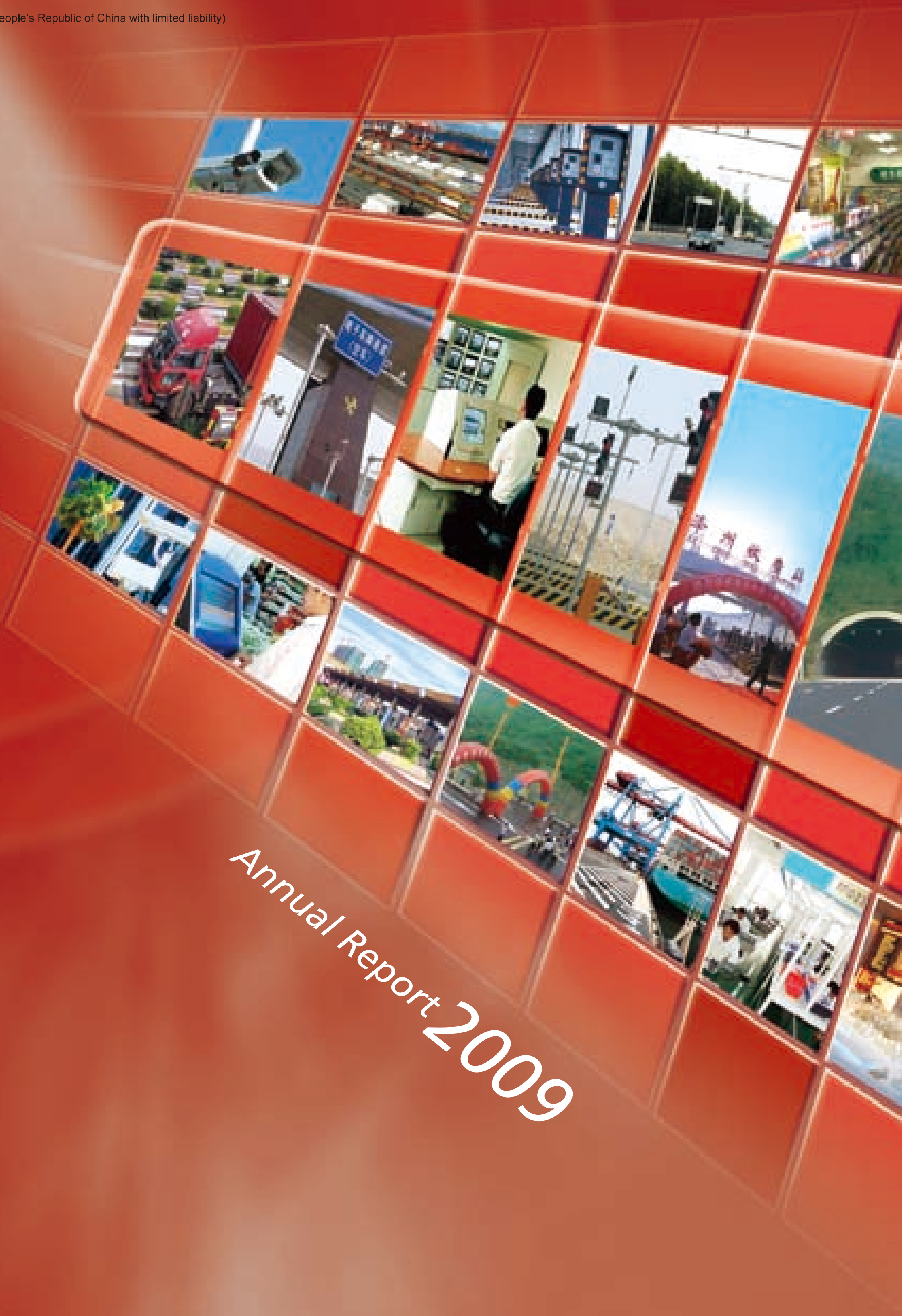
南京三寶科技股份有限公司

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 Report 2009

* for identification purpose only

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This report, 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 (the "GEM Listing Rules") 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 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.

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)
Mr. Chang Yong
(Chief Executive Officer)
Mr. Guo Ya Jun

NON-EXECUTIVE DIRECTOR

Mr. Ge Jun

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Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

SUPERVISORS

Mr. Qiu Xiang Yang
Mr. Sun Huai Dong
Mr. Dai Jian Jun

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

COMPLIANCE OFFICER

Mr. Guo Ya Jun

AUTHORISED REPRESENTATIVES

Mr. Guo Ya Jun
Ms. Wong Lai Yuk

AUDITOR

BDO Limited
Certified Public Accountants

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Chairman's Statement

Mr. Sha Min *Chairman*

To all shareholders,

> *"On behalf of the board of directors (the "Board") of Nanjing Sample Technology Company Limited (the "Company"), I hereby present the annual report of the Company (together with its subsidiaries referred to as the "Group") for the year ended 31 December 2009 (the "period under review") for your review and consideration."*

Chairman's Statement

RESULTS

Revenue of the Company for the 2009 financial year amounted to approximately RMB456,865,000 (for the year ended 31 December 2008: RMB331,726,000), representing a growth of approximately 37.72%. The increase in revenue was mainly attributable to procurement of certain major projects during the year. The profit attributable to owners of the Company amounted to approximately RMB89,539,000 (for the year ended 31 December 2008: RMB93,146,000) which recorded a slight decrease of 3.87%. The decrease was mainly attributable to the lowered gross profit caused by the high rising prices of raw material of products during the year.

DIVIDEND

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

BUSINESS AND OPERATION REVIEW

The Group's overall guiding concepts for development in 2009 were focused on the health and stability of cash-flows, improvement of technological innovation, enhancing efficiency in transforming information service operation, reinvention of professional service and information synergy, as well as the consolidated integration of principal operations. With such strategic objectives, the Company attained good results in strengthening technological innovation, focusing on intelligent traffic sector, the development of internet of things (IOT) industry, expansion of information service business and other aspects in 2009 under the leadership of the Board.

Strengthening the establishment of innovative technology system and securing stable and healthy development of the Company

Year 2009 was a year of realizing striding development for the Company. In view of the gradually recovering domestic economy, the Company has seized the opportunities of development proactively, strengthened technological innovation and sustained core competitiveness of principal operations.

During the period under review, leveraging on its premier position and excellent reputation in the intelligent traffic and customs logistics sectors, the Company was honoured as a "key software enterprise within the State planning framework" for the second consecutive year. During the period under review, Jiangsu Interllitrans Company Limited ("Jiangsu Intellitrans"), a wholly-owned subsidiary of the Company, has successively won several important construction projects, including the mechanical and electronic engineering ("M&E") projects of Xianju-Yongjia section of Zhuyong Highway in Zhejiang Province, and the M&E projects for Guangxi Lingfeng-Babu Highway in Guangxi Province, as well as the installation of the equipment and software for the Wuxi railway transport information network systems No.1 and No.2. New contracts obtained for the year reached a historical high of almost RMB 500 million for the first time in the Company's history. In particular, the construction projects of the Zhuyong Highway in Zhejiang Province is another important construction project the Company won in Zhejiang province. The M&E project for Guangxi Lingfeng-Babu Highway is the first bid in Guangxi Province for the Company, and also a section of national highways with more comprehensive coverage in M&E projects. The winning of Wuxi railway transport project represents our very first project in the field of railway transport, laying a solid foundation for the Company to enter the railway transport industry. The above results show forth the countrywide leading core competitiveness of the Company in the M&E field of express highway. On the other hand, the three newly invented RFID products, including the RFID reader and portable read-write module, by Raifu Intelligent Tech. Co., Ltd., a subsidiary of the Company successfully passed the accreditation of provincial technological achievement during the year. It has created favorable conditions for the industrialization of the integration of RFID reader and chip in China as well as the application and development in various industries. Meanwhile, Raifu Intelligent Tech. Co., Ltd., won the China "RFID Innovative Products Award" for its application and expansion of RFID technology during the year. During the period under review, the Company has successfully issued an additional 30,600,000 H Shares to be listed on GEM of the Stock Exchange of Hong Kong Limited, which shows the high recognition from the capital market regarding the development strategy, team management and corporate culture of Sample Technology

Co., Ltd. This not only secured a capital source for the R&D and application of wireless RFID technology for the Company, but also established a strong foundation for the Company's speedy development. During the period under review, the Company has commenced the preparation for transferring its listing from the GEM market to the Main Board of the Hong Kong Stock Exchange, which is expected to be completed in 2010. The change of listing will enhance our capital raising ability, future growth, financial flexibility and business development.

