



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “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 high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk 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 announcement, for which the directors (the “Directors”) of Nanjing Sample Technology Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 the Group for the year ended 31 December 2009 (the “Review Period”) amounted to approximately RMB456,865,000 representing a growth of approximately 37.72% as compared to the corresponding period of last year.

The profit attributable to owners of the Company for the year ended 31 December 2009 was RMB89,539,000, representing a decrease of approximately 3.87% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2009 was approximately RMB0.44 (2008: RMB0.48).

The payment of a final dividend of RMB0.1 per share is recommended for the year ended 31 December 2009

ANNUAL RESULTS

The board (the “Board”) of Directors of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Turnover	3	456,865	331,726
Cost of sales		(350,537)	(198,903)
Gross profit		106,328	132,823
Other revenue	3	26,421	26,198
Other gains and losses	4	27,396	(2)
Distribution costs		(11,069)	(14,725)
Administrative expenses		(41,869)	(38,896)
Finance costs	6	(9,751)	(6,469)
Profit before income tax	7	97,456	98,929
Income tax	8	(7,969)	(5,530)
Profit for the year		89,487	93,399
Attributable to:			
Owners of the Company		89,539	93,146
Minority interests		(52)	253
		89,487	93,399
Dividends	9		
Interim dividends declared		–	19,350
Final dividends proposed		22,410	–
		22,410	19,350
Earnings per share			
– Basic and diluted (RMB)	10	0.44	0.48

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Profit for the year	89,487	93,399
Other comprehensive income for the year, net of tax:		
Exchange difference on translation of financial statements of foreign operations	<u>(8)</u>	<u>(423)</u>
Total comprehensive income for the year, net of tax	<u>89,479</u>	<u>92,976</u>
Attributable to:		
Owners of the Company	89,531	92,723
Minority interests	<u>(52)</u>	<u>253</u>
	<u>89,479</u>	<u>92,976</u>

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		48,050	53,966
Prepaid lease payments		6,417	6,568
Intangible assets		11,678	18,083
Deferred tax assets		1,949	1,817
Deposit for investment in a jointly-controlled entity		75,000	–
		<u>143,094</u>	<u>80,434</u>
Current assets			
Inventories		1,947	1,856
Trade receivables	11	143,132	249,941
Other receivables and prepayments	12	217,295	84,913
Prepaid lease payments		150	150
Amounts due from customers for contract work		223,930	90,377
Tax recoverable		1,529	1,041
Pledged bank deposits		19,059	19,329
Bank balances and cash		190,411	158,246
		<u>797,453</u>	<u>605,853</u>
Current liabilities			
Trade and other payables and receipts in advance	13	231,919	152,116
Short-term bank loans		127,000	142,000
Other loan payable		–	2,000
Tax payable		9,957	4,713
Dividend payable		–	7,200
		<u>368,876</u>	<u>308,029</u>
Net current assets		<u>428,577</u>	<u>297,824</u>
Total assets less current liabilities		<u>571,671</u>	<u>378,258</u>

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Total assets less current liabilities	571,671	378,258
Non-current liabilities		
Deferred tax liabilities	1,941	2,789
Net assets	569,730	375,469
Capital and reserve attributable to owners of the Company		
Share capital	224,100	193,500
Reserves	345,630	180,273
Equity attributable to owners of the Company	569,730	373,773
Minority interests	–	1,696
Total equity	569,730	375,469

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company							Minority interests	Total
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2008	193,500	20,391	25,332	–	80,527	319,750	1,443	321,193	
Total comprehensive income for the year	–	–	–	(423)	93,146	92,723	253	92,976	
Dividend declared	–	–	–	–	(38,700)	(38,700)	–	(38,700)	
Profit appropriation	–	–	9,889	–	(9,889)	–	–	–	
At 31 December 2008	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469	
Total comprehensive income for the year	–	–	–	(8)	89,539	89,531	(52)	89,479	
Issue of shares	30,600	75,826	–	–	–	106,426	–	106,426	
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	(1,644)	(1,644)	
Profit appropriation	–	–	14,452	–	(14,452)	–	–	–	
At 31 December 2009	224,100	96,217	49,673	(431)	200,171	569,730	–	569,730	

