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: 1708)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

The turnover of the Group for the year ended 31 December 2010 (the "Period") amounted to approximately RMB494,434,000 representing a growth of approximately 8.2% as compared to the corresponding period of last year.

The profit attributable to owners of the Company for the year ended 31 December 2010 was RMB111,532,000, representing an increase of approximately 24.6% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2010 was approximately RMB0.50 (2009: RMB0.44).

The payment of a final dividend of RMB0.1 per share is recommended for the year ended 31 December 2010.

ANNUAL RESULTS

The board (the "Board") of Directors of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	3	**494,434**	456,865
Cost of sales		**(330,435)**	(350,537)
Gross profit		**163,999**	106,328
Other income	3	**18,722**	26,421
Other gains and losses	4	**(47)**	27,396
Distribution costs		**(10,335)**	(11,069)
Administrative expenses		**(34,607)**	(41,869)
Share of results of a jointly-controlled entity		**985**	–
Finance costs	6	**(10,990)**	(9,751)
Profit before income tax	7	**127,727**	97,456
Income tax expense	8	**(16,195)**	(7,969)
Profit for the year		**111,532**	89,487
Other comprehensive income for the year, net of tax:			
Exchange difference on translation of financial statements of foreign operations		**–**	(8)
Total comprehensive income for the year		**111,532**	89,479
Profit attributable to:			
Owners of the Company		**111,532**	89,539
Non-controlling interests		**–**	(52)
		111,532	89,487
Total comprehensive income attributable to:			
Owners of the Company		**111,532**	89,531
Non-controlling interests		**–**	(52)
		111,532	89,479
Earnings per share			
– Basic (RMB)	10	**0.50**	0.44
– Diluted (RMB)		**0.50**	0.44

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**47,331**	48,050
Prepaid lease payments		**6,267**	6,417
Intangible assets		**9,732**	11,678
Deferred tax assets		**2,901**	1,949
Deposit for investment in an associate		**5,000**	–
Interest in a jointly-controlled entity/deposit for investment in a jointly-controlled entity		**75,985**	75,000
Total non-current assets		**147,216**	143,094
Current assets			
Inventories		**2,493**	1,947
Trade receivables	11	**147,920**	143,132
Bills receivable		**1,314**	–
Other receivables and prepayments		**157,982**	217,295
Prepaid lease payments		**150**	150
Amounts due from customers for contract work		**225,509**	223,930
Short-term debt investments	12	**100,000**	–
Tax recoverable		**30**	1,529
Pledged bank deposits		**15,216**	19,059
Bank balances and cash		**310,159**	190,411
Total current assets		**960,773**	797,453
Current liabilities			
Trade and other payables and receipts in advance	13	**216,572**	231,919
Short-term bank loans		**215,000**	127,000
Tax payable		**16,300**	9,957
Total current liabilities		**447,872**	368,876
Net current assets		**512,901**	428,577

Consolidated Statement of Financial Position

At 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Total assets less current liabilities	**660,117**	571,671
Non-current liabilities		
Deferred tax liabilities	**1,265**	1,941
Net assets	**658,852**	569,730
Equity		
Share capital	**224,100**	224,100
Reserves	**434,752**	345,630
Total equity	**658,852**	569,730

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company							
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469
Profit for the year	–	–	–	–	89,539	89,539	(52)	89,487
Other comprehensive income	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive income for the year	–	–	–	(8)	89,539	89,531	(52)	89,479
Issue of shares	30,600	75,826	–	–	–	106,426	–	106,426
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	(1,644)	(1,644)
Profit appropriation	–	–	14,452	–	(14,452)	–	–	–
At 31 December 2009	224,100	96,217	49,673	(431)	200,171	569,730	–	569,730
Profit and total comprehensive income for the year	–	–	–	–	111,532	111,532	–	111,532
Dividend approved in respect of previous year (Note 9)	–	–	–	–	(22,410)	(22,410)	–	(22,410)
Profit appropriation	–	–	11,370	–	(11,370)	–	–	–
At 31 December 2010	**224,100**	**96,217**	**61,043**	**(431)**	**277,923**	**658,852**	**–**	**658,852**

Notes:

1. GENERAL

南京三宝科技股份有限公司 (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.

On 23 November 2010, the Company's H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the "Main Board"). Further details are set out in the Company's announcement dated 23 November 2010. The last trading date of the Company's H shares on the GEM was 30 November 2010.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-Cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on Group's financial statements.