Facilitating IOT development strategy and striding into new phase of information service development

As the global economy gradually recovers, new competition from new technology revolution will be opened up in full scale. Countries like the United States and the European Union have invested enormously in profound IOT research. Our country also has high regards for the research and development (R&D) of IOT. Premier Wen Jiabao has given instructions on the IOT development of China for a number of times in 2009, clearly urging for the establishment of a Sensing Information Centre of China as soon as possible, and lifted the IOT development to the strategic importance as an engine for the country's economic development. Since its incorporation, the Company has committed in the application and industrialized development of high-end technology industry all the time. With sensitiveness to the future development of high-end technology, and the necessity of industrial application, the Company has achieved outstanding development in image sensing technology and RFID technology. During the period under review, Premier Wen Jiabao has visited Sample Technology and inspected the application of RFID technology, developed independently by Sample Technology, in logistics monitoring and medicine logistics. He highly praised that Sample Technology is taking a leading role in the practice of logistics network. This is a recognition for our insisting on independent innovation and technology innovation over the years, and a recognition of the achievements we have made in R&D and in the commercialization of such results. At this juncture, the Company has proposed to launch the IOT development strategy in due time, and set the IOT information service as a growth point for business, striving to be the supplier of IOT solutions.

During the period under review, the Company has invested heavily with a focus on the IOT related technology of customs industry. 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 projects. Meanwhile, the Company has actively assisted the direct customs to promote the establishment of regional IOT of customs industry, with emphasis on the united platform system of the Customs district. It has functioned smoothly in Nanjing, Dalian and Xiamen. On the other hand, the Company has co-operated with Nanjing Pharmaceutical Co., Ltd. to build an informationalized platform for pharmaceutical supply chain management and establish a countrywide digital base for health industry, so as to realize the common objective of both companies — informationalization of medical business logistics, based on a complementary pattern of resources and core competitiveness.

Insisting on team building, creating a culture of responsibility and enhancing external exchanges and cooperations

The Company always insists on a virtue-oriented approach and human-oriented concept in human resources management. Talents, as well as nurturing of talents and continuing of knowledge and culture have already become the key to the Company's development. At the beginning of 2009, despite the gloomy outlook of both the domestic and overseas economies, the Company addressed the supreme importance of team building, leading the corporate to a sustainable development in line with a culture of team responsibility. During the period under review, the Company has steadfast in its team building, with utmost recognition for team strengths, moulding responsibility culture for being accountable to customers and team culture for being loyal to the team, by delegating authority and encouraging the persons-in-charge of different levels appropriately.

The Company has high regards for the technology innovation and policy research of its principal operations. At the same time, we also focus on regular exchanges and cooperation with all government departments of the State, provinces and cities, and has actively participated in numerous seminars and exhibitions within the industry to study and understand industry practices as well as displaying the Company's technological superiority, fortifying exchanges and cooperation with peers, which would foster the healthy and buoyant development of Sample Technology.

Chairman's Statement

PROSPECTS

In the post-financial crisis era, our country has highly emphasised on technological innovation and structural adjustment. In particular, the bringing up of IOT-oriented national innovative strategy provides a rare opportunity for corporate survival and development. The financial and investment environment will offer continuous flexibility and support to science and technology enterprises, new energy enterprises, as well as pharmaceutical and health enterprises. According to the strategies the Company deploys, it is confirmed that the guiding objectives for overall development in 2010 will be to focus on the investment and outcome of technological innovation, cash-flow, capital safety, creation of customer value and experience of IOT, transformation of business model, and further improvement in professional service and informational synergy.

Focusing on technology to warrant growth

In 2010, the Group will deploy our advantages in talents, technology, market and capital to warrant the steady growth in revenue and profit of our principal operations, to enhance efficiency in converting information service operation and upgrade the sustainable development of the Company. Taking advantage of the IOT development opportunity, the Company will enhance the implementation of cognitive transportation, cognitive customs, and cognitive pharmaceuticals. We will increase the investment in R&D by utilizing the platform provided by the Company's research institute, and integrating the research strengths of the Company, so as to upgrade our core competitiveness. The future core technological structure of the Company will be formed through high-end consultation and planning. We will develop products that can satisfy the needs of our customers, create value for them and lead to standardized marketing and servicing, by focused planning and design of product/project, and regulated R&D process management. Through scientific knowledge management, the skills and knowledge of the Company will be accumulated for future exploitation.

In 2010, the Group will continue to promote the team culture, with a focus on moulding the culture of team execution. In line with paying high regards for team building, we set the shaping of team execution and moulding of execution culture as the core of human resources management and culture establishment. The Company insists on moulding responsibility culture for being accountable to customers by putting customers' needs in the first place all the time, and sets the enhancement of customer value as the core, and places the degree of satisfaction and customer experience as the ultimate goal. We will select and nurture a group of professional, young, passionate managers with team-spirit and introduce them to take up key roles of the Company. In the meantime, the Company will enhance the scientific approach and effectiveness of decision-making management, as well as the professionalism of supervisory management.

Stable development and securing returns

In 2010, the Group will continue to step up its risk management and control, improve the risk aversion and crisis management mechanism and emergency planning by means of such measures as building information system and emergency mechanism for risk prevention and control, and secure the stable development of the Company. Meanwhile, we will strengthen exchanges and co-operations with external parties, and establish strategic cooperation with prestigious corporations and science institutions. We will better our communications and exchanges with governmental and scientific research organizations, in order to capitalize on directions of policy trends and scientific research and technology development via construction of a sound communication platform.

Leveraging on the existing strengths of the Company, we will strive to become a leading enterprise in the country focusing on IOT intelligence transport system, intelligence logistics and intelligence pharmaceutical.

On behalf of Sample Technology, I would like to extend my heart-felt gratitude to our suppliers, customers and shareholders for their unfailing support and faith, as well as the dedicated efforts from every staff, which enabled the Group to achieve another pinnacle of performance.

By Order of the Board
Sha Min
Chairman

Nanjing, China
12 March 2010

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 margin 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 margin 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 45, an executive Director and Chairman of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. Mr. Sha was first appointed as a Director in December 1999 and is directly interested in 0.6% of the registered capital of the Company. Mr. Sha was conferred the honorary titles of "Jiangsu Province Outstanding Young Entrepreneur" and "Nanjing Ten Outstanding Young Entrepreneur" in 2000 and 2001 respectively. Mr. Sha was elected as a committee member of the Nanjing City Committee of the Chinese People's Political Consultative Conference in January 2003 and a committee member of the Jiangsu Province Committee of the Chinese People's Political Consultative Conference in December 2007.

Mr. Chang Yong (常勇), aged 43, taking up the post of general manager of the Company since December 2000. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from 1990 to 1992. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. He was appointed as an executive director and general manager of Sample System in December 1997. Mr. Chang was elected as a member of the Chinese People's Political Consultative Committee of Xuanwu District in Nanjing City in 1998. Mr. Chang was first appointed as a Director in December 1997.