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited) 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 Group are maintained in Renminbi ("RMB"), the functional currency in which the majority of the Group's transactions is denominated. RMB is also the presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standard ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirement of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Adoption of Hong Kong Financial Reporting Standards

(i) *The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant and effective for the current accounting period.*

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statements of financial position, previously known as balance sheet, at the beginning of the year ended 31 December 2008 has not been presented as there were no changes to the originally published statement.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(ii) *Potential impact arising on HKFRSs not yet effective*

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ⁴
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKFRS 9	Financial Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue for the year is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Provision of video security system solutions	393,954	307,830
Sales of security system software	14,858	22,356
Sales of material and parts	53,976	8,190
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	462,788	338,376
Less: Business tax and other related taxes	(5,923)	(6,650)
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Turnover and revenue	456,865	331,726
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PRC value added tax refunded	10,617	10,044
	<hr/>	<hr/>
Interest income from		
– bank deposits	1,323	807
– third party	–	984
– impaired trade receivables	4,452	1,702
	<hr/>	<hr/>
Total interest income	5,775	3,493
	<hr/>	<hr/>
Maintenance service income	7,681	10,237
Less: Cost incurred for maintenance services	(1,715)	(2,913)
Technical service income	721	3,111
Others	3,342	2,226
	<hr/>	<hr/>
	10,029	12,661
	<hr/>	<hr/>
Other revenue	26,421	26,198
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4. OTHER GAINS AND LOSSES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Discount on acquisition of additional equity interest in a subsidiary	1,344	–
Gain on disposal of intangible assets	10,541	–
Gain on debt assignment	15,582	–
Loss on disposal of property, plant and equipment	(71)	(2)
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	27,396	(2)
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5. SEGMENTS INFORMATION

Reportable operating segments

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision maker for the purposes of resources allocation and assessment of segment performance for the period is only derived from security system business. In addition the Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

Information about major customers

Revenue of RMB272,503,000 (2008: RMB93,830,000) was derived from the Group's provision of video security system solutions business to 3 (2008: 2) customers with whom transactions have exceeded 10% of the Group's revenue.

6. FINANCE COSTS

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans wholly repayable within five years	<u>9,751</u>	<u>6,469</u>

7. PROFIT BEFORE INCOME TAX

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Profit before income tax has been arrived at after charging/(crediting):–		
Auditor's remuneration	679	800
Staff costs including directors' emoluments	14,436	16,561
Retirement benefits scheme contributions	2,641	2,566
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	17,077	19,127
Less: Staff costs included in research and development costs	(4,017)	(1,863)
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	13,060	17,264
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Research and development costs	12,404	10,739
Depreciation of property, plant and equipment (included in administrative expenses)	6,532	6,627
Amortisation of intangible assets (included in cost of sales)	1,946	2,583
Impairment of inventories	124	–
Carrying amount of inventories sold	343,683	184,513
	<hr/>	<hr/>
Amount of inventories recognised as expenses	343,807	184,513
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Allowance for doubtful debts	1,082	569
Additional impairment loss on trade receivables	13,084	6,732
Operating lease rentals in respect of buildings	945	1,395
Operating lease rentals in respect of land	151	150
Exchange losses/(gains), net	358	(94)
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8. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	8,949	4,790
Deferred taxation		
– origination and reversal of timing difference	(1,095)	266
– resulting from a change in tax rate	115	474
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Income tax expense	<u>7,969</u>	<u>5,530</u>

PRC income tax is calculated at the rates prevailing under the relevant laws and regulations in the PRC. The standard enterprise tax rate for enterprises in the PRC is 25%.

