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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 on Main Board: 1708

Stock Code on GEM: 8287

**TRANSFER OF LISTING FROM THE GEM
TO THE MAIN BOARD**

Financial Advisor to the Company



Guotai Junan Capital Limited

Reference is made to the announcements made by the Company dated 20 August 2009, 4 September 2009, 27 October 2009, 14 April 2010, 12 July 2010 and 30 July 2010 and the circular dated 7 September 2009. On 30 July 2010, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in the H Shares in issue on the Main Board by way of the Transfer of Listing. On 5 July 2010, the CSRC has granted the formal approval on the Transfer of Listing. The approval in principle has been granted by the Listing Committee on 22 November 2010 for the H Shares to be listed on the Main Board and de-listed from GEM.

The last day of dealings in the H Shares on GEM (stock code: 8287) will be 30 November 2010. It is expected that dealings in the H Shares on the Main Board (stock code: 1708) will commence at 9:30 a.m. on 1 December 2010.

The Board confirms that as at the date of this announcement, all the pre-conditions for the Transfer of Listing as set out under Rule 9A.02 of the Main Board Listing Rules, have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the H Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes. No change is proposed to be made to the share certificates, the board lot size of the H Shares which is 1,000 Shares each, the trading currency of the H Shares which is Hong Kong dollars, and the share registrar of the H Shares which is Computershare Hong Kong Investor Services Limited.

TRANSFER OF LISTING OF THE H SHARES FROM GEM TO THE MAIN BOARD

Reference is made to the announcements made by the Company dated 20 August 2009, 4 September 2009, 27 October 2009, 14 April 2010, 12 July 2010 and 30 July 2010 and the circular dated 7 September 2009. The Company convened and approved, among other things, (i) the making of relevant applications to the CSRC and the Stock Exchange for the Transfer of Listing; (ii) the Transfer of Listing; (iii) the Articles Amendments; and (iv) to authorize the Directors to do such acts or things and to take such steps as they consider necessary, desirable and expedient to carry out and/or give effect to the above matters, in the EGM and the Class Meetings held on 27 October 2009. On 30 July 2010, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in the H Shares in issue on the Main Board by way of the Transfer of Listing. On 5 July 2010, the CSRC has granted the formal approval on the Transfer of Listing. The approval in principle has been granted by the Listing Committee on 22 November 2010 for the H Shares to be listed on the Main Board and de-listed from GEM.

The Board confirms that as at the date of this announcement, all the pre-conditions for the Transfer of Listing as set out under Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and the Shares. In addition, the following conditions for the Transfer of Listing, have also been fulfilled:

1. the fulfillment of all the applicable listing requirements on the Main Board as stipulated in the relevant laws, rules and regulations of the PRC and the Main Board Listing Rules by the Company;
2. the granting of the relevant approvals by the CSRC in connection with the Transfer of Listing;
3. the granting of the approval by the Listing Committee for the listing of and permission to deal in the H Shares in issue on the Main Board; and
4. the obtaining of all other relevant consent or approval (if any) which are required in connection with the Transfer of Listing and the fulfillment of all conditions which may be attached to such consents or approvals.

REASONS FOR THE TRANSFER OF LISTING

The Group is a major developer and provider of video security system solutions in the PRC targeting on government authorities. Its products and system solutions are currently designated for use in (i) urban traffic monitoring and control sector; (ii) customs logistics monitoring sector; and (iii) expressway monitoring sector in the PRC. In view of profit sustainability, the Group has undertaken large-scale mechanical and electrical engineering projects for expressway information system since 2008. The turnover has significant increased while the gross profit margin declined due to the significant cost incurred. For the sake of sustainable development, the Group also extends its coverage to the food safety industry and computerization of logistic systems for medical business. Since the listing of the H Shares on the GEM on 9 June 2004, the business of the Group has grown steadily and the Group has improved its public profile. In the past six years, the Group's net profit grew significantly from RMB17,973,000 for the year ended 31 December 2004 to RMB89,487,000 for the year ended 31 December 2009, and further to RMB83,606,000 for the nine-month ended 30 September 2010. In view of the Group's

financial performance and having taking into consideration of the potential impacts of the Transfer of Listing, the Directors believe that the listing of the H Shares on the Main Board will further enhance the profile and corporate image of the Company, draw industry analysts' attention to the Company, further strengthen the recognition of the Company among larger institutional investors, widen the Company's shareholder base and enhance the trading liquidity of the H Shares. The Directors also believe that the Transfer of Listing will be beneficial to the fund raising ability, future growth, financial flexibility and business development of the Company.