Mr. Guo Ya Jun (郭亞軍), aged 50, an executive Director, vice general manager and financial controller. He is responsible for supervising the Company's accounting department and financial affairs. He graduated from Anhui Agricultural College in August 1982 with a bachelor's degree in agricultural economics. Mr. Guo also graduated from Southeast University in 2004 with a master's degree in business administration. Mr. Guo worked for the Finance Bureau of Lingbi County in Anhui Province from 1982 to 1992 and Nanjing Jintai Building Materials Development Company between 1993 and 1996. Mr. Guo was appointed as finance manager of Sample Group and Sample System in October 1996 and became the Company's financial controller and vice general manager in December 2000. He is currently mainly responsible for the financial and administrative management of the Group. He was first appointed as a Director in December 1999.

NON-EXECUTIVE DIRECTOR

Mr. Ge Jun (戈軍), aged 46, a Han Chinese with master degree. In 1984, he obtained his bachelor's degree from the College of Environmental Science and Engineering of Tongji University in Shanghai, majoring in Municipal Engineering (Water Supply and Sewage). From 1984 to 1994, he worked for Nanjing Professional College. In 1994, he graduated from the master's programme in Civil Engineering of Southeast University. From 1994 to 2003, he was employed by China Jiangsu International Economic Technical Corporation Corp. From 2003 to 2006, he worked for Jiangsu Su Jian Investment Management Consulting Company Limited. Mr. Ge is now an employee of Jiang Su Century Golden Ox Technology & Industry & Trade Corporation.

Biographical Details of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zhan (張展), aged 42, a Han Chinese with bachelor degree. He obtained a bachelor's degree in computer science from Wuhan University in 1989. From 1989 to 1998, he worked for the Nanjing Branch of China Construction Bank. He was appointed as a Director of the Company in 2000. Mr. Zhang is currently general manager of the investment banking division of China Construction Bank Securities Investment Company Limited.

Mr. Wang Wei (王煒), aged 50, a Han Chinese with doctor degree. He obtained a bachelor's degree in road engineering in 1982, a master's degree in 1985 from Southeast University and taught at the university. Mr. Wang obtained a doctorate degree in Structural Engineering from Southeast University in 1990 and taught as a visiting professor at Ruhr-University, Germany in 1996. Mr. Wang was appointed as an independent Director of the Company in 2001. He is currently dean of transportation college of Southeast University and head of City Road Traffic Management (Clear Way Project) National Professional Group.

Mr. Lau Shek Yau John (劉石佑), aged 62, a Han Chinese with bachelor degree. He graduated from the University of Hong Kong in 1971. Mr. Lau was a director of Inchcape Export Buying Services from 1971 to 1983. Mr. Lau established United Distribution Services Far East Limited in 1985, Hoi Kong Container Services Company Limited in 1986 and Wide Shine Terminals Limited in 1990. He founded Cargo Services Far East Limited in 1991 and was appointed as a Director of the Company in 2003. Mr. Lau is a member of the Nanjing City Committee of the Chinese People's Political Consultative Committee.

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 54, Mr Qiu was an EMBA graduate. He is now a professor of the economics and management college of Southeast University. He is also executive director of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From 1991 to 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate management and industrial development.

Mr. Sun Huai Dong (孫懷東), aged 42, a supervisor of the Company. He graduated from the department of radio engineering of Southeast University with a bachelor's degree in July 1990. He worked for the State-owned Factory No.772 from 1990 to 1992. Mr. Sun was appointed manager of the sales department and general manager of Sample Industry during the period from 1993 to 2002. Mr. Sun has been vice deputy general manager of Jiangsu Hai Te Man New Material Co., Ltd. since 2002. He was first appointed as a Supervisor in December 1999.

Mr. Dai Jian Jun (戴建軍), aged 39, a supervisor. He was educated in Jiangsu Public Security Professional School from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a Supervisor in August 2003.

Biographical Details of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT AND CORE TECHNICAL STAFF

Mr. Zhu Xiang (朱翔), aged 33, secretary of the Board of the Directors and general manager of the investment centre. He graduated from Xi'an Jiaotong University in July 2000 and obtained a MBA degree from Nanjing University in June 2006. He joined the securities department of Hainan Airlines Company Limited in July 2000 as assistant to secretary of the board of directors. He joined the Company in March 2003 and served as senior manager of the Company's investment department, general manager of the investment centre and secretary to the Board of Directors and general manager of the financing and investment centre.

Mr. Xin Ke Jun (辛柯俊), aged 40, director of the Company's research Institute. He graduated from the Southeast University with a bachelor degree in the thermal power profession in 1990. He is a senior engineer. Mr. Xin joined Jiangsu Changshu Electricity Generating Co. Ltd (江蘇常熟發電有限公司) in 1990. He worked in Huadong Wangju as a supervisor of pressure vessel in 1994. He worked for Nanjing Merit Automation Co. Ltd as the deputy general manager in 2002. In 2004, he joined Beijing State-Power Pulian Technology Co. Ltd (北京國電普聯科技有限公司) and served as the chief engineer. Mr. Xin joined the Company in 2007 and served as the head of research institute of the Company.

Ms. Du Jin (杜瑾), aged 46, manager of the Company's logistic affairs department. She obtained an MBA degree from Asia International Open University (Macau) in 2000. She formerly worked for Jiangsu Province Telecommunication Equipment Factory from December 1985 to August 1993 and Nabisco Food (Suzhou) Company Limited, Nanjing Branch from July 1996 to July 1998. She joined the Company in August 1998, and is manager of the Company's logistics affairs department.

Mr. Cao Yun Hai (曹宏海), aged 46, general manager of Jiangsu Raifu Intelligent Tech. Co. Ltd. Mr. Cao graduated from Southeast University with a master's degree in information systems in 1988. Mr. Cao is a senior engineer and is currently general manager of Jiangsu Raifu Intelligent Tech. Co., Ltd.

Mr. Chen Wei (陳衛), aged 55, general manager of Jiangsu Intellitrans Company Limited. Mr. Chen graduated from Jiangsu Radio and TV University in 1982. He worked for Nanjing Electric Meter Factory from 1982 to 1992, and GPRO Group in Nanjing from 1992 to November 2000. Mr. Chen joined Intellitrans Company in December 2000, and was manager of engineering department, chief engineer, assistant to general manager and deputy general manager. Mr. Chen became general manager of Jiangsu Intellitrans Company Limited in January 2008.

Mr. Chen Rui Cai (陳瑞才), aged 47, a general manager of the Company's traffic department. He graduated from Chang'an University (Xi'an Highway College) in July 1987. He worked for the research institute under the Nanjing police's traffic control research department as deputy president in August 1987. Mr. Chen joined the Company in June 2003 and served as general manager of the Company's traffic department. He served as director of the Company's president office in January 2008. He was appointed as the general manager of the Company's traffic department in January 2009.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wang Yue Ping (王躍平), aged 54, chief technical officer of the Company. He graduated from the University of Manitoba in Canada in 1992 and obtained a doctoral degree in civil engineering, and worked on a post-doctoral research in mechanical engineering at Stanford University in U.S. in September 1994. He formerly worked for Singapore National Institute of Information Science (新加坡國家信息科學研究院) as researcher from October 1994 to June 2000, Singapore Senior Technology Co., Ltd (新加坡資深科技有限公司) as general manager from July 2000 to December 2002, China Transportation HEAD New Technology Co., Ltd (上海中交海德科技股份有限公司) as deputy general manager from January 2003 to December 2003. He joined Jiangsu Intellitrans Company Limited in March 2004 and served as the deputy general manager. He became the chief technical officer of Nanjing Sample Technology Company Limited in January 2009.

Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Group is a major developer and provider of video security system solutions in the People's Republic of China ("PRC") targeting on government authorities. Its products and system solutions are currently designated for use in (i) traffic monitoring and control sector and (ii) customs logistics monitoring sector in the PRC.

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2009 are set out on pages 31 to 76 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2009. (2008: Nil)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the Note 17 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this annual report were:

Executive Directors
Mr. Sha Min *(Chairman)*
Mr. Chang Yong *(Chief Executive Officer)*
Mr. Guo Ya Jun

Non-executive Director
Mr. Ge Jun

Independent Non-executive Directors
Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

Supervisors
Mr. Qiu Xiang Yang
Mr. Sun Huai Dong
Mr. Dai Jian Jun

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.