(i) HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, and accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

(ii) HKAS 17 (Amendment) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of HKAS 17 has had no impact on the consolidated financial statements.

(iii) HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of this Interpretation has had no impact on the consolidated financial statements.

(b) New/revised HKFRSs that have been issued but not yet effective

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

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2010	(i) & (ii)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(i)
HKAS 24 (Revised)	Related Party Disclosures	(ii)
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	(iii)
HKFRS 9	Financial Instruments	(iv)

Effective date:

(i) Annual periods beginning on or after 1 July 2010
(ii) Annual periods beginning on or after 1 January 2011
(iii) Annual periods beginning on or after 1 July 2011
(iv) Annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of the these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. TURNOVER AND OTHER INCOME

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

Turnover

Turnover represents revenue received and receivable from the Group's security system business.

	2010	2009
	RMB'000	*RMB'000*
Provision of video security system solutions	**463,833**	393,954
Sales of security system software	**33,969**	14,858
Sales of material and parts	**5,270**	53,976
	503,072	462,788
Less: Business tax and other related taxes	**(8,638)**	(5,923)
Turnover	**494,434**	456,865
Other income		
PRC value added tax refunded	**4,912**	10,617
Interest income from		
– short-term debt investments	**2,806**	–
– other loans receivable	**1,975**	–
– bank deposits	**1,789**	1,323
– impaired trade receivables	**135**	4,452
Total interest income	**6,705**	5,775
Maintenance service income	**4,917**	7,681
Less: Cost incurred for maintenance services	**(2,273)**	(1,715)
Technical service income	**–**	721
Government grants	**2,998**	2,314
Others	**1,463**	1,028
	7,105	10,029
Other income	**18,722**	26,421

4. OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*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	**–**	15,582
Loss on disposal of property, plant and equipment	**(47)**	(71)
	(47)	27,396

5. SEGMENTS INFORMATION

Reportable operating segments

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers 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.

The Group's turnover derived from security system business in different sectors was analysed as follows:

	2010	2009
	RMB'000	*RMB'000*
Urban traffic monitoring and control sector	**39,749**	59,409
Customs logistics monitoring sector	**81,391**	62,969
Expressway monitoring sector	**333,783**	293,143
Others	**48,149**	47,267
	503,072	462,788
Less: Business tax and other related taxes	**(8,638)**	(5,923)
Turnover	**494,434**	456,865

Information about major customers

Revenue of RMB143,521,000 (2009: RMB272,503,000) was derived from the Group's provision of video security system solutions business to two (2009: three) customers with whom transactions exceed 10% of the Group's revenue.

6. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**10,990**	9,751

7. PROFIT BEFORE INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging/(crediting):–		
Auditor's remuneration	**920**	679
Staff costs including directors' emoluments	**17,179**	14,436
Retirement benefits scheme contributions	**2,889**	2,641
	20,068	17,077
Less: Staff costs included in research and development costs	**(7,876)**	(4,017)
	12,192	13,060
Research and development costs	**15,452**	12,404
Depreciation of property, plant and equipment	**5,456**	6,532
Amortisation of intangible assets (included in cost of sales)	**1,946**	1,946
Impairment of inventories	**41**	124
Carrying amount of inventories sold	**316,568**	343,683
Amount of inventories recognised as expenses	**316,609**	343,807
Additional provision for impairment loss on trade receivables	**2,485**	14,166
Operating lease rentals in respect of buildings	**775**	945
Amortisation of prepaid lease payments	**150**	151
Exchange losses, net	**157**	358

8. INCOME TAX EXPENSE

Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	*RMB'000*
PRC income tax	**17,823**	8,949
Deferred taxation		
– origination and reversal of timing difference	**(1,628)**	(1,095)
– resulting from a change in tax rate	**–**	115
Income tax expense	**16,195**	7,969

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 2009 and 2010.

During the current and prior years, the Company's major subsidiary, Jiangsu Intellitrans Company Limited ("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%.

9. DIVIDENDS

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed of RMB0.1 per share	**22,410**	22,410

The directors recommend the payment of a final dividend of RMB0.1 per share (2009: RMB0.1 per share) in respect of the year ended 31 December 2010 on 28 March 2011.

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous year, approved and paid during the year (2009: RMBNil)	**22,410**	–

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB111,532,000 (2009: RMB89,539,000) and weighted average number of ordinary shares 224,100,000 (2009: 205,405,000) during the year.