As at the date of this announcement, the Directors do not contemplate any material change in the nature of business activities of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve any placing of the H Shares or issuance of any new H Shares by the Company.

DEALING IN THE H SHARES ON THE MAIN BOARD

The H Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 9 June 2004, the date on which the H Shares were first listed on GEM (stock code: 8287). Subject to the continued compliance with the stock admission requirements of HKSCC, the H Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS once dealings in the H Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the H Shares on GEM (stock code: 8287) will be 30 November 2010. It is expected that dealings in the H Shares on the Main Board (stock code: 1708) will commence at 9:30 a.m. on 1 December 2010.

The Transfer of Listing will have no effect on the existing share certificates in respect of the H Shares, which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes. The Transfer of Listing will not involve any transfer or exchange of the existing share certificates. In connection with the Transfer of Listing, no change will be made to the board lot size of the H Shares which is 1,000 Shares each, trading currency of the H Shares which is Hong Kong dollars, and the share registrars of the H Shares which is Computershare Hong Kong Investor Services Limited. H Shares will be traded under the new stock code 1708 on the Main Board in board lots of 1,000 H Shares each in Hong Kong dollars following the Transfer of Listing.

Domestic Shares are ordinary shares of the share capital of the Company, which rank *pari passu* with the H Shares in all respects and rank equally for all dividends or distributions declared, paid or made. However, the Domestic Shares are not listed on the Stock Exchange and may only be subscribed for by, and traded between legal or natural persons of the PRC in RMB.

SHARE OPTION SCHEMES

As at the date of this announcement, save for the Share Option Scheme disclosed below, the Company does not have any options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

Details of the Share Option Scheme

Pursuant to 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 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 the grant; and (iii) the nominal value of a H Share.

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 exercise 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 CSRC 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.

The listing of the H Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules. No options have been granted by the Company under the Share Option Scheme since its adoption up to the date of this announcement.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of Main Board Listing Rules, the general mandates granted to the Directors to allot, issue and deal with new H Shares and repurchase H Shares by the Shareholders at the annual general meeting held on 19 May 2010 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution;
- (b) the expiration of the twelve month period following the passing of this special resolution; or

(c) 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.

COMPETING INTERESTS

As at the date of this announcement, so far as the Directors are aware, none of the Directors, supervisors or the controlling shareholder of the Company has any business or interest in a business which competes or potentially competes, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into certain continuing connected transactions with the Sample Group, details of which have, pursuant to the applicable reporting requirements under the GEM Listing Rules, been disclosed in the published annual reports of the Company for the relevant reporting periods.

PUBLIC FLOAT

The Directors confirm that 40.96% of the total issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the close of trading on 18 November 2010. Sample Group, Jiangsu Red Stone Technology Corporation and Active Gold Holding Limited hold approximately 29.33%, 7.00% and 22.11%, respectively of the issued capital of the Company, as at the close of trading on 18 November 2010 and there is no controlling shareholder of the Company. Mr. Sha, together with parties acting in concert with him (including Mr. Qi Tong Lin, Mr. Sun Huai Dong, Mr. Chang Yong, Mr. Guo Ya Jun and Mr. Dai Xiao Yu), held an aggregate of approximately 58.52% interest in the registered capital of Sample Group on 1 January 2009, and further increased to 66.37% (*Note*). Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

Note: Mr. Dai Xiao Yu disposed all his 0.3% interest in the registered capital of Sample Group on 10 June 2009 and the remaining five persons hold an aggregate of approximately 66.37% of registered capital of Sample Group.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company discloses below the biographical information of each current Director and supervisor of the Company:

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 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. Sha joined the Company in December 1997 and was first appointed as an executive Director in December 1999. Save as disclosed above, he does not have any other positions held with the Company

and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, save as disclosed below, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Sha has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an executive Director. Salary and allowance will be determined by the Board with reference to his contribution in terms of time, effort and his expertise, and his current salary and allowance is RMB364,000 per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