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

Save as disclosed below, as at 31 December 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

Name of Directors	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.6

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

Report of the Directors

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2009, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note)	58,950,000	Beneficial owner/corporate	26.31%
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation ("Century Golden Ox")	22,455,000	Beneficial owner/corporate	10.02%
Active Gold Holding Limited	49,545,000	Beneficial owner/corporate	22.11 %

Note: 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 31 December 2009, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2009, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

SHARE OPTION SCHEME

The details of the share option scheme of the Company are set out in note 30 to the financial statements.

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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 60.41% (2008: 36.8%) of the total sales for the year and sales to the largest customer included therein amounted to 31.74% (2008: 16.3%). To the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 26.67% (2008: 5.6%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 7.43% (2008: 1.3%). To the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest individuals of the Group are set out in Note 12 and Note 13 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 77 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note 29 to the financial statements. Pursuant to the circular dated 19 June 2009 in relation to the subscription of new H shares, the Company entered into the relevant subscription agreements with the subscribers (being retail investors), of which each subscriber had agreed to subscribe for and purchase an aggregate of 30,600,000 H shares in the share capital of the Company with an aggregate nominal value of HK$122,400,000 at a subscription price of HK$4.00 per subscription share. Upon the fulfillment of the conditions of the subscription and immediately after the completion of the subscription of new H shares, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 132,300,000 Domestic shares.

RESERVES

Details of the movements of reserves of the Group during the year are set out on page 35 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Group's reserves available for distribution amounted to RMB200,171,000 (2008: RMB125,084,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicity available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules, 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, for the year ended 31 December 2009, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2009, none of the Directors or Supervisors had the rights to subscribe for the H Shares of the Company.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John a confirmation of their independence pursuant to rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent.

EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in Note 30 to the financial statements.

Report of the Directors

CONNECTED TRANSACTIONS

Details of the connected transactions set out in Note 33(a) and Note 33(b) to the financial statements.

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.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to appoint auditors and fix their remuneration.

On behalf of the Board
Sha Min
Chairman

Nanjing, the PRC
12 March 2010

Corporate Governance Report

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.

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.

BOARD OF DIRECTORS AND BOARD MEETING

As at 31 December 2009, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors
Mr. Sha Min *(Chairman)*
Mr. Chang Yong *(Chief Executive Officer)*
Mr. Guo Ya Jun

Non-executive Director
Mr. Ge Jun

Independent Non-executive Directors
Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

Each of the Directors has entered into a service contract with the Company. The service contracts were expired on 31 December 2009 and the further renewal for another terms of three years shall be subject to the approval at the forthcoming annual general meeting of the Company.

The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 14 to 17 of this annual report. The board of Directors held a full Board meeting each quarter. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

Corporate Governance Report

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Apart from its statutory responsibilities, the Board of Directors approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2009, the Board held 7 meetings, four of which were regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. The following table shows the attendance of individual Directors at the meetings held during the year.

Name of Directors	Number of attendance
Executive Directors	
Mr. Sha Min *(Chairman)*	7/7
Mr. Chang Yong *(Chief Executive Officer)*	7/7
Mr. Guo Ya Jun	7/7
Non-executive Director	
Mr. Ge Jun	7/7
Independent Non-executive Directors	
Mr. Zhang Zhan	6/7
Mr. Wang Wei	7/7
Mr. Lau Shek Yau John	6/7

Apart from the above regular board meetings held during the year, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive detailed agenda for decision prior to each board meeting.

REMUNERATION COMMITTEE

In accordance with Code provision B1.1 to B1.5 of the Corporate Governance Practices, the appointment and the terms of reference of the Company's remuneration committee have been approved in the board meeting on 10 November 2005. Members of the remuneration committee, with the majority consisting of independent non-executive Directors, comprise:

Mr. Guo Ya Jun *(the Chairman of the remuneration committee)*
Mr. Zhang Zhan
Mr. Wang Wei

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

A meeting was held during the year by the remuneration committee to review the remuneration packages of executive Directors and the director's fees of the independent non-executive Directors. All members of the remuneration committee, namely Mr. Guo Ya Jun, Mr. Zhang Zhan and Mr. Wang Wei attended the said meeting. The remuneration committee plans to meet at least once a year in the coming year.

NOMINATION OF DIRECTORS

The Company's nomination committee was approved and established in the board meeting held on 25 August 2007. Members of the nomination committee comprise:

Mr. Sha Min *(the Chairman of the nomination committee)*
Mr. Zhang Zhan
Mr. Guo Ya Jun

It is the board of Directors' responsibilities in relation to nomination of Directors (i) to review the structure, size and composition of the Board; (ii) identify individuals suitably qualified to become Board members; and (iii) to convene shareholders' meeting in relation to appointment and re-appointment of Directors of the Company. No meeting was held during the year by the nomination committee.

AUDITORS' REMUNERATION

The remuneration in respect of the services provided by the Company's auditors is analysed as follows:

	2009	2008
	HK$'000	HK$'000
Services rendered		
Audit services	**679**	800

Corporate Governance Report

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the Company's draft annual reports and accounts, interim reports and quarterly reports to Directors.

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 held four meetings during the year. Details of the attendance of the audit committee meetings are as follows:

	Number of attendance
Mr. Zhang Zhan	3/4
Mr. Wang Wei	4/4
Mr. Lau Shek Yau John	4/4

During the year, the Group's unaudited quarterly and interim results for the year 2009 and annual audited results for the year ended 31 December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on pages 29 to 30 of this annual report.

INTERNAL CONTROL

During the year, the Board convened meetings periodically to discuss financial, operational and risk management control. The Board and the audit committee have conducted several reviews on its internal control system and evaluations on the effectiveness and the adequacy of the internal control measures on a regular basis.

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2009 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

During the year under review, the supervisory committee performed supervisory duties faithfully in an active, pragmatic and prudent manner, and provided reasonable recommendations and opinions to the Board in respect of the operation and development plans of the Company. It also strictly and effectively supervised the Company's management in formulating significant policies and making decisions to ensure that they were in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of the shareholders.

The supervisory committee has carefully reviewed the Company's annual report, audited by BDO Limited, to be proposed by the Board and agreed that it truly and fully reflect the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee
Qiu Xiang Yang
Chairman

Nanjing, the PRC
12 March 2010

Independent Auditor's Report

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TO THE MEMBERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED
(Established and reorganised into a joint stock limited company
in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Nanjing Sample Technology Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 76, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number: P05309
Hong Kong, 12 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	6	**456,865**	331,726
Cost of sales		**(350,537)**	(198,903)
Gross profit		**106,328**	132,823
Other revenue	6	**26,421**	26,198
Other gains and losses	7	**27,396**	(2)
Distribution costs		**(11,069)**	(14,725)
Administrative expenses		**(41,869)**	(38,896)
Finance costs	9	**(9,751)**	(6,469)
Profit before income tax	10	**97,456**	98,929
Income tax	11	**(7,969)**	(5,530)
Profit for the year		**89,487**	93,399
Attributable to:			
Owners of the Company	14	**89,539**	93,146
Minority interests		**(52)**	253
		89,487	93,399
Dividends	15		
– Interim dividends declared		**–**	19,350
– Final dividends proposed		**22,410**	–
		22,410	19,350
Earnings per share			
– Basic and diluted (RMB)	16	**0.44**	0.48

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
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	**(8)**	(423)
Total comprehensive income for the year, net of tax	**89,479**	92,976
Attributable to:		
Owners of the Company	**89,531**	92,723
Minority interests	**(52)**	253
	89,479	92,976