The Company is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%. In February 2008, the Company was identified as an Important Enterprise. Pursuant to the policies for encouraging development of software properties and integrated electrical circuit properties issued by the State Commission of the PRC, the Company was entitled to a preferential tax rate of 10% for the years ended 31 December 2008 and 2009.

In the prior years, the Company's major subsidiary, Jiangsu Intellitrans Company Limited ("Jiangsu Intellitrans"), was qualified as a transformed scientific research entity and, pursuant to relevant tax policy, was fully exempted from PRC income tax for the period from 2002 to 2008. During the year, Jiangsu Intellitrans is certified as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

Certain of the Company's subsidiaries are recognised as high-technology companies according to PRC tax regulations and are entitled to a preferential tax rate of 15%. The remaining subsidiaries are subject to PRC income tax rate of 25%.

- (b) The tax charge for the year can be reconciled to the profit before income tax per the consolidated income statement as follows:

	2009	%	2008	%
	RMB'000		RMB'000	
Profit before income tax	97,456		98,929	
Tax at the preferential domestic income tax rate of 15%	14,618	15.0	14,839	15.0
Tax effect of expenses not deductible for tax purpose	1,831	1.9	1,423	1.4
Tax effect of income not taxable for tax purpose	(5,067)	(5.2)	(3,383)	(3.4)
Effect of change in tax rate	69	0.1	694	0.7
Tax relief	(2,010)	(2.0)	(6,726)	(6.8)
Effect of tax loss not recognised	125	0.1	590	0.6
Over-provision in prior year	(1,530)	(1.6)	(1,826)	(1.8)
Others	(67)	(0.1)	(81)	(0.1)
Tax charge and effective tax rate for the year	7,969	8.2	5,530	5.6

9. DIVIDENDS

- (a) Dividends payable to owners of the Company attributable to the year:

	2009	2008
	RMB'000	RMB'000
Final dividend proposed of RMB0.1 (2008: Nil) per share	22,410	–
Interim dividend declared (2008: RMB0.1 per ordinary share)	–	19,350
	22,410	19,350

On 16 September 2008, an interim dividend of RMB0.1 per share (total dividend RMB 19,350,000) was declared, of which RMB12,150,000 was paid to shareholders on 12 December 2008 and the remaining balance of RMB7,200,000 was paid to shareholders on 31 January 2009. The directors recommend the payment of a final dividend of RMB0.1 per share in respect of the year ended 31 December 2009 on 12 March 2010. The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the forthcoming annual general meeting.

- (b) Dividends payable to owners of the Company attributable to the previous year, approved and paid during the year:

	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous year, approved and paid during the year (2008: RMB0.1 per ordinary share)	–	19,350

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB89,539,000 (2008: RMB93,146,000) and weighted average number of ordinary shares 205,405,000 (2008: 193,500,000) during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2009 and 2008 in respect of dilution as the Company had no potential dilutive ordinary shares outstanding during those years. Therefore the basic and diluted earnings per share for the respective years are the same.

11. TRADE RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables from third parties	148,006	261,581
Less: Allowance for doubtful debts (Note (c))	(3,316)	(3,352)
Provision for impairment losses (Note (d))	(1,558)	(8,288)
	<u>143,132</u>	<u>249,941</u>

(a) Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 180 days of issuance, except for certain well-established customers.

(b) The following is an ageing analysis of trade receivables net of allowance for doubtful debts and provision for impairment losses at the end of reporting period:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Aged:		
0 – 90 days	63,002	52,638
91 – 180 days	14,083	24,845
181 – 365 days	18,810	64,633
1 – 2 years	37,191	82,302
Over 2 years	10,046	25,523
	<u>143,132</u>	<u>249,941</u>

(c) The movements in the allowance for doubtful debts during the year are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
At beginning of year	3,352	1,536
Acquisition of a subsidiary	–	1,247
Allowance for doubtful debts	1,082	569
Debt assignment (Note 4)	(220)	–
Amount written off as uncollectible	(898)	–
	<hr/>	<hr/>
At end of year	3,316	3,352
	<hr/> <hr/>	<hr/> <hr/>

This allowance has been determined by reference to past default experience. The Group does not hold any collateral over these balances.