As at the date of this announcement, he is directly interested in 1,350,000 Domestic Shares of the Company, representing 0.6% of the total issued share capital of the Company. In addition, he is directly interested in 47.91% of the equity interest of Sample Group, the single largest shareholder of the Company. Mr. Sha, together with parties acting in concert with him (including Mr. Qi Tong Lin, Mr. Sun Huai Dong, Mr. Chang Yong and Mr. Guo Ya Jun), held an aggregate of approximately 66.37% interest in the registered capital of Sample Group as at the close of trading on 18 November 2010. He is also deemed to be interested in the Domestic Shares held by Sample Group by virtue of the SFO. Save as disclosed above, he did not have any other interests in shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO. He was a director of Sample Group and resigned from Sample Group with effect from 1 November 2010.

Mr. Chang Yong (常勇), aged 43, an executive Director and general manager of the Company. 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. Mr. Chang joined the Company and was first appointed as an executive director and general manager of the Company 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. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, save as disclosed below, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Chang has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an executive Director. Salary and allowance will be determined by the Board with reference to his contribution in terms of time, effort and his expertise, and his current salary and allowance is RMB266,000 per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

As at the date of this announcement, he is directly interested in 4.67% of the equity interest of Sample Group, the single largest shareholder of the Company. Mr. Chang, together with parties acting in concert with him (including Mr. Qi Tong Lin, Mr. Sun Huai Dong, Mr. Sha Min and Mr. Guo Ya Jun), held an aggregate of approximately 66.37% interest in the registered capital of Sample Group as at the close of trading on 18 November 2010. He is also deemed to be interested in the Domestic Shares held by Sample Group by virtue of the SFO. Save as disclosed above, he did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO. He was a director of Sample Group and resigned from Sample Group with effect from 1 November 2010.

Mr. Guo Ya Jun (郭亞軍), aged 50, an executive Director, vice general manager and financial controller of the Company. 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 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 joined the Company in December 1997 and was first appointed as an executive Director in December 1999. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, save as disclosed below, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Guo has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an executive Director. Salary and allowance will be determined by the Board with reference to his contribution in terms of time, effort and his expertise, and his current salary and allowance is RMB317,000 per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

As at the date of this announcement, he is directly interested in 2.27% of the equity interest of Sample Group, the single largest shareholder of the Company. Mr. Guo, together with parties acting in concert with him (including Mr. Qi Tong Lin, Mr. Sun Huai Dong, Mr. Chang Yong and Mr. Sha Min), held an aggregate of approximately 66.37% interest in the registered capital of Sample Group as at the close of trading on 18 November 2010. He is also deemed to be interested in the Domestic Shares held by Sample Group by virtue of the SFO. Save as disclosed above, he did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO. He was a director of Sample Group and resigned from Sample Group with effect from 1 November 2010.

Non-executive Director

Mr. Ma Jun (馬俊), aged 45, a non-executive Director. He graduated from Nanjing University in economic management in 1995. He worked for 南京福申房地產開發有限責任公司 in 1998. He is currently the chairman and general manager of 南京福申房地產開發有限責任公司. Except for his first appointment as a non-executive Director in May 2010, he is independent from the Company. The Directors believe that Mr. Ma has extensive experience and network through his career in property development to provide strategic advice and guidance to the Group for business development. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. With the strategic guidance of Mr. Ma, the Directors believe that the position of non-executive Director for Mr. Ma is appropriate. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Ma has entered into a service contract with the Company on 19 May 2010, pursuant to which he has been appointed as a non-executive Director. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB10,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Independent non-executive Directors

Mr. Zhang Zhan (張展), aged 42, an independent non-executive Director. 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 and was responsible for financial analysis, accounting matters and management. Since 1998, he has been involved in capital market operation, such as IPO fund raising, mergers and acquisitions and asset management. He has extensive experience in financial management, review and analysis of listed companies' audited financial statements. He was appointed as an independent non-executive Director in 2000. Mr. Zhang is currently general manager of the investment banking division of China Jianyin Investment Securities Company Limited. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Zhang has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an independent non-executive Director. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB10,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Mr. Wang Wei (王煒), aged 50, an independent non-executive Director of the Company. 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 non-executive 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. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Wang has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an independent non-executive Director. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB10,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Mr. Lau Shek Yau John (劉石佑), aged 62, an independent non-executive Director. 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 an independent non-executive Director in 2003. Mr. Lau is a member of the Nanjing City Committee of the Chinese People's Political Consultative Committee. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Lau has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as an independent non-executive Director. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB60,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Supervisors