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**48,050**	53,966
Prepaid lease payments	18	**6,417**	6,568
Intangible assets	19	**11,678**	18,083
Deferred tax assets	20	**1,949**	1,817
Deposit for investment in a jointly-controlled entity	21	**75,000**	–
		143,094	80,434
Current assets			
Inventories	23	**1,947**	1,856
Trade receivables	24	**143,132**	249,941
Other receivables and prepayments	25	**217,295**	84,913
Prepaid lease payments	18	**150**	150
Amounts due from customers for contract work	26	**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
		797,453	605,853
Current liabilities			
Trade and other payables and receipts in advance	27	**231,919**	152,116
Short-term bank loans	28	**127,000**	142,000
Other loan payable		**–**	2,000
Tax payable		**9,957**	4,713
Dividend payable		**–**	7,200
		368,876	308,029
Net current assets		**428,577**	297,824
Total assets less current liabilities		**571,671**	378,258

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Total assets less current liabilities		**571,671**	378,258
Non-current liabilities			
Deferred tax liabilities	20	**1,941**	2,789
Net assets		**569,730**	375,469
Capital and reserves attributable to owners of the Company			
Share capital	29	**224,100**	193,500
Reserves	31	**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

These financial statements on pages 31 to 76 were approved and authorised for issue by the Board of Directors on 12 March 2010 and are signed on its behalf by:

Sha Min
Director

Guo Ya Jun
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Statutory surplus reserve**	**Exchange translation reserve**	**Retained profits**	**Total**	**Minority interests**	**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 (Note 29(a))	30,600	75,826	–	–	–	106,426	–	106,426
Acquisition of additional equity interest in a subsidiary (Note 22)	–	–	–	–	–	–	(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**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**97,456**	98,929
Adjustments for:			
Finance costs	9	**9,751**	6,469
Interest income	6	**(5,775)**	(3,493)
Depreciation of property, plant and equipment	17	**6,532**	6,627
Discount on acquisition of additional equity interest in a subsidiary	7	**(1,344)**	–
Amortisation of intangible assets	19	**1,946**	2,583
Operating lease rentals in respect of land use rights		**151**	150
Gain on disposal of intangible assets	7	**(10,541)**	–
Gain on debt assignment	7	**(15,582)**	–
Loss on disposal of property, plant and equipment	7	**71**	2
Allowance for doubtful debts on trade receivables	24(c)	**1,082**	1,816
Additional provision for impairment loss on trade receivables	24(d)	**13,084**	6,732
Impairment of inventories	10	**124**	–
Operating cash flows before changes in working capital		**96,955**	119,815
(Increase)/decrease in inventories		**(215)**	2,389
Decrease/(increase) in trade receivables		**112,677**	(68,075)
(Increase)/decrease in other receivables and prepayments		**(132,382)**	40,251
Increase in amounts due from customers for contract work		**(133,553)**	(50,161)
Increase in trade and other payables and receipts in advance		**79,803**	19,768
Effect of foreign exchange rate changes		**–**	(380)
Cash generated from operations		**23,285**	63,607
Net People's Republic of China ("PRC") enterprise income tax paid		**(4,193)**	(4,718)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**19,092**	58,889

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Acquisition of a subsidiary		**–**	14,087
Payment to acquire additional equity interest in a subsidiary	22	**(300)**	–
Deposit for investment in a jointly-controlled entity	21	**(75,000)**	–
Repayment of loan advanced		**–**	29,000
Interest received		**1,323**	1,791
Proceeds from disposal of intangible assets	19	**15,000**	–
Proceeds from disposal of property, plant and equipment		**30**	18
Payments to acquire property, plant and equipment		**(717)**	(1,948)
Decrease/(increase) in pledged bank deposits		**270**	(8,649)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(59,394)**	34,299
FINANCING ACTIVITIES			
Interest paid		**(9,751)**	(6,469)
Dividend paid		**(7,200)**	(31,500)
Net proceeds from issue of new shares	29(a)	**106,426**	–
Repayment of short-term bank loans		**(224,000)**	(109,000)
New short-term bank loans raised		**209,000**	142,000
Repayment of other loan		**(2,000)**	–
New other loan raised		**–**	2,000
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**72,475**	(2,969)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,173**	90,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**158,246**	68,070
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(8)**	(43)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**190,411**	158,246
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**190,411**	158,246

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

31 December 2009

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 1July 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 statement 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) 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. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements 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) Basis of measurement

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

(c) Functional and presentation currency

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. RMB is also the presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned directly or indirectly through subsidiaries, by the Company. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated incomes statement as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Profits and losses arising on transactions between the Group and jointly-controlled entities are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly-controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the joint venture arising on the transaction.

Jointly-controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly-controlled entities' net assets except that losses in excess of the Group's interest in the jointly-controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are immediately recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	30 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5-10 years
Leasehold improvements	5-20 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives below. The amortisation expense is recognised in profit or loss and included in cost of sales.

Technical know-how	8 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss, if any.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments

(i) Financial assets

The Group's financial assets are classified as loans and receivables. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. For certain categories of financial assets, such as trade and other receivables, the carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group's financial liabilities are classified as liabilities at amortised cost. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities at amortised cost including trade and other payables and short term bank loans are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recongised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers for contract work.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition

Revenue is measured at the fair of consideration received or receivable.

When the outcome of a contract for the installation of network systems can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable that they are recoverable.

Sales of goods are recognised when goods are delivered and title has passed while service income is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the deposits to their net carrying amounts.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised directly in other comprehensive income and accumulated as exchange translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the exchange translation reserve.

(o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- interests in leasehold land held for own use under operating lease;
- investments in subsidiaries and deposit for investment in a jointly-controlled entity; and
- intangible assets

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(r) Retirement benefit cost

Retirement benefit cost, which represents the amount payable in accordance with the regulation promulgated by the PRC local government, is charged to profit or loss as incurred.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for the Group's intangible assets. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or, where appropriate, the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

(d) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(e) Construction contracts

As explained in accounting policy Notes 4(j) and 4(l), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 26 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

6. TURNOVER AND OTHER REVENUE

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

	2009 RMB'000	2008 RMB'000
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
	462,788	338,376
Less: Business tax and other related taxes	**(5,923)**	(6,650)
Turnover	**456,865**	331,726
PRC value added tax refunded	**10,617**	10,044
Interest income from		
– bank deposits	**1,323**	807
– third party	**–**	984
– impaired trade receivables	**4,452**	1,702
Total interest income	**5,775**	3,493
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
	10,029	12,661
Other revenue	**26,421**	26,198

7. OTHER GAINS AND LOSSES

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

Note:

During the year, the Group entered into a debt assignment with an independent third party in which the Group assigned its trade receivables due from certain customers in traffic sector with an aggregate net carrying amount of RMB16,004,000 (representing gross amounts of RMB31,586,000 less provision for impairment losses of RMB15,362,000 and allowances for doubtful debts of RMB220,000) to the independent third party at gross amounts. The directors of the Company are of opinion that the Group would take steps to withdraw from traffic sector in the market in future. The difference of RMB15,582,000 between the consideration and the net carrying amounts of the trade receivables was recognised in profit or loss.

8. 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 exceed 10% of the Group's revenue.

9. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest on bank loans wholly repayable within five years	**9,751**	6,469

10. PROFIT BEFORE INCOME TAX

	2009 RMB'000	2008 RMB'000
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
	17,077	19,127
Less: Staff costs included in research and development costs	**(4,017)**	(1,863)
	13,060	17,264
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
Amount of inventories recognised as expenses	**343,807**	184,513
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)

11. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
PRC income tax	**8,949**	4,790
Deferred tax (Note 20)		
– origination and reversal of timing difference	**(1,095)**	266
– resulting from a change in tax rate	**115**	474
Income tax expense	**7,969**	5,530

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%.

