrative expenses		(21,520)	(27,776)	(7,306)	(14,541)
Finance costs	5	(7,398)	(4,500)	(2,965)	(1,491)
Profit before income tax		81,987	80,113	11,425	20,723
Income tax (charge) credit	6	(10,733)	(5,782)	2,244	(3,777)
Profit for the period	7	<u>71,254</u>	<u>74,331</u>	<u>13,669</u>	<u>16,946</u>
Attributable to:					
Owners of the parent		71,254	74,080	13,669	16,790
Non-controlling interests		—	251	—	156
		<u>71,254</u>	<u>74,331</u>	<u>13,669</u>	<u>16,946</u>
Earnings per share					
— Basic (RMB cents)	9	34.54	38.28	6.10	8.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 September		Three months ended 30 September	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Profit for the period	71,254	74,331	13,669	16,946
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	<u>(10)</u>	—	<u>(4)</u>	—
Total comprehensive income for the period	<u>71,244</u>	<u>74,331</u>	<u>13,665</u>	<u>16,946</u>
Attributable to:				
Owners of the parent	71,244	74,080	13,665	16,790
Non-controlling interests	<u>—</u>	<u>251</u>	<u>—</u>	<u>156</u>
	<u>71,244</u>	<u>74,331</u>	<u>13,665</u>	<u>16,946</u>

NOTES TO THE THIRD 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.

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 turnover, results, assets and liabilities are derived from security system business. Accordingly, no detailed analysis of the Group’s business segments are disclosed.

Geographical segments

The Group’s operations are situated in the PRC in which its turnover 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

	Nine months ended 30 September 2009 (Unaudited) RMB'000		Three months ended 30 September 2009 (Unaudited) RMB'000	
	2008 (Unaudited) RMB'000		2008 (Unaudited) RMB'000	
Interest on bank borrowings wholly repayable within five years	4,500	7,398	1,491	2,965

6. INCOME TAX (CHARGE) CREDIT

	Nine months ended 30 September 2009 (Unaudited) RMB'000		Three months ended 30 September 2009 (Unaudited) RMB'000	
	2008 (Unaudited) RMB'000		2008 (Unaudited) RMB'000	
The (charge) credit comprises: PRC income tax	(5,782)	(10,733)	(3,777)	2,244

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

	Nine months ended 30 September 2009 (Unaudited) RMB'000		Three months ended 30 September 2009 (Unaudited) RMB'000	
	2008 (Unaudited) RMB'000		2008 (Unaudited) RMB'000	
Profit for the period has been arrived at after charging (crediting):				
Amount of inventory recognized as expense	130,316	260,340	35,270	62,835
Research and development costs	7,160	8,302	6,197	2,829
Depreciation of property, plant and equipment	4,101	4,223	1,433	1,263
Operating lease rentals in respect of land use rights	873	416	446	139
Staff costs (including directors' emoluments)	12,119	6,620	5,286	472
Interest income	(1,109)	(742)	(112)	(351)
PRC value added tax refunded	(7,982)	(9,772)	(6,524)	(2,328)

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2009 and 2008 is based on the profit attributable to owners of the parent approximately RMB71,254,000 and RMB74,080,000 respectively and on the weighted average number of 206,278,022 (2008: 193,500,000) ordinary shares in issue during the respective periods.

The calculation of the basic earnings per share for the three months ended 30 September 2009 and 2008 is based on the profit attributable to owners of the parent approximately RMB13,669,000 and RMB16,790,000 respectively and on the weighted average number of 224,100,000 (2008: 193,500,000) ordinary shares in issue during the respective periods.