The amount of diluted earnings per share is the same as the basic earnings per share as there was no potential ordinary share outstanding during the years ended 31 December 2010 and 2009.

11. TRADE RECEIVABLES

	Group	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables from third parties	**100,029**	100,665
Amounts due from customers for contract work	**55,115**	47,341
Less: Provision for impairment losses (Note (c))	**(7,224)**	(4,874)
	147,920	143,132

(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:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**58,099**	63,002
91 – 180 days	**9,321**	14,083
181 – 365 days	**57,546**	18,810
1 – 2 years	**11,059**	37,191
Over 2 years	**11,895**	10,046
	147,920	143,132

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**4,874**	11,640
Interest income recognised	**(135)**	(4,452)
Debt assignment (Note 4)	**–**	(15,582)
Additional impairment loss recognised	**2,485**	14,166
Amount written off as uncollectible	**–**	(898)
At end of year	**7,224**	4,874

This provision has been determined based on the estimated future cash flows discounted at appropriate rate or by reference to past default experiences, where appropriate. The Group does not hold any collateral over these balances.

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**783**	5,777
Less than 6 months past due	**206**	134
	989	5,911

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

12. SHORT-TERM DEBT INVESTMENTS

	Group	
	2010	2009
	RMB'000	*RMB'000*
Unlisted trust funds, at cost (note)	**100,000**	–

Note:

During the year, the Group invested an aggregate amount of RMB100,000,000 into a RMB trust funds for a period of one year. The fund bears interest ranging from 2.31% per annum to 5.00% per annum without a fixed pre-determined return.

13. TRADE AND OTHER PAYABLES AND RECEIPTS IN ADVANCE

	Group	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**134,259**	162,602
Other payables	**58,248**	45,648
Receipts in advance	**1,208**	2,984
Other tax payables	**22,857**	20,685
	216,572	231,919

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**83,991**	122,061
91 – 180 days	**10,742**	7,306
181 – 365 days	**15,019**	8,335
1 – 2 years	**10,857**	20,607
Over 2 years	**13,650**	4,293
	134,259	162,602

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

Turnover of the Group for the year ended 31 December 2010 was approximately RMB494,434,000, representing an increase of approximately 8.2% over last year. The increase was mainly attributable to the Group's active development of various business during the period under review. In addition, the Group successfully obtained certain large amount contracts and actively engaged in the development of Internet of Things ("IOT") business during the period under review.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2010 was approximately 33.2%, representing an increase of approximately 10% over last year. The increase was mainly attributable to the effective measures taken by the Group to control product cost and overall gross margin during the period under review.

Other Income

Other income of the Group for the year ended 31 December 2010 was approximately RMB18,722,000, representing a decrease of about 29.1% when compared with the corresponding period of last year.

Distribution Costs

Distribution costs of the Group for the year ended 31 December 2010 was approximately RMB10,335,000, representing a decrease of approximately 6.6% over last year. The decrease was mainly attributable to the increase in product awareness and core competitiveness of the Company as well as the corresponding decrease in after-sales maintenance costs.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2010 was approximately RMB34,607,000, representing a decrease of approximately 17.3% over last year. The decrease was mainly attributable to the effective cost control taken 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 2010 was approximately RMB111,532,000, representing an increase of 24.6% over last year. The increase was mainly attributable to the growth in the result achieved.

Financial Resources and Liquidity

Equity attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB658,852,000. Current assets were approximately RMB960,773,000, comprising cash and bank balances of approximately RMB310,159,000. Non-current liabilities were approximately RMB1,265,000. Current liabilities were approximately RMB447,872,000, mainly comprising trade and other payables and receipts in advance, short-term bank loans and tax payable. As at 31 December 2010, net assets per share of the Group was approximately RMB2.94 (31 December 2009: RMB2.54) and short-term bank loans of the Group were RMB215,000,000.

Pledge of Assets

As at 31 December 2010, bank deposits of RMB15,216,000 (2009: RMB19,059,000) were pledged for projects in progress.

Gearing Ratio

For the year ended 31 December 2010, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2009: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank 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 had no substantial acquisition and significant investment matters.