Mr. Qiu Xiang Yang (仇向洋), aged 54, a supervisor of the Company. 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. He was first appointed as a supervisor of the Company in August 2007. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Qiu has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as a supervisor of the Company. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB10,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Ms. Gu Qun (顧群), aged 43, a supervisor of the Company. She graduated from Nanjing University of Finance & Economics in economic management in 2004. She joined Sample Group in November 1995 and has been responsible for financial auditing of the Company from December 2000. Ms. Gu was first appointed as a supervisor of the Company in May 2010. Save as disclosed above, she does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, she does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Ms. Gu has entered into a service contract with the Company on 19 May 2010, pursuant to which she has been appointed as a supervisor of the Company. Salary and allowance will be determined by the Board with reference to the basis of market conditions and her role and responsibilities, and her current salary and allowance is RMB103,000 per annum. Bonus will not be paid.

She did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

Mr. Dai Jian Jun (戴建軍), aged 39, a supervisor of the Company. 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 of the Company in August 2003. Save as disclosed above, he does not have any other positions held with the Company and other members of the Group, and does not have any other major appointments and professional qualifications. In addition, he does not have any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company, and did not hold any directorships in other listed companies in the last three years.

Mr. Dai has entered into a service contract with the Company on 1 January 2010, pursuant to which he has been appointed as a supervisor of the Company. Salary and allowance will be determined by the Board with reference to the basis of market conditions and his role and responsibilities, and his current salary and allowance is RMB10,000 per annum. Bonus will not be paid.

He did not have interests in any shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO.

The Directors believe that there is no matter relating to the above Directors and supervisors of the Company that needed to be brought to the attention of the Shareholders and there is no information which is discloseable pursuant to any of the requirements set out in Rule 13.51(2)(h) to (w) of the Main Board Listing Rules.

Company secretary

Ms. Wong Lai Yuk (黃禮玉), aged 44, a company secretary of the Company. Ms. Wong is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Wong is an ordinarily resident in Hong Kong and has over 15 years of experience in corporate management and company secretarial field. She has been appointed as the company secretary of the Company with effect from 1 February 2010 and is responsible for the company secretarial functions of the Company.

BUSINESS REVIEW AND DEVELOPMENT

The Group is principally engaged in the provision of video security system solutions, sale of security system software and sales of related computer products targeting in the intelligent monitoring market for logistic, traffic and expressway management.

With the investment strategy on national expressway in the PRC, the Group engages in large-scale expressway mechanical and electrical engineering projects since the acquisition of Jiangsu Intellitrans Company Limited in January 2008. Since then, the sales from the expressway monitoring projects accounted for approximately 60.1%, 59.9% and 78.8% respectively of the total sales for the years ended 31 December 2008 and 2009 and the nine months ended 30 September 2010. For the expressway projects, the contract size is significantly larger and its normal contract term is slightly longer when compared with other projects undertaken by the Group. With the nature of the expressway projects,

the Group normally took longer time span to complete, bill the customers for contract work done and recognize the sales. Due to the mechanical and electrical engineering projects for implementation of technology solution for expressway, significant input in the cost of raw materials (including electric cable and steel tube) is necessary and leads to lower profit margin. In view of the increase in raw material costs since 2009, the Group increases its level of prepayment for raw materials to better control the costs of raw materials through bulk purchase. Since 2008, the Group recorded significant amounts due from customers for contract work, increase in prepayments and declining profit margin.

Business trend

In view of recent change of market environment as well as the fast development of technology, the Directors believe that the Group shall proactively adapt to the technological innovation and sustain core competitiveness in its principal operations to meet the needs of the current infrastructure plans carried out by the government authorities in China.

Urban traffic monitoring and control sector

The operation of urban traffic monitoring and control sector mainly tailors for traffic departments and public security bureaus in China. Due to increasing competition, the Group has recorded declining profit margin for its principal product, standard-definition ePolice video system, since 2008. The Group decided to gradually replace this with a more advanced product, RFID-based high-definition ePolice system, since December 2009 which provides a higher profit margin.