11. INCOME TAX *(Continued)*

(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

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	2009				2008			
		Other emoluments				Other emoluments		
	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pensions schemes RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pensions schemes RMB'000	Total RMB'000
Executive directors								
Mr. Sha Min	30	296	38	364	31	270	26	327
Mr. Chang Yong	30	205	31	266	31	196	24	251
Mr. Guo Ya Jun	30	250	37	317	31	226	25	282
Sub-total	90	751	106	947	93	692	75	860
Non-executive director								
Mr. Ge Jun	10	-	-	10	10	–	–	10
Sub-total	10	-	-	10	10	–	–	10
Independent non-executive directors								
Mr. Zhang Zhan	10	-	-	10	10	–	–	10
Mr. Wang Wei	10	-	-	10	10	–	–	10
Mr. Lau Shek Yau, John	60	-	-	60	60	–	–	60
Sub-total	80	-	-	80	80	–	–	80
Supervisors								
Mr. Sun Huai Dong	10	-	-	10	11	87	15	113
Mr. Dai Jian Jun	10	-	-	10	10	–	–	10
Sub-total	20	-	-	20	21	87	15	123
Independent supervisor								
Mr. Qiu Xiang Yang	10	-	-	10	10	–	–	10
Sub-total	10	-	-	10	10	–	–	10
Total	210	751	106	1,067	214	779	90	1,083

The emoluments of each of the directors for both years were below HK$1,000,000 (equivalent to RMB882,000).

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2009 (2008: Nil). No emoluments were paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office during the year ended 31 December 2009 (2008: Nil).

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**663**	273
Contributions to retirement benefits scheme	**32**	34
	695	307

Their emoluments were within the following bands:

	2009 **No. of employees**	2008 No. of employees
Nil to HK$1,000,000 (Nil to RMB882,000)	**2**	2

During the years, no emoluments were paid by the Group to the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of RMB93,290,000 (2008: RMB45,582,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

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

	2009 RMB'000	2008 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.

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

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

16. 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.

Notes to the Consolidated Financial Statements

31 December 2009

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture fixtures and equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2008	34,098	20,047	4,182	17,887	54	76,268
Acquisition of a subsidiary	–	2,526	659	–	–	3,185
Additions	–	868	633	–	447	1,948
Disposals	–	(127)	(113)	–	–	(240)
Transfer	–	54	–	–	(54)	–
At 31 December 2008	34,098	23,368	5,361	17,887	447	81,161
Additions	–	309	408	–	–	717
Disposals	–	(1,975)	(146)	–	–	(2,121)
At 31 December 2009	34,098	21,702	5,623	17,887	447	79,757
ACCUMULATED DEPRECIATION						
At 1 January 2008	3,534	8,036	1,901	4,958	–	18,429
Acquisition of a subsidiary	–	1,946	413	–	–	2,359
Provided for the year	1,080	3,110	597	1,840	–	6,627
Eliminated on disposal	–	(113)	(107)	–	–	(220)
At 31 December 2008	4,614	12,979	2,804	6,798	–	27,195
Provided for the year	1,080	2,971	641	1,840	–	6,532
Eliminated on disposal	–	(1,884)	(136)	–	–	(2,020)
At 31 December 2009	5,694	14,066	3,309	8,638	–	31,707
CARRYING AMOUNT						
At 31 December 2009	28,404	7,636	2,314	9,249	447	48,050
At 31 December 2008	29,484	10,389	2,557	11,089	447	53,966

Notes:

(a) The Group's buildings are situated in the PRC and held under medium-term land use rights.

(b) On 9 April 2007, the Group entered into a co-operation agreement with an independent third party for joint operation of a RFID Technology research and exhibition centre for a term of 2 years. The agreement is recognised as jointly-controlled assets in the prior years. As of 31 December 2008, the Group's share of jointly controlled assets recognised in the financial statements was RMB2,015,000. During the year, the agreement was terminated and all the jointly controlled assets had been taken up by the Group.

18. PREPAID LEASE PAYMENTS

	2009 **RMB'000**	2008 RMB'000
Leasehold land in the PRC:		
– Medium term lease	**6,567**	6,718
Analysed for reporting purposes as:		
– Current asset	**150**	150
– Non-current asset	**6,417**	6,568
	6,567	6,718

19. INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2008	1,000
Acquisition of a subsidiary	20,666
At 31 December 2008	21,666
Disposals/write off	(5,096)
At 31 December 2009	16,570
AMORTISATION	
At 1 January 2008	1,000
Provided for the year	2,583
At 31 December 2008	3,583
Provided for the year	1,946
Eliminated on disposal/write off	(637)
At 31 December 2009	4,892
CARRYING AMOUNT	
At 31 December 2009	11,678
At 31 December 2008	18,083

Notes:

(a) Technical know-how are amortised over their estimated useful lives of 8 years.

(b) During the year, certain technical know-how have been disposed of at a consideration of RMB15,000,000. The Group recognised a gain on disposal of intangible assets of RMB10,541,000, representing the excess over the carrying amount of RMB4,459,000, in the consolidated income statement.

20. DEFERRED TAX ASSETS/(LIABILITIES)

The following is the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the year:

	Depreciation of property, plant and equipment RMB'000	Recognition of intangible assets RMB'000	Impairment loss on trade and other receivables RMB'000	Impairment loss on inventories RMB'000	Others RMB'000	Tax loss RMB'000	Total RMB'000
At 1 January 2008	642	2	517	495	300	149	2,105
Credited/(charged) to profit or loss for the year (Note 11)	46	(3)	566	(328)	(458)	(89)	(266)
Effect of change in tax rate	(214)	1	(175)	(143)	117	(60)	(474)
Acquisition of a subsidiary	–	(2,712)	207	–	168	–	(2,337)
At 31 December 2008	474	(2,712)	1,115	24	127	–	(972)
Credited/(charged) to profit or loss for the year (Note 11)	(381)	961	(483)	13	985	–	1,095
Effect of change in tax rate	–	–	–	–	(115)	–	(115)
At 31 December 2009	93	(1,751)	632	37	997	–	8

Deferred tax balances are presented in the end of reporting period as follows:

	2009 RMB'000	2008 RMB'000
Deferred tax assets	**1,949**	1,817
Deferred tax liabilities	**(1,941)**	(2,789)
	8	(972)

At 31 December 2009, the Group has unused tax losses of RMB1,320,000 (2008: RMB2,521,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses will expire since 2011.

21. DEPOSIT FOR INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

On 25 December 2009, the Company entered into a joint venture agreement ("JV Agreement ") with Nanjing Pharmaceutical Company Limited ("NJ Pharmaceutical") in relation to the joint investment in Nanjing Medicine Marketing Company Limited ("NJ Marketing"). The Company and NJ Pharmaceutical would jointly establish a cooperation platform for the pharmaceutical products supply chain management information project. NJ Marketing originally is a wholly-owned subsidiary of NJ Pharmaceutical and was established in February 2009 with registered capital of RMB48,000,000. Pursuant to the JV Agreement, NJ Pharmaceutical will increase its investment in NJ Marketing to RMB75,000,000 and the Company will also inject RMB75,000,000 as capital contribution. The Company and NJ Pharmaceutical contribute equally to the registered capital of the joint venture in the total amount of RMB150,000,000. Up to the date of report, Industry and Commerce registration of NJ Marketing was not yet completed. Then, the Company recognised RMB75,000,000 as deposit for investment in a jointly-controlled entity in non-current assets at the end of the reporting period.

22. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid capital/ registered capital '000	Attributable equity interest held by the Company directly	indirectly	Principal activities
南京三寶物流科技有限公司 (Nanjing Sample Logistic Company Limited) ("NJ Sample Logistic")	11 March 2000 PRC	PRC	RMB6,000	100%*	–	Provision of video security system solutions
江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited)	22 August 2000 PRC	PRC	RMB60,000	100%	–	Provision of intelligent transportation system construction services
Sample Technology (H.K.) Co., Limited	7 December 2006 Hong Kong	Hong Kong	HK$78	100%	–	Investment holding
Federal International Enterprise Limited	22 September 2006 Hong Kong	Hong Kong	HK$10	–	100%	Investment holding
江蘇瑞福智能科技有限公司 (Jiangsu Raifu Intelligent Tech. Co., Ltd.)	18 April 2003 PRC	PRC	RMB10,800	–	100%	Manufacture and trading of electronic products
湖南省利貞科技有限公司 (Hunan Li Zhen Technology Co., Ltd.)	28 August 2007 PRC	PRC	RMB30,000	–	100%	Not yet commenced business

All the above companies are limited liability companies.