(d) The movements in the provision for impairment losses during the year are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
At beginning of year	8,288	3,258
Interest income recognised	(4,452)	(1,702)
Debt assignment (Note 4)	(15,362)	–
Additional impairment loss recognised	13,084	6,732
	<hr/>	<hr/>
At end of year	1,558	8,288
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This provision has been determined based on the estimated future cash flows discounted at appropriate rate. The Group does not hold any collateral over these balances.

(e) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Neither past due nor impaired	5,777	563
Less than 6 months past due	134	123
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	5,911	686
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Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. OTHER RECEIVABLES AND PREPAYMENTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Other receivables	96,760	76,588
Less: Allowance for doubtful debts	(21)	(21)
Other receivables, net	96,739	76,567
Deposits paid to suppliers	120,556	8,346
	<u>217,295</u>	<u>84,913</u>

13. TRADE AND OTHER PAYABLES AND RECEIPTS IN ADVANCE

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade payables	162,602	89,654
Other payables	45,648	29,288
Receipts in advance	2,984	9,509
Other tax payables	20,685	23,665
	<u>231,919</u>	<u>152,116</u>

The following is an ageing analysis of trade payables at the end of reporting period:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Aged:		
0 – 90 days	122,061	55,277
91 – 180 days	7,306	13,326
181 – 365 days	8,335	9,674
1 – 2 year	20,607	8,997
Over 2 years	4,293	2,380
	<u>162,602</u>	<u>89,654</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

Turnover of the Group for the year ended 31 December 2009 was approximately RMB456,865,000, an increase of approximately 37.72% over last year. The increase was mainly attributable to the procurement of certain major projects during the year, including the electrical and mechanical works for tunnels of Zhejiang Zhuyong Expressway as well as electrical and mechanical works of Guanghe Expressway in Guangxi Province.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2009 was approximately 23.27%, a decrease of approximately 16.77% over last year. The decrease was mainly attributable to the substantial increase in the price of constituent raw material, namely non-ferrous metal, for the Group's major products during the period under review, directly increasing the cost of the Company for the year. In particular, the prices of copper and zinc increased by about 131% and 104% respectively. The gross profit lowered accordingly.

Other Revenue

Other revenue of the Group for the year ended 31 December 2009 was approximately RMB26,421,000, representing an increase of about 0.85% when compared with the corresponding period of last year.

Distribution Costs

Distribution costs of the Group for the year ended 31 December 2009 was approximately RMB11,069,000, a decrease of approximately 24.83% over last year. The decrease was mainly attributable to the enhancement of the brand name recognition of products of the Company, the improved core competitiveness and the lowered cost of relevant after sales maintenance services.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2009 was approximately RMB41,869,000, an increase of approximately 7.64% over last year. The increase was mainly attributable to the increased expenses in research and development driven by strengthened efforts spent by the Company in these respects during the period under review.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2009 was approximately RMB89,539,000, representing a decrease of 3.87% over last year. The decrease was mainly attributable to the lowered gross profit of products during the year.

Financial Resources and Liquidity

Equity attributable to owners of the Company for the year ended 31 December 2009 was approximately RMB569,730,000. Current assets were approximately RMB797,453,000, comprising cash and bank balances of approximately RMB190,411,000. Non-current liabilities were approximately RMB1,941,000. Current liabilities were approximately RMB368,876,000, comprising trade and other payables and receipts in advance, short-term bank loans, other loans payable, tax payable and dividends payable. As at 31 December 2009, net assets per share of the Group was approximately RMB2.54 (31 December 2008: RMB1.94) and short-term bank loans of the Group were RMB127,000,000.

Pledge of Assets

As at 31 December 2009, bank deposits of RMB19,059,000 (31 December 2008: RMB19,329,000) were pledged for projects in progress.