Customs logistic monitoring sector

The customs logistic monitoring sector of the Group targets on the General Customs Administration and customs authorities at various levels in China for different logistic systems. The Group has actively participated in the custom-related planning and construction, maintenance, upgrade and development. This includes the equipment integration of customs checkpoint, customs checkpoints intranet system and coordination of cross-border express checkpoint crossing.

Expressway monitoring sector

Expressway sector can be divided into two categories – physical infrastructure (involving construction of expressway) and information technology system for communication, surveillance and tolling. The Group focuses on information technology system for expressway which supplement to the current business of the Group and does not involve in physical infrastructure.

In January 2008, the Group acquired 100% of the issued share capital of Jiangsu Intellitrans Company Limited to undertake large-scale mechanical and electrical engineering projects for expressway information system. This information technology system provides for data collection and analysis for expressway management. The Company provides solutions in communication, surveillance and tolling. Since then, the sales of the Group in intelligent expressway information system has been increased significantly.

With the investment strategy on national expressway of the PRC, the turnover and profit growth of the Group can be substantiated through the continuous development in the expressway monitoring sector since 2008. The contract size and contract sum is significant for these projects. Based on the contract terms, the Group will bill the corresponding customer based on the project progress and cost incurred.

Sales and gross profit margin

Since 2008, the sales derived from expressway monitoring sector represented approximately 60% of the total sales. For the year ended 2009 and the nine months ended 30 September 2010, the sales in this sector represented approximately 60% and 80% of respectively of the total sales in relevant period. The breakdown of sales and gross profit margin for the major sectors of the Group for the three-year ended 31 December 2009 and the nine months ended 30 September 2010 is extracted from the management account as follow for analysis purpose (The sales and gross profit margin figures for the three-year ended 31 December 2009 and the nine months ended 30 September 2010 have been extracted from the annual report of the Group and the third quarterly report, respectively):

	2007		For the year ended 31 December				For the nine months ended	
	Sales (Audited) (RMB million)	Gross profit margin (%)	2008		2009		30 September 2010	
			Sales (Audited) (RMB million)	Gross profit margin (%)	Sales (Audited) (RMB million)	Gross profit margin (%)	Sales (Unaudited) (RMB million)	Gross profit margin (%)
Urban traffic monitoring and control sector	114.5	67%	67.3	63%	39.9	30%	31.4	30%
Customs logistic monitoring sector	38.3	67%	56.8	64%	89.4	46%	54.1	46%
Expressway monitoring sector	–	–	199.4	24%	273.6	14%	330.0	24%
Other	–	–	8.2	67%	54.0	28%	3.1	74%
Total	152.8	67%	331.7	40%	456.9	23%	418.6	28%

Due to the mechanical and electrical engineering projects in order to implement technology solution for expressway, significant input in the cost of raw materials (including electric cable and steel tube) is required. The relative portion for software element in expressway monitoring sector is significantly smaller than urban traffic monitoring and control sector and customs logistic monitoring sector. The combined effect led to the decline in gross profit margin in 2008. With the significant investment in expressway by the PRC government, the Directors believe that the prospect of intelligent expressway services is huge. With the continuous effort made by the Company to control the costs of raw materials through entering into bulk purchase contracts in connection with major materials used by the Company with the relevant suppliers, the Directors believe that the gross profit margin can be maintained.

Future development

Our Group is engaged in the intelligent transportation market utilizing RFID technology. With the significant urge of development on internet-of-thing in the PRC in 2009, the Group has continuously

researched and commercialized its RFID core technology in pharmaceutical supply chain management and food safety industry. This ensures that the Group to capture these newly developed markets at an early stage. For the food safety industry, the Group successfully bid the “Safe Meat” projects in Nanjing City and Yangzhou City in June 2010. To better equip for the future development of the Group, the Company has employed further research and development staff for application of our core technology. The research and development work for both the food safety industry and computerization of logistic systems for medical business is still undergoing.

The above disclosure is supplement to the management discussion and analysis in annual reports and quarterly reports.

Customers

Major customers of the Group include the government authorities in various provinces in China. For urban traffic sector and customs logistic monitoring sector, the major customers are public security bureau and traffic management bureau; and General Administration of Customs, respectively. For the expressway monitoring sector, expressway administration bureau is the main customer.

