

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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This 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.

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Financial Highlights

The turnover of Nanjing Sample Technology Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2010 amounted to approximately RMB109,672,000, representing an increase of approximately 16.3% as compared to the corresponding period of last year.

The profit attributable to owners of the Company for the three months ended 31 March 2010 was approximately RMB21,245,000, representing an increase of approximately 6.4% as compared to the corresponding period of last year.

The board of directors (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2010.

Financial Information

The Board of the Company would like to present the unaudited condensed consolidated statement of comprehensive income of the Group for the three months ended 31 March 2010 (the “Review Period”) together with the comparative unaudited figures for the corresponding period ending 31 March 2009, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows. The unaudited results have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Three months ended 31 March	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Turnover	4	109,672	94,308
Cost of sales		(81,817)	(66,029)
Gross profit		27,855	28,279
Other revenue		5,024	3,503
Distribution costs		(1,073)	(1,341)
Administrative expenses		(4,226)	(5,545)
Finance costs	5	(2,076)	(2,356)
Profit before income tax		25,504	22,540
Income tax charge	6	(3,959)	(2,267)
Profit for the period	7	21,545	20,273
Attributable to:			
Owners of the Company		21,545	20,251
Minority interests		–	22
		21,545	20,273
Earnings per share attributable to the owners of the Company			
– Basic (RMB cents)	9	9.61	10.47

Financial Information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended	
	31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	21,545	20,273
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	—	—
Total comprehensive income for the period	21,545	20,273
Total comprehensive income for the period attributable to:		
Owners of the Company	21,545	20,251
Minority interests	—	22
	21,545	20,273

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

Financial Information

The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 June 2004. The books and records of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are maintained in Renminbi (“RMB”), the functional currency in which the majority of the Group’s transactions is denominated.

2. BASIS OF PREPARATION

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

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

The principal accounting policies and methods of computation used in the preparation of these results are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2009.

In the current period, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA, which are effective for the financial year beginning on 1 January 2010. The adoption of these new HKFRSs had no material effect on the results of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

These unaudited condensed consolidated first quarterly financial statements are presented in Renminbi and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated.

The unaudited consolidated financial statements for the three months ended 31 March 2010 has not been audited by the Company’s auditors but has been reviewed by the Company’s audit committee.

3. SEGMENTAL INFORMATION

Business segments

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

Geographical segments

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

Financial Information

4. TURNOVER

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

5. FINANCE COSTS

	Three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Interest on bank borrowings wholly repayable within five years	2,076	2,356

6. INCOME TAX CHARGE

	Three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
The charge comprises:		
PRC income tax	3,959	2,267

7. PROFIT FOR THE PERIOD

	Three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit for the period has been arrived at after charging (crediting):		
Amount of inventory recognized as expense	80,979	65,353
Depreciation of property, plant and equipment	1,259	1,480
Operating lease rentals in respect of land use rights	236	2
Staff costs (including Directors' emoluments)	2,828	2,885
Interest income	(276)	(99)
PRC value added tax refunded	(3,433)	(1,854)

Financial Information

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March 2010 and 2009 is based on the profit attributable to owners of the Company approximately RMB21,545,000 and RMB20,251,000 respectively and on the weighted average number of 224,100,000 (2009: 193,500,000) ordinary shares in issue during the respective periods.

No diluted earnings per share has been presented for the three months ended 31 March 2010 and 2009 as the Company has no potential dilutive ordinary shares outstanding during the relevant periods.

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Minority interests	Total
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained profits	Total		
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2010	224,100	96,217	49,673	(431)	200,171	569,730	–	569,730
Profit for the period	–	–	–	–	21,545	21,545	–	21,545
At 31 March 2010	<u>224,100</u>	<u>96,217</u>	<u>49,673</u>	<u>(431)</u>	<u>221,716</u>	<u>591,275</u>	<u>–</u>	<u>591,275</u>
At 1 January 2009	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469
Profit for the period	–	–	–	–	20,251	20,251	22	20,273
At 31 March 2009	<u>193,500</u>	<u>20,391</u>	<u>35,221</u>	<u>(423)</u>	<u>145,335</u>	<u>394,024</u>	<u>1,718</u>	<u>395,742</u>

11. CAPITAL RISK MANAGEMENT

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

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

The Group's risks management reviews the capital structure on a semi-annual basis. The overall strategy of the Group remained unchanged during the two periods ended 31 March 2010 and 2009.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

The Group's turnover for the three months ended 31 March 2010 (the "Review Period") amounted to approximately RMB109,672,000, representing an increase of approximately 16.3% over that of the corresponding period last year. The increase was mainly attributable to the active business promotion and marketing implemented during the Review Period.

Gross profit margin

The gross profit margin was approximately 25.4% for the Review Period slightly decreased approximately 4.6% as compared with that of the corresponding period last year. The drop was mainly due to the high raw material price.

Distribution costs

The distribution costs for the three months ended 31 March 2010 was approximately RMB1,073,000, representing a decrease of approximately 20% as compared to that of the corresponding period last year. The decrease was mainly attributable to the improved core competitiveness of the Company's products as well as the decrease of after-sale maintenance costs.