Gearing Ratio

For the year ended 31 December 2009, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (31 December 2008: 0%). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans and long-term 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 Significant Investment

During the period under review, the Group has cooperated with NanJing Pharmaceutical Company Limited ("NJYY") to set up a joint venture, with the integration of principal business model of NJYY, for investing in the construction of a medical business logistics information system. Utilizing RFID technology as the foundation, Nanjing Medicine Supply Chain Management Company Limited will create a modern integrated medical supply chain information system in order to achieve our ultimate goal of minimizing cost, enhancing efficiency and increasing core competitiveness. Up to the date of this result announcement, an advance name approval for the joint venture called 中健之康供應鏈服務有限責任公司 has been sought from the State Administration for Industry & Commerce of China. However, the industry and commerce registration of the joint venture has not been completed, and relevant procedures are still in progress.

Capital Commitment

As at 31 December 2009, the Group had no significant capital commitment.

Contingent Liabilities

As at 31 December 2009, the Group had no significant contingent liabilities.

Employes and Remuneration Policies

As at 31 December 2009, total employees' remuneration of the Group was approximately RMB17,077,000 (2008: RMB19,127,000) and the number of employees was 305 (2008: 411). The Group remunerated its staff based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staff 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

Traffic Sector

During the period under review, the market competition of traditional standard-definition ePolice video systems has been intense. As a result, the gross profit of the Group was deteriorating. The Group has been in a position to withdraw from the market gradually in an organised way through transferring assets and rearranging human resources. The focus has been shifted to the RFID-based high-definition ePolice market in order to implement the Group's perception traffic project for the sake of securing its leading position in the IOT sector.

Logistics Sector

During the period under review, the Group has actively assisted the customs offices directly under the General Customs Administration to promote the establishment of regional IOT of customs industry, with emphasis on the united platform system of the Customs district. It has operated smoothly in Nanjing, Dalian and Xiamen. The intranet system of Nanjing Customs, which has been put into online operation on Long Tan Port in Nanjing Customs, drew wide recognition for its stable and reliable performance in areas of operations it covered. It has been chosen as the promotion highlight of the Nanjing Customs in 2010. The united platform of Dalian Customs has successfully realized the custom-network switch among the three platforms, putting an end to the history of failing to enjoy real-time data sharing among the Dalian Custom (Phase 1), bonded harbor platform and Customs platform. The united platform of Xiamen Customs, established according to the building and planning of Haicang bonded harbour in line with the principles of integrated innovation and process reinvention, has set risk management as the core section, via Intelligent, intensive and informationalized management approach. It has established a new supervision model delivering effective supervision and checkpoint crossing for Xiamen Customs.

During the period under review, the Group has in line with the General Customs Administration completed the setting up of the technology specification for the equipment integration of customs checkpoint, including electronic vehicle license, carton no. identification and loadometer. Meanwhile, the Company invested heavily in customs industry with a focus on related IOT technology. The UHF

RFID reader and electronic customs locks, which have implemented RFID as core technology, were successfully applied in the Chongqing Bonded Harbor, Haikou Integrated Bonded District and Fuzhou District Port Interaction Cooperation project. The R&D of “Customs intelligent supervision and control center” (關區智能監控中心), which is expected to realize customs-wide real-time data sharing, risk analysis and real object tracking, was under progress.

During the period under review, 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, the Chongqing bonded harbor project was another large bonded harbor project successfully bidden by the Group, which manifested 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.

Highway Sector

During the period under review, the Group utilized the impact of the State’s investment strategy on national highway M&E project sector and actively participated in the bidding of certain significant projects in areas such as Zhejiang, Guizhou, Guangxi, Gansu and Shanxi, and success was gained in Lu-Wu, Anhui highway project, assuring the solid operation in key regional markets like Jiangsu, Anhui, Zhejiang and Chongqing. The Group won the bids on several important projects including the RMB130 million M&E project of Zhuyong Highway, the RMB137 million M&E project of Guang-He Highway in Guangxi Province, and the equipment of railway transport information network system and software installation system in Wuxi.