No diluted earnings per share has been presented for the nine months and the three months ended 30 September 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					Total (Unaudited) RMB'000	Non- controlling interests (Unaudited) RMB'000	Total (Unaudited) RMB'000
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained profits			
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000			
At 1 January 2009	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469
Issue of shares by placement	30,600	91,800	—	—	—	122,400	—	122,400
Issue expense	—	(15,974)	—	—	—	(15,974)	—	(15,974)
Total comprehensive income for the period	—	—	—	(10)	71,254	71,244	—	71,244
Reduction in non-controlling interests on acquisition of additional interest in a subsidiary	—	—	84	—	—	84	(1,696)	(1,612)
Profit appropriation	—	—	23,383	—	(23,383)	—	—	—
At 30 September 2009	<u>224,100</u>	<u>96,217</u>	<u>58,688</u>	<u>(433)</u>	<u>172,955</u>	<u>551,527</u>	<u>—</u>	<u>551,527</u>
At 1 January 2008	193,500	20,391	25,332	—	80,527	319,750	1,443	321,193
Total comprehensive income for the period	—	—	—	—	74,080	74,080	251	74,331
At 30 September 2008	<u>193,500</u>	<u>20,391</u>	<u>25,332</u>	<u>—</u>	<u>154,607</u>	<u>393,830</u>	<u>1,694</u>	<u>395,524</u>

Note i: Pursuant to a subscription agreement signed on 9 June 2009, 30,600,000 H shares of RMB1.00 each were issued and allotted at HK\$4.00 per share on 11 August 2009.

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 debts, 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 risks management reviews the capital structure on a semi-annual basis. The overall strategy of the Group remained unchanged during the two periods ended 30 September 2009 and 2008.

FINANCIAL REVIEW

Turnover

The Group's turnover for the nine months ended 30 September 2009 (the "Review Period") amounted to approximately RMB361,972,000, representing an increase of approximately 55.5% over that of the corresponding period of last year. The growth was mainly attributable to the Group's active exploration of new markets in the Review Period to increase its market share by leveraging upon the market opportunity brought by the government's expanded investment in infrastructure construction for increasing domestic demand.

Gross profit margin

The gross profit margin of approximately 27.5% for the Review Period decreased approximately 15.6%, as compared with approximately 43.1% of the corresponding period of last year. The decrease was due to the increase in the proportion of highway business which had slightly lower gross profit margin than other companies under the Group.

Distribution costs

The distribution costs for the nine months ended 30 September 2009 was approximately RMB8,131,000, an increase of approximately 1.22% as compared to the corresponding period of last year. The increase was mainly attributable to the increase in bidding expense for the Review Period.

Administrative expenses

The administrative expenses experienced a decrease of 22.5% from approximately RMB27,776,000 in the corresponding period of last year to approximately RMB21,520,000 in the Review Period. It was mainly contributed by the effective reduction of administrative expenses as a result of the Group's enhancement of its workflow management and internal control in the Review Period.

Profit attributable to owners of the parent

Profit attributable to owners of the parent decreased by approximately 3.8% from approximately RMB74,080,000 of the corresponding period of last year to approximately RMB71,254,000 for the Review Period.

BUSINESS REVIEW AND PROSPECT

Whilst the market entered a mature stage and market competition has become intense, the Group managed to secure its market share by leveraging upon its competitive edge as a first mover and adopting flexible market measures to realign its products. Meanwhile, in respect of software platform, product chain with regional processing, bonded management, logistics monitoring field and port cargo management was established, and in particular the Kunshan Eastern China product chain achieved remarkable results. At the same time, given the gradual establishment of the front-end equipment monitoring of General Administration of Customs, the application of electronic customs locks is arousing more and more market awareness and considerations, and projects including Su-Tai, Chongqing, Haikou, Zhangjiagang and Fuzhou has already introduced electronic customs locks into logistics monitoring with emphasis on its application in the bonded zones and ports and among different bonded zones.

During the Review Period, the Group won the bid on Dongguan bonded logistics centre project, Zhongshan bonded logistics centre project, Haikou comprehensive bonded-park project, Xi'an International Trade and Logistics Park project and Chongqing bonded harbor informatization construction project. In particular, Chongqing bonded harbor project is another large bonded harbor project successfully bidden by the Group, which manifests the comprehensive strength of the Company and its leading position in the industry, as well as marking a milestone for the Company's active participation in the construction in China Western Development. Meanwhile, the Group has completed the online trial operation of the united platform system for Dalian Customs Command Center and added functions of export logistics monitoring and airport logistics monitoring. The Group has also completed development and testing of the Xiamen bonded harbor logistics monitoring system and united platform for customs command center, and adjustment and optimization were made in several functions. Also completed were the development and testing of the intranet system in Nanjing Customs, which had been put into online trial operation on Long Tan Port in Nanjing Customs, as well as the development and collaboration of the front-end interchange system function for intranet enterprises in customs checkpoints. The development of the entire system (with supplementary requirements) of Su-Tai Interaction Cooperation project was completed and is expected to be put into trial operation in the fourth quarter and go in line with the electronic customs locks in Su-Tai project.