The amounts due from customers for contract work represents the sum of (i) contract costs incurred to date and (ii) net recognised profit or loss, exceeding progress billings. Revenue is measured at the fair value of consideration received or receivable. When the outcome of a contract 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.

The account receivables and the amounts due from customers for contract work have been increasing since 2008. It is in line with the significant increase in turnover for the expressway sector, where its normal contract size is significantly larger and its normal contract term (approximately one year to one year and half) is slightly longer than those in urban traffic and custom logistic sectors (approximately six months to one year). The settlement term for each project is different based on the contract terms and the progress of the project. In general, the settlement process involves four stages: (1) after contract signing, down payment of 10% to 20% of contract sum; (2) on equipment arrival, billing of 20% to 30% of contract sum; (3) on completion, billing of 40% to 45% of contract sum; and (4) after guarantee period (one to two years for urban traffic and custom logistic sectors; and two to three years for expressway sector), settlement of remaining balances. The Group offers the state-owned enterprises (including government authorities) in all sectors with good credit history longer credit terms of six to nine months for stages 2 and 3 of settlement process. With the continuous monitoring of the project progress and communicating with the customers, the Directors believe that the account receivables balances and the amounts due from customers for contract work are recoverable in view of the prior recoverability record of the Group and the background of the customers. As at 15 November 2010, approximately 28.5% of the trade receivables as at 30 September 2010 has been settled and the remaining balance of the trade receivables are within the credit period under contract.

Other receivables and prepayment

<i>(RMB million)</i>	At 31 December 2009	At 30 September 2010
Deposits paid to suppliers ^(Note 1)	120.5	132.3
Guarantee deposit and performance deposit	66.1	79.2
Others	30.7	2.2
	<u>217.3</u>	<u>213.7</u>

Note 1: With the significant increase in expressway projects, the cost of raw materials (including electric cable and steel tube) has continuously increased since 2009. With the general nature of the transactions, the Group has agreed with some of the major suppliers to implement bulk purchase arrangement to fix the maximum annual unit purchase price payable by the Group. Under such arrangement, certain amount of deposit based on the contract sum is paid to the suppliers in advance and purchase cost will be deducted upon the actual purchase.

Working capital sufficiency

With the continuous changing industry environment and market positioning of the Group in mechanical and electrical engineering projects, the capital requirements for raw materials are increasing. Although the cash inflow from operating activities has been decreasing in certain period of time, with the strong financial status of the Group (RMB135.3 million of bank balances and cash as at 30 September 2010) and funds sourced from third-party financial institutions (RMB71 million of unutilised banking facilities as at 30 September 2010), the Directors believe that the Group is able to maintain sufficient working capital for the Group's operation in the next twelve months from the date of this announcement. There is no overdue accounts receivables balance as at 30 September 2010. With the continuous improvement in debt collection through more frequent tracking of outstanding receivables and follow-up calls and visits to customers, the Directors believe the Group's working capital position will continuously improve in the near future.

Banking facilities

In relation to the aggregate short term bank loan of RMB225 million as at 30 September 2010, RMB115 million is secured by the guarantee provided by Sample Group. Three independent financial institutions have confirmed to provide the Company with finance facilities, on a stand-alone basis, to refinance the short term loans currently guaranteed by Sample Group, without guarantee or other financial support from Sample Group, amounting to an aggregate of RMB124 million, subject to the provision of securities by the Company as required by the relevant financial institutions. The Company also undertakes to release the guarantees by Sample Group upon the maturity of the short term bank loans on or before 10 July 2011.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection on the websites of the Company at <http://www.sampletech.com.cn> and the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the third quarterly report of the Company for the nine months ended 30 September 2010 dated 12 November 2010;
- (b) the interim report of the Company for the six months ended 30 June 2010 dated 6 August 2010;
- (c) the first quarterly report of the Company for the three months ended 31 March 2010 dated 12 May 2010;
- (d) the published directors' report and annual accounts of the Company for the year ended 31 December 2009 dated 12 March 2010;
- (e) the Articles of Association;
- (f) the supplemental circular of the Company dated 3 May 2010 in relation to the notice of annual general meeting dated 29 March 2010 relating to the re-election and appointment of directors and supervisors and revised notice of annual general meeting;
- (g) the circular of the Company dated 7 September 2009 in relation to the proposed Transfer of Listing from the GEM to the Main Board and proposed amendments to the Articles of Association;
- (h) the circular of the Company dated 19 June 2009 in relation to the subscription of new H Shares, proposed amendments to the Articles of Association;
- (i) a copy of each of the announcements and other corporate communications made by the Company before the date of this announcement as required under the GEM Listing Rules and Main Board Listing Rules.