Capital Commitment

As at 31 December 2010, the Group had (i) a capital commitment of RMB15,000,000 for the acquisition of 20% registered capital of Nanjing Information Investment Holdings Company Limited and (ii) a capital commitment of RMB5,000,000 for the acquisition of Nanjing Wu Lian Wang Yan Jiu Yuan Development Company Limited, a 70%-owned subsidiary of the Company should all capital was paid up by its shareholders.

Contingent Liabilities

As at 31 December 2010, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

As at 31 December 2010, total employees' remuneration of the Group was approximately RMB20,068,000 (2009: RMB17,077,000) and the number of employees was 353 (2009: 305). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs 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

Urban Traffic Monitoring and Control Sector

During the period under review, high-definition checkpoint, checkpoint ePolice, radar speed detection and video speed detection products increasingly became the mainstream demand in the urban traffic monitoring and control market. Leveraging on the accumulation of technology for years, the Group formed a complete product launch system for front-end checkpoint equipment, namely the integration of a complete solution that incorporates radar speed detection, high-definition identification and video-based vehicle flow detection functions. In September 2010, the Group won the bid on 320 projects in Jiangsu Province, and ranked second in terms of comprehensive strength among all the 12 short-listed enterprises. This will provide the Company with further advantages in the continuous development in the market of provincial traffic checkpoints in Jiangsu Province.

Customs Logistic Monitoring Sector

During the period under review, the Group continued to push forward the logistics monitoring project in Nanjing Customs proactively, and successfully operated in Long Tan Port, Zhangjiagang and Lianyungang, accounting for 60% of the sea transportation in Nanjing Customs. It is expected that the system will be further promoted to other customs throughout Nanjing Customs. Meanwhile, the Group explored mode of cooperation in long-term software service with customs proactively, signed long-term software maintenance contract with Nanjing Customs and gradually formed system of platform operation, maintenance and support with Sample characteristics. During the period under review, the Group actively developed platform for Dalian Customs, which is directly linked and connected to bonded logistics center platform, bonded port platform and export processing area platform, and the smooth operation received praise from the industry. Being a model for regional platform in the circle of customs, there is a chance for the platform to be replicated in other domestic customs.

During the period under review, as one of the drafters setting the standard for intelligent secure lock for the General Administration of Customs has submitted the national standard of the intelligent secure lock, and the security registration and certification for intelligent secure lock raised by the Group has also been included in the standard submitted by the General Administration of Customs. During the period under review, the Group actively promoted the electronic customs lock project, successfully implemented intelligent secure lock in the midway monitoring between Fuzhou Bonded Logistics Park and PSA

Terminal and has been approved by Fuzhou Customs to fully apply in Fuzhou Bonded Port and Wushui Port in Wuxishan. Meanwhile, the Group applied intelligent secure lock in the logistics monitoring system in Nanjing Customs, started to carry out pilot testing in Zhangjiagang and Long Tang Port, and completed the electronic customs lock checkpoints acquisition and backstage software coordination and adjustment works. During the period under review, the Group strengthened and furthered its exchanges and communications with electronic port, and actively pushed forward the establishment of strategic cooperation relationship.

Expressway Monitoring Sector

During the period under review, competition became increasingly fierce in the electrical and mechanical engineering market of the traffic sector across the country. The Group's business system which was led by marketing possessed apparent competitive edge in the market. The Group successfully won the contracts for projects like Ya'an Expressway in Sichuan, Sujiahang Expressway, Mohei-Simao Expressway in Yunnan and Suzhou Raocheng Expressway. During the period under review, the Group actively implemented the various significant electrical and mechanical engineering projects including Guangxi Guanghe Expressway project, Zhuyong Expressway project, Guizhou Oil small project, Jincheng-Jiyuan Section Expressway in Shanxi, Sichuan Ya'an Project, Hebei Langcang Project and Sujiahang Project and Projects which were completed and opened for traffic. Sujiahang monitoring transformation project was completed and inspected and accepted, and named as excellent project by the owner. The construction of Tianjin Haibin Thoroughfare project is in progress, and is expected to open for traffic at some sections by the beginning of next year.

During the period under review, the Group actively promoted its business in the highway software market, and realized the extension of the market for existing customers and the exploration of new market. Projects completed and accepted include the management system for Taizhou Bridge project, the quality supervision and management system for the supervision authority in Jiangsu Province, the engineering project for the Communication Engineering Construction Bureau of Jiangsu Province, the integrated information management project for Xiandai Investment in Hunan, the Wuxi metro project, the integrated management system for Nanjing-Shanghai Expressway, the management system of Taizhou City as well as the management system for the reclamation project in Lianyungang.