During the Review Period, the Group finished all construction work of Jin-ji highway construction project in Shanxi, which has been open to traffic upon completion. The additional area centre project has basically finished and is estimated to undergo completion inspection in the fourth quarter. The construction of fire fighting facilities and illumination facilities for the M&E project of the Zhuyong Highway in Zhejiang Province was basically finished, and with smooth progress, and it is estimated to be completed and open by the end of this year. Meanwhile, M&E projects in various provinces, cities and regions such as Xiamen, Zhejiang, Anhui, Guangxi and Guizhou were commenced in full gear and recorded excellent results. On the other hand, the Group also completed the research work for serial software including the project of system management for the wiring project of the Taizhou Bridge, Ning-Hu comprehensive system of information management and the portal system of the Waterbay Bureau of Jiangsu Province. During the Review Period, the Group won the bid on the 137-million-yuan M&E project of Guang-He Highway in Guangxi Province. This project, which is the Group's first project in Guangxi, is the second highway M&E project valuing over 100 million yuan acquired within the year and is also a section of national highways with more comprehensive coverage as far as M&E projects is concerned. At the same time, the Group also won the bid on equipment of railway transport information network system and software installation system in Wuxi, being our very first project in the field of railway transport.

During the Review Period, the Group took active move on exploration and innovation and increased its efforts on research and development. The Group underwent testing and research on the demand for application in the market in advance and completing the research and development for Nanjing Pharmaceutical logistics and product chain project and urban transport serial projects, which are now entirely online and pending for examination. The Group took part in initiating RFID Industry Innovative Technology Alliance of China (中國RFID產業技術創新聯盟) and was elected as a council member of the Alliance during the Review Period. Meanwhile, "UHF RFID reader" developed solely by the Group was elected one of the first domestic innovative products. The product has its own intellectual property rights and is widely used in areas like motor vehicle access management, Electronic Toll Collections (ETC), personnel access management, electronic anti-counterfeit, logistics monitoring, warehousing, asset management and autonomous production management.

In the fourth quarter, the Group will actively enhance project management to ensure smooth completion of major construction-in-progress projects. The Group will also mobilize power of the team to launch market analysis, planning and strategic deployment on the tasks and targets for 2010 in order to undergo sustainable development. Further emphasis and efforts will be put on software sales and greater profit margins will be sought via product realignment. The Group will also step up its efforts on software promotion to further expand its market share.

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 30 September 2009, the interest and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required (i) to 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); (ii) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares:

Name of director	Number of the domestic shares held	Nature of interest	Approximate percentage of the total number of registered capital of the Company (%)
Sha Min	1,350,000	Beneficial owner/ Personal	0.6

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 by virtue of Part XV of the SFO.

Interests Discloseable under the SFO and Substantial Shareholders

So far as was known to any Directors, supervisors or chief executives of the Company, as at 30 September 2009, the persons or companies (not being a Director, supervisor or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO were as follows:

Long positions in shares:

Name of shareholders	Number of domestic shares	Nature of interest	Approximate percentage of the total number of registered capital of the Company (%)
Nanjing Sample Technology Group Company Limited (“Sample Group”) (Note)	58,950,000	Beneficial owner and held by controlled corporation/ Corporate (Note 1)	26.31
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation	22,455,000	Beneficial owner/ Corporate	10.02
Active Gold Holding Limited	49,545,000	Beneficial owner/ Corporate	22.11

Notes:

1. Sample Group directly holds 54,000,000 domestic shares and is also interested in 95% 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.

Directors’ and Supervisors’ Interests in Underlying Shares by Derivatives

Save as disclosed above, as at 30 September 2009, none of the Directors or supervisors is authorised to subscribe any H shares of the Company. As at 30 September 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 30 September 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 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 Transactions by Directors

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings 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 nine months ended 30 September 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.

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

12 November 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 Director is Mr. Ge Jun; and the independent non-executive Directors are Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John.

This announcement will remain on GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* for identification purpose only