DEFINITIONS

“Articles Amendments”	The amendments proposed to be made to the Articles of Association to comply with the relevant requirements of the Main Board Listing Rules and the applicable laws, rules and regulations in the PRC and Hong Kong for the Transfer of Listing, which will become effective on the date of completion of the Transfer of Listing and the commencement in dealing of the H Shares on the Main Board
“Articles of Association”	the articles of association of the Company, as may be amended from time to time
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Class Meetings”	the respective class meetings of the holders of the H Shares and the holders of the Domestic Shares convened and held at 10:30 a.m. and 11:00 a.m. respectively on 27 October 2009 for the purpose to approve, among other things, (i) the making of relevant applications to the CSRC and the Stock Exchange for the Transfer of Listing; (ii) the Transfer of Listing; (iii) the Articles Amendments; and (iv) to authorize the Directors to do such acts or things and to take steps as they consider necessary, desirable and expedient to carry out and/or give effect to the above matters
“Company”	Nanjing Sample Technology Company Limited* (南京三寶科技股份有限公司), a joint stock limited company incorporated in the PRC, the issued H Shares of which are listed on GEM as at the date of this announcement (Stock Code: 8287), the successor of Nanjing Sample Computer System Engineering Company Limited (南京三寶計算機系統工程有限公司) which changed its name to Nanjing Sample Computer Technology Company Limited (南京三寶計算機科技有限公司) on 28 February 2000 and to the current name of the Company on 29 December 2000
“controlling shareholder”	has the meaning ascribed to it under the Main Board Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), the regulatory body responsible for the supervision and regulation of the PRC national securities market
“Director(s)”	the director(s) of the Company

“Domestic Share(s)”	the ordinary domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for in RMB, and all of such Shares are not listed on the Stock Exchange
“EGM”	the extraordinary general meeting of the Company convened and held at 10:00 a.m. on 27 October 2009 for the purpose to approve, among other things, (i) the making of relevant applications to the CSRC and the Stock Exchange for the Transfer of Listing; (ii) the Transfer of Listing; (iii) the Articles Amendments; and (iv) to authorize the Directors to do such acts or things and to take steps as they consider necessary, desirable and expedient to carry out and/or give effect to the above matters
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the GEM as at the date of this announcement, and subscribed for and traded in Hong Kong Dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange for the listing matters
“Main Board”	the main board of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RFID”	Radio Frequency Identification, a technology that incorporates the use of electromagnetic or electrostatic to uniquely identify an object, animal, or person
“RMB”	Renminbi, the lawful currency of the PRC
“Sample Group”	Nanjing Sample Technology Group Company Limited, the substantial shareholder of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares, including holders of the Domestic Shares and the H Shares, unless specified otherwise
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on 24 April 2004 and amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Main Board Listing Rules
“Transfer of Listing”	the proposed transfer of listing of the H Shares from the GEM to the Main Board pursuant to the streamlined transfer of listing procedures under Chapter 9A of the Main Board Listing Rules
“%”	per cent

By Order of the Board,
南京三寶科技股份有限公司
Nanjing Sample Technology Company Limited*
Sha Min
Chairman

Hong Kong, 23 November 2010

At the date of this announcement, the Board comprises:

Executive Directors

Mr. Sha Min

Mr. Chang Yong

Mr. Guo Ya Jun

Non-executive Directors

Mr. Ma Jun

Independent non-executive Directors

Mr. Zhang Zhan

Mr. Wang Wei

Mr. Lau Shek Yau John

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of posting, on the Stock Exchange website at <http://www.hkexnews.hk> on the “Listing Company Information” page, and on the Company’s own website at <http://www.sampletech.com.cn> from the date of publication.

** for identification purpose only*