During the period under review, the Group finished all construction work of Jin-ji highway construction project in Shanxi, which has been open to traffic upon completion, and finished the M&E project of You-Xiao line in Guizhou Province, which has also been open to traffic upon completion. The inspection of the M&E project of the Zhuyong Highway in Zhejiang Province was finished, and will open to traffic soon. The implementation of the M&E project of the Liuwu Expressway Project in Anhui Province is completed and the expressway has also been open to traffic. Meanwhile, M&E projects in various provinces, cities and regions such as Xiamen and Guangxi 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.

RFID Sector

During the period under review, the Group endeavoured to focus on car park management as its targeted market and breakthrough by continuously improving product design, enhancing management of purchases, lowering direct costs, controlling various fees, as well as adopting different strategies for different markets and actively participated in existing market competition. Meanwhile, focus was put on training in various aspects, and quality analysis meetings were regularly convened for participation by personnel of research and development, merchandizing, production and marketing to provide suggestions

on further enhancing the quality of our products. During the period under review, the Group has further strengthened the warehouse management by improving the previous in and out process. The Group has also enhanced the overall quality control and successfully passed the review of ISO9000 quality certification.

During the period under review, 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. Meanwhile, “UHF RFID reader” self-developed 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.

Research and Development

During the period under review, the Group has strengthened the establishment of the system of technology innovation and put more efforts in technology research. With the Company’s research institute as the platform, the Group has accomplished effective resources allocation and increased the efficiency of R&D by building up a united R&D system via integration of the existing R&D resources of the Company. During the period under review, the research institute of the Company was mainly engaged in works like consultation service, important projects of traditional business, plain product projects of traditional business, new business projects and prospective projects, altogether 1 service and 4 types of project, which built up an entirely new R&D model and team culture.

During the period under review, R&D projects the Group has participated included electronic customs lock project, mobile phone e-ticket platform (手機電子車票平台), research of the application of RFID electronic vehicle license in urban transport management, centralized management system to remote facility, yard management and high-definition ePolice. In particular, the electronic customs lock project, under the RFID promotion project, possessed a very important status and enjoyed a positive market prospect in the logistic industry, which is a key development field appointed by the State. Practical application will be implemented soon in various markets including Zhangjiagang bonded port, Haikou customs, Chongqing customs, Hang-Yong district. Mobile phone e-ticket platform has realized the official operation of the website. Model promotion will be launched in the future, so as to establish a country-wide service platform for highway passenger e-ticket. The RFID electronic platform has completed the data collection and demonstration system of electronic vehicle license. The R&D of this platform will further improve the standard of urban intelligent transport management and information service to satisfy the establishment of “intelligent city”. The R&D of centralized management system to remote facility will enhance the competitiveness of the Company’s existing customs checkpoint system, which enjoy a broader market prospect. This will become a new point of profit growth. Yard management system software has realized the management of container, loaded container and loose goods, which meets the needs of customs, yard and other different industries. High-definition ePolice is mainly applied on the city signal lights at the intersections. It can be further developed as secure custom checkpoint, highway speed check and other functions. Enjoying a broad market prospect, the system

can be an effective mean for modern road safety management, as it delivers stable and highly-effective performance, clear images and adequate prosecution evidence.

Prospects

Research and Development

In 2010, the focus of R&D of the Group is to concentrate power to build important sample project, creating Sample's innovative scientific research system. Specific objectives include continuing the establishment of comprehensive technology innovation system, undertaking and accomplishing the development of important projects relating to logistics, transport and healthcare, setting research of industrial planning and application of solution as the leading objectives, organizing internal and external R&D power, shaping mass-production capacity of core products.