22. SUBSIDIARIES *(Continued)*

* On 20 March 2009, the Group completed the acquisition of an additional 5% equity interest in NJ Sample Logistic at an aggregate consideration of RMB300,000. In this connection, the Group recognised a discount on acquisition of RMB1,344,000 in the consolidated income statement, based on the excess of the 5% net assets of NJ Sample Logistic at the completion date of the acquisition, over the consideration plus transaction costs of RMB1,644,000.

23. INVENTORIES

	2009	2008
	RMB'000	RMB'000
Computer hardware products, equipment and software products	**2,288**	2,073
Less: Provision for obsolete inventories	**(341)**	(217)
	1,947	1,856

24. TRADE RECEIVABLES

	2009	2008
	RMB'000	RMB'000
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)
	143,132	249,941

(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	2008
	RMB'000	RMB'000
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
	143,132	249,941

24. TRADE RECEIVABLES *(Continued)*

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

	2009 RMB'000	2008 RMB'000
At beginning of year	**3,352**	1,536
Acquisition of a subsidiary	**–**	1,247
Allowance for doubtful debts	**1,082**	569
Debt assignment (Note 7)	**(220)**	–
Amount written off as uncollectible	**(898)**	–
At end of year	**3,316**	3,352

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 RMB'000	2008 RMB'000
At beginning of year	**8,288**	3,258
Interest income recognised	**(4,452)**	(1,702)
Debt assignment (Note 7)	**(15,362)**	–
Additional impairment loss recognised	**13,084**	6,732
At end of year	**1,558**	8,288

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.

24. TRADE RECEIVABLES *(Continued)*

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

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	**5,777**	563
Less than 6 months past due	**134**	123
	5,911	686

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.

25. OTHER RECEIVABLES AND PREPAYMENTS

	2009 **RMB'000**	2008 RMB'000
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
	217,295	84,913

26. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2009 RMB'000	2008 RMB'000
Contract costs incurred to date	**423,112**	169,125
Recognised profits less recognised losses	**106,369**	50,786
	529,481	219,911
Less: Progress billing	**(187,432)**	(73,906)
Receipts from customers in advance	**(118,119)**	(55,628)
	223,930	90,377

27. TRADE AND OTHER PAYABLES AND RECEIPTS IN ADVANCE

	2009 RMB'000	2008 RMB'000
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
	231,919	152,116

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

	2009 RMB'000	2008 RMB'000
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
	162,602	89,654

28. SHORT-TERM BANK LOANS

	2009 **RMB'000**	2008 RMB'000
Secured bank loan – guaranteed by a related party and secured by bank deposit (a)	**–**	20,000
Unsecured bank loans (b) – guaranteed by a shareholder, Nanjing Sample Technology Group Company Limited ("Sample Group")	**127,000**	122,000
	127,000	142,000

(a) The bank loan was secured by bank deposits of RMB10,000,000 and guarantee RMB10,000,000 by related party, bore interest at 0.59% per month and had fully settled during the current year.

(b) The bank loans are unsecured and repayable within one year with interest charged ranging from 5.31% to 5.84% (2008: 6.66% to 8.217%) per annum.

The fair values of the above bank loans estimated by discounting their future cash flows at the prevailing market borrowing rates at 31 December 2009 and 2008 approximate to the corresponding carrying amounts.

29. SHARE CAPITAL

	Domestic shares	**H shares**	**Total**	**Domestic shares** RMB'000	**H shares** RMB'000	**Total** RMB'000
Registered, issued and fully paid, with par value of RMB1.0 each:						
At 1 January 2008 and at 31 December 2008	132,300,000	61,200,000	193,500,000	132,300	61,200	193,500
Issue of shares (Note a)	–	30,600,000	30,600,000	–	30,600	30,600
At 31 December 2009	132,300,000	91,800,000	224,100,000	132,300	91,800	224,100

29. SHARE CAPITAL *(Continued)*

Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal and natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

Note (a):

Pursuant to a subscription agreement dated 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 at an aggregate consideration of RMB106,426,000, net of issuing expenses, of which RMB30,600,000 was credited to share capital and the remaining balance of RMB$75,826,000 was credited to the share premium account.

30. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 24 April 2004 (the "Share Option Scheme"), the Company may grant options to any full-time employees, directors (including non-executive directors and independent non-executive directors) and part-time employees with weekly working hours of 10 hours and above of the Group and any advisor (professional or otherwise) or professional consultant, distributors, suppliers, agents, customers, joint venture partners, service providers which, in the opinion of the Company's board of directors (the "Board"), has or had made contribution to the Group the option to subscribe for the H shares in the Company for a consideration of HK$1 for each lot of share options granted.

The Share Option Scheme will remain valid for a period of ten years commencing on 24 April 2004. Option granted are exercisable at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised from the date of grant of the option is not more than ten years from the date of grant of the option.

The subscription price for H shares under the Share Option Scheme will not be less than the higher of (i) the closing price of the H shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the H shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a H share.

30. SHARE OPTION SCHEME *(Continued)*

However, for the participants who are PRC nationals or enterprises established in the PRC and have taken up any options to subscribe for H shares, they shall not be entitled to exercises the options until:

(i) The current restriction imposed by the relevant PRC laws and regulations restricting PRC nationals or enterprises established in the PRC from subscribing for and dealing in H shares or any law and regulations with similar effects have been abolished or diminished; and

(ii) The China Securities Regulatory Commission or other relevant government authorities in the PRC have approved the issue of new H shares upon the exercise of any options which may be granted under the Share Option Scheme.

No options have been granted by the Company under the Share Option Scheme since its adoption.

31. RESERVES

Share premium

Share premium arose from the issuance of share at prices in excess of their par value.

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company and its subsidiaries are required to set aside 10% of its profit after taxation for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered capital).

According to the Articles of Association of the Company and its subsidiaries, statutory surplus reserve can be used to i) make up prior year losses; ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the registered capital of the Company or its subsidiaries; or iii) expand production operation.

In accordance with the Company's Articles of Association, the profit after taxation for the purpose of appropriation will be deemed to be the lesser of the amounts determined accordance with (i) PRC accounting standards and regulations and (ii) either International Financial Reporting Standards or overseas accounting standards of the place in which the Company's shares are listed.

Exchange translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(n).

32. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of RMB2,641,000 (2008: RMB2,566,000) represents contributions payable to these schemes by the Group in respect of the current year. All the contributions had been paid over to the scheme as at 31 December 2009.

33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

(a) The Company and Sample Group entered into licence agreement on 1 January 2001 pursuant to which Sample Group agreed to grant a licence to the Company for the use of the trademarks "Sample" and "神保" at nil consideration with effect from 1 January 2001. Pursuant to a supplemental agreement to the licence agreement dated 2 April 2004 ("Supplemental Agreement"), Sample Group irrevocably agreed to grant a licence to the Company for (i) the use of the trademark "Sample" and (ii) the exclusive use of the trademark "神保" in connection with the services included in class 42, which includes computer rental, computer programming, computer software design, updating of computer software, rental of computer software, consultancy in the field of computer hardware, leasing access time to computer database, at nil consideration. The licence period for (i) commences retrospectively on 1 January 2001 until 31 July 2008 whilst the licence period for (ii) commences retrospectively on 1 January 2001 until the earlier of (a) 31 July 2008; and (b) the date when the necessary procedures for the transfer of the trademark have been completed pursuant to the exercise of the option under the trademark option agreement dated 1 August 2003. Under the Supplemental Agreement, Sample Group retains the right to use the trademark " Sample" in connection with services included in class 42 and the Company was granted a pre-emptive right to acquire the trademark "Sample" and "神保" should Sample Group intend to transfer the same to third parties under the same terms and conditions after the expiry of the Supplementary Agreement.