Administrative expenses

The administrative expenses recorded a decrease of 23.8% from approximately RMB5,545,000 in the corresponding period of last year to approximately RMB4,226,000 in the Review Period. It was mainly contributed by the effective reduction of administrative expenses as a result of the Group's enhancement of its workflow management and cost control in the Review Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Review Period was approximately RMB21,545,000, representing an increase of approximately 6.4% as compared to that of the corresponding period last year. The rise was mainly attributable to the effective cost control measure taken by the Group.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

During the period under review, the General Administration of Customs conducted a research on logistics monitoring systems, which created a favorable opportunity for us. As such, the Company promoted the application and development plan of intranet system for customs checkpoints, together with the relevant control system. The idea of IOT was accepted by the General Administration of Customs. It was a step closer for the Company to implement its business plan for 2010. Besides, the Group completed the intranet system for Nanjing stations, which is undergoing an acceptance check. Zhangjiagang will be the next target market. During the period under review, the Group widely communicated with other companies within the industry that located in Eastern China in connection with technology and business issues and realized cooperative projects with them. In addition, the Group kept its eyes on the progress of Hangzhou-Ningbo Expressway project and Xiamen customs lock project and effectively communicated with relevant authorities to accelerate the process of those projects.

During the period under review, the Group established a market-oriented business system and aggressively expanded our market by engaging in the bids for several major projects in Zhejiang, Shanxi, Hebei, Jiangsu, Guizhou and Sichun. We successfully bid for the construction project of Ya'an expressway in Sichun Province. Equipment installation and testing process of Zhuji-Yongjia Expressway in Zhejiang Province was completed. The expressway is expected to be completed and opened to traffic next quarter. Furthermore, the Group put more emphases on our internal management as well as cost control. The Group's next-quarter target is to enhance our teamwork as well as further strengthen our competitiveness, with a view to successfully bid for projects in Langfang City in Hebei Province, Xi'an City in Shaanxi Province and Taiyuan City in Shanxi Province. The Group will continue to expand the market share in the sector of highway electrical and mechanical works.

Management Discussion and Analysis

During the period under review, the Group actively promoted its business in the highway software market, through which expanded the base of existing customers and explored new markets. Contracts entered and projects constructed included the management system for Taizhou Bridge project, the fare collection system reform for highways in Jiangsu Province, the Hunan integrated information management project, the Wuxi metro project, the management system for Yangzhou navigation project as well as the integrated management system for Nanjing-Shanghai Expressway. While aggressively promoting its projects in different cities such as Liangyungang, Wuxi and Changsha, the Group will implement projects in connection with expressway integrated information management systems and construction project management systems in an efficient way.

During the period under review, the Group was engaged in three major sectors: intelligent transportation, logistics and health care. We carried out follow-up and research work and implemented our findings on the projects within such sectors. The technical and implementation plan for intelligent transportation systems have been proposed to Nanjing Urban Construction Investment Holding (Group) Co., Ltd. Meanwhile, the joint venture 中健之康供應鏈服務有限責任公司 (Zhong Jian Zhi Kang Supply Chain Management Company Limited) established by the Company and Nanjing Pharmaceutical Co., Ltd has been granted an approval from SAIC and relevant permits for pharmaceutical-related business. We have been dealing with matters concerning the industrial and commercial registration for this joint venture during the period under review. In addition, the Group focused on the preparation work on the safe meat project and the Nanjing annual ticket project, and conducted research on the topics such as applying electronic label under different circumstances and optimizing the functions of UHF readers. Besides, the Group strengthened the cooperation with the integrators within the industry, especially the operators, to further the discussion on applying our products and services on certain industries, including apparel industry, asset management industry, military materials management industry and supply chain industry. In the second quarter, the Group will aggressively develop a closer cooperative relationship with integrators, engage in the overall solution for the industry and have a deep look on the establishment and operation model of the entire system for food safety with the help of safe meat project.

Other Information

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

As at 31 March 2010, the interest and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO); (ii) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Positions in Shares

Name of Director	Number of 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.

Other Information

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as was known to any Directors, supervisors or chief executives of the Company, as at 31 March 2010, the persons or companies (not being a Director, supervisor or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO were as follows:

Long 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")	65,720,000 (Note 2)	Beneficial owner/ corporate	29.33
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation ("Century Golden Ox")	15,685,000 (Note 1)	Beneficial owner/ corporate	7.00
Active Gold Holding Limited	49,545,000	Beneficial owner/ corporate	22.11

Note:

1. Century Golden Ox agreed to sell to Sample Group, a shareholder of the Company, 6,770,000 domestic shares of the Company (the "Disposal"). Registration with the Industry and Commerce Administration authority for the change relating to the Disposal was completed on 12 January 2010.

Other Information

- Sample Group directly holds 60,770,000 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 March 2010, none of the Directors or supervisors is authorised to subscribe any H shares of the Company. As at 31 March 2010, none of the Directors or supervisors or any of their spouses or children under eighteen years of age has any right to subscribe for any H shares of the Company or has exercised any such right during the Review Period.

SHARE OPTION SCHEME

A share option scheme (“Share Option Scheme”) was conditionally adopted by a resolution of the shareholders of the Company on 24 April 2004. As at 31 March 2010, none of the options is granted under the Share Option Scheme.

COMPETING BUSINESS AND CONFLICTS OF INTEREST

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the three months ended 31 March 2010.

Other Information

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to supervise the financial reporting process and internal control of the Company.

The audit committee comprises three independent non-executive Directors, namely Mr. Zhang Zhan (the chairman of the audit committee), Mr. Wang Wei and Mr. Lau Shek Yau John. The audit committee of the Company has reviewed the unaudited results of the Group for the Review Period and has provided advice and comments thereon.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

Nanjing, the PRC
12 May 2010

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

* for identification purpose only