In 2010, the Group will continue to drive and optimize the establishment of technology innovation, take active move to launch the standardization of technology enterprise, accomplish the building of the IT support platform of the R&D system, accomplish the establishment of general hardware R&D laboratory and RFID professional technology laboratory, and establish the sharing mechanism of R&D resources among various operation departments.

Sales and Marketing

Urban Traffic Sector

In 2010, the Group will commit to establish the product system with city traffic industry's technology, the system of sales and marketing, the system of regulated management, and commit to become the country-wide leader of RFID application. On one hand, the Group will drive the rolling development of the market via replacement of high-definition media interface; on the other hand, it will take active move to open new markets, with key business locations focusing on various provinces including Jiangsu, Shangdong and Anhui.

Logistics Sector

As a chief network integrator of customs checkpoint systems, the Group will further create core competitiveness for its principal operations in 2010, thereby further strengthening its leading position in the industry. The Group will also put high regards for the co-operation and communication with the Department of Supervision and Administration and the Department of Technology of the General Customs Administration, and grasp the trends and measures of policies in a timely manner. The focus will be on customs districts of Nanjing, Dalian and Xiamen. The Group will penetrate in a vertical approach in accordance with the customs checkpoint-platform-supervision area-customer-end, thereby strengthening the brand image and the outstanding recognition of the Company. Based on the building of a high-end platform, the Group will put effort in establishing regional platform project. Besides, the Group will also continue to focus on the development of its platform business and ensure the accumulation of resources and irreplaceable status of the projects.

In the meantime, the Group will strengthen the nurturing of business innovation capacity for breakthrough and breakout of the main operation, follow closely the development trend of IOT for a breakthrough and accomplishment of a demonstrative project in logistic field. The Group will also actively get into in-depth cooperation with professional companies in the industry, so as to extend the product line to the harbour, pier and yard operation systems, and link up with the information system of customer-end corporate. The Group will advance the establishment of interactive demonstrative project at Changjiang River Delta, as well as the demonstrative project of cognitive logistic experience at the customs trial point of the Pearl River Delta.

Highway Traffic Sector

In 2010, while setting sales and marketing as our leading objective, the Group will strengthen the degree of business expansion, establish effective business development organization, and implement specified regional authority delegation management. In the meantime, the Group will further enhance and expand the sales team, transform the business strategy, increase the number of projects to be independently handled by the Company, continue to develop its market base, focus and strengthen the strategic cooperation within the industry, and enhance the cooperative engagement capacity with partners in the industry in tender and bidding section. Based on the traditional M&E business of express highway, in 2010, the Group will strive to win the bid on urban building projects including city road, elevated highway, railway transport and city tunnel, so as to expand its business scope.

In 2010, the Group will pay close attention to the prices of its raw materials to strive to lower the product cost through placing bulk purchase orders. The Group will also continue to increase the proportion of products and software with core competitiveness in the product mix of its core business so as to control the overall gross profit margin of the Group in an effective way.

RFID Sector

In 2010, the Group will transform the pre-emptive advantage in IOT field to take market advantage, by integrating resources, strengthening promotion of key areas and typical projects of the industry, setting the market expansion and industry resource as the utmost executing objective, striving for exchanges and co-operations with leading corporations in different sectors, shaping industrial IOT market via the influence of demonstrative projects. In the meantime, the Group will launch high-end industry solution, provide system optimizing products, shaping highlight projects, strengthen brand building, focus on meeting customers' satisfaction, and the brand building of Sample's IOT application and RFID products.

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 were expired on 31 December 2009 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 the disclosed above, no Directors and Supervisors for re-election at the forthcoming annual general meeting has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

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 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 other conflicts of interests with the Group.

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 audited results of the Group for the period under review and has provided advice and comments thereon.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Code on Corporate Governance Practices (the "Code"). 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 code provisions on Corporate Governance Practice as set out in the GEM Listing Rules to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above and in the section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

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 Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of 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 2009.

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.

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

Nanjing, the PRC
12 March 2010

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.

This announcement will remain on the 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*