    In addition, the Company and Sample Group entered into a trademark option agreement dated 1 August 2003 ("Option Agreement") pursuant to which an option was granted to the Company by Sample Group exercisable from the date of the trademark option agreement to 31 July 2008 ("Option Period"). During the Option Period, the Company may, by written notice, request Sample Group to transfer the trademark "神保" to the Company at nil consideration.

    Upon expiry of Supplemental Agreement and Option Agreement on 31 July 2008, the Company and Sample Group renewed Supplemental Agreement and Option Agreement and extended the effective period to 31 July 2018.

33. RELATED PARTY TRANSACTIONS *(Continued)*

(b) At the end of reporting period, certain of the Group's short-term bank loans are secured by guarantees given by related companies:

	2009	2008
	RMB'000	RMB'000
Guarantees given by Sample Group	**127,000**	142,000

(c) The remuneration of directors is disclosed in Note 12 and other members of key management during the year was as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**594**	376
Contributions to retirement benefits/ pensions schemes	**114**	61
	708	437

34. 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 owners of the Company 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 include borrowings disclosed in Note 28, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

34. CAPITAL RISK MANAGEMENT *(Continued)*

The gearing ratio at the end of reporting period was as follows:

	2009 RMB'000	2008 RMB'000
Debts	**127,000**	144,000
Cash and cash equivalents	**(190,411)**	(158,246)
Net debt	**(63,411)**	(14,246)
Equity	**569,730**	375,469
Net debt to equity ratio	**N/A**	N/A

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, trade and other payables and short-term bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily relates to the Group's trade receivables, other receivables and prepayments, amounts due from customers for contract works. In order to minimise the risk, the management of the Group closely monitors overdue debts. Normally, the Group does not obtain collateral from customers. The recoverable amount of each individual debt is reviewed at the end of each reporting period and adequate allowance for doubtful debts and provision for impairment losses has been made for irrecoverable amounts. In this regard, the directors of the Group consider that credit risk associated with the Group's trade receivables and amounts due from customers for contract work is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 8.8% (2008: 7.2%) and 23.4% (2008: 23.49%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 24.

(b) Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flows position. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual discounted cash flows RMB'000	Less than 3 months RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000
As at 31 December 2009					
Trade and other payables	**228,935**	**228,935**	**228,935**	**–**	**–**
Short-term bank loans	**127,000**	**130,517**	**11,660**	**68,332**	**50,525**
	355,935	**359,452**	**240,595**	**68,332**	**50,525**
As at 31 December 2008					
Trade and other payables	142,607	142,607	142,607	–	–
Short-term bank loans	142,000	148,255	7,611	29,295	111,349
Other loan payable	2,000	2,000	2,000	–	–
Dividend payable	7,200	7,200	7,200	–	–
	293,807	300,062	159,418	29,295	111,349

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Market risk

(i) Interest rate risk

Interest bearing financial assets are mainly bank balances which are all short-term in nature. Interest bearing financial liabilities are mainly short-term bank loans with fixed interest rates which expose the Group to fair value interest rate risk. The interest rates and terms of repayment of the bank loans are disclosed in Note 28 to the financial statements.

(ii) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group carries out a majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

(iii) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows:

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**449,341**	504,083
Financial liabilities		
Financial liabilities measured at amortised cost	**355,935**	293,807

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**456,865**	331,726	152,790	131,614	88,314
Profit before income tax	**97,456**	98,929	89,672	58,860	25,056
Profit for the year	**89,487**	93,399	90,205	50,593	21,184
Minority interests	**(52)**	253	121	(550)	(82)
Profit attributable to owners of the Company	**89,539**	93,146	90,084	50,043	21,102
Earning per share — Basic (RMB)	**0.44**	0.48	0.47	0.78	0.33

ASSETS AND LIABILITIES

	At 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**143,094**	80,434	96,884	66,656	69,318
Current assets	**797,453**	605,853	380,063	248,225	204,215
Current liabilities	**368,876**	308,029	155,560	83,893	89,053
Net current assets	**428,577**	297,824	224,503	164,332	115,162
Equity attributable to owners of the Company	**569,730**	373,773	319,750	229,666	179,623
Total equity	**569,730**	375,469	321,193	230,988	184,480

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Annual General Meeting") of Nanjing Sample Technology Company Limited (the "Company") will be held at No.10 Maqun Avenue, Maqun Technology Park, Qixia District, Nanjing City, Jiangsu Province, the PRC on Wednesday, 19 May 2010 at 9:00 a.m. for the following purposes:

I. To consider and, if thought fit, pass the following ordinary resolutions:

(1) To consider and approve the report of the directors of the Company for 2009;

(2) To consider and approve the report of the supervisory committee of the Company for 2009;

(3) To consider and approve the audited consolidated financial statements of the Group for 2009;

(4) To consider and approve the distribution of final dividend for 2009;

(5) To authorise the board of directors (the "Board") to appoint auditors and to fix their remuneration for the year ending 2010;

(6) To consider and approve the resolution for appropriation to statutory reserve fund for 2009;

(7) To re-elect the retiring directors and supervisors and to authorise the Board to fix their remuneration; and

II. To consider and, thought fit, pass with or without amendment, the special resolution in respect of the general mandate to issue additional new shares by the Board:

"**That**:

(a) conditional on paragraphs (c), (d) and (e) below, the exercise by the Board of the Company during the Relevant Period (as defined in paragraph (f)) of all powers of the Company to severally or jointly allot, issue and deal with the domestic shares in the capital of the Company and/or the overseas-listed foreign shares (H shares) in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorize the Board to make or grant offers, agreements or options during the Relevant Period which would or might require the allotment and issue of domestic shares and/or H shares during or after the end of the Relevant Period;

(c) the aggregate nominal amount of the domestic shares allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approvals in paragraphs (a) and (b) above, shall not exceed 20% of the aggregate nominal amount of the domestic shares in issue as at the date of the passing of this resolution;

(d) the aggregate nominal amount of the H shares allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approvals in paragraphs (a) and (b) above, shall not exceed 20% of the aggregate nominal amount of the H shares in issue as at the date of the passing of this resolution;

(e) the approval in paragraph (a) above shall be exercised pursuant to the Company Law of the PRC and shall be subject to the approval of China Securities Regulatory Commission and/or other relevant authorities of the PRC and/or Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;

(f) for the purpose of this special resolution:

"Relevant Period" means the period from the passing of this special resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;

(ii) the expiration of the twelve-month period following the passing of this special resolution;

(iii) the date on which the authority sets out in this resolution is revoked or varied by the members of the Company by a special resolution in general meeting."

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

Nanjing, the PRC
29 March 2010

Notice of Annual General Meeting

Notes:

1. Any member of the Company ("Member") entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of Members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

2. To be valid, a proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority must be deposited at the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong ("H Share Registrar") and in case of holders of domestic shares, to the Company's mailing address at Room 103, Building No. 1, Ruan Jian Chuang Ye Zhong Xin, High Technology Development Region, Qixia District, Nanjing City, Jiangsu Province, the PRC not less than 24 hours before the time appointed for the holding of the AGM or 24 hours before the time appointed for taking the poll. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Members or their proxies shall present identity proof (and form of proxy in case of proxies) upon attending the AGM.

4. The register of Members in Hong Kong will be closed from 19 April 2010 (Monday) to 19 May 2010 (Wednesday), (both days inclusive). Instruments of transfer accompanied by relevant share certificates must be lodged with the H Share Registrar by 4:30 p.m. on 16 April 2010 (Friday).

5. Members entitled to attend the AGM are requested to complete and deliver the reply slip for attendance to the H Share Registrar or the Company's office in Nanjing before 29 April 2010 (Thursday).

* *for identification purpose only*