RFID and Other Sector

During the period under review, the Group was engaged in three major sectors: intelligent transportation, intelligent logistics and intelligent pharmaceuticals. We carried out follow-up and research work and implemented our findings on the projects within such sectors. We actively engaged in the development of major projects of the IOT. Following the IOT project of Zhong Jian Zhi Kang "Safe Pharmaceuticals" intelligent health care, the Group successfully won the bid of the "Safe Meat" projects in Nanjing City and Yangzhou City. These projects are key components for the food secure service system using IOT technology and are expected to be promoted extensively and fully applied in the domestic food secure industry.

During the period under review, the Group successfully researched and produced the 16-port reader, which provided a good product basis for the application of IOT technology on asset management. Meanwhile, the Group continued to conduct research to optimize the functions of UHF readers, carried out analysis and made recommendations for improvement on the model, packaging and function optimization of UHF readers with reference to factors like customer opinions, products of our counterparts and applications in the industry. At the same time, the Group conducted research on the application of RFID under different circumstances, and finished the 2008-2012 Chinese RFID market research and industry investment analysis and forecast report.

During the period under review, the Group cooperated with Nanjing Bureau of Technical Supervision to commence the application of RFID technology on the inspection and supervision of special equipment and IOT monitoring system on the secure of RFID technology-based crane lifters projects. Meanwhile, the Group cooperated with the integrators in the industry, successfully carried out projects, including the application of UHFRFID on buses in Hangzhou, safe community in Hangzhou, apparel supply chain, the management of parking lot and the management of the metro construction site in Wuxi and the asset management of computer room and establish long-term cooperation relationship with the leading manufactures in UHFRFID chip and equipment in China and the world.

Research and Development

During the period under review, the Group provided all-round support to the scientific development, ranging from capital, culture to cooperation, further increased its investment in science and technology used in the industry, universities and research institutes, reinforced the introduction and training mechanism of high-end technology talents, encouraged product innovation that can form intellectual property rights and be accepted by the market and created an atmosphere of active innovation. Meanwhile, the Group actively conducted a number of seminars and discussion with enterprises, universities and institutes of technology and communications operators with respect to intelligent logistics, intelligent transport and intelligent health care. During the period under review, the Group took part in a number of international technological exchanges and collaborations, and finished the research with Microsoft SAAS platform. Meanwhile, the Group participated in the key pilot project of 3-network convergence in Nanjing City and launched the strategic research project of the building of PaaS information service platform, which symbolized the transformation from project-oriented to platform-based of the Company and successfully accumulated experiences in the cooperation with internationally prestigious software company in high-end software platform project.

During the period under review, the Group actively pushed forward the study on the application of IOT technology on the urban intelligent traffic, including improvement on the implementation plan of intelligent transportation, type section of the equipment and testing. Meanwhile, the Group completed proposals for technical plans of expressway ETC system and ETC settlement center and of the pilot project of RFID-based intelligent transport management in Chongqing, and completed the pilot implementation of UHFRID non stop system in Huaian Toll Station.

During the period under review, the Group commended study of the application of the information tracing and management system for the flow of vegetables and the processes of food processing, completed the design and optimization of solutions to the food (meat and vegetable) safety and conducted an in-depth study of the market prospect, the technical advantages and strategies as well as the model of market expansion in this field. Meanwhile, the Group proposed operational plans in the field of food circulation, detailing the operation of tracing electronic scale, possible model of operations in electronic settlement in whole-sale market and delivery services.

Prospects

Research and Development

In 2011, the Group will continue to increase the investment in science and technology, focus on the model technological transformation projects to promote the building of management system and culture system and to build core technologies and platform for the industries of the Company. The Group will continue to improve and push forward steadily building the system of science and technological innovation, speed up the study on the business model of IOT industry, promote the innovation and integration of the software R&D platform product and form core intellectual property rights, including commencing the study on the cloud computing demand and model of construction, self R&D of core products in cloud storage, arranging and improving on PaaS platform, building the operation platform of food safety, R&D of secure intelligent logistics equipment and detection of IOT equipment system.

Sales and Marketing

Urban Traffic Monitoring and Control Sector

In 2011, the Group will fully introduce the innovation mechanism, with innovation in marketing, including the selection of key projects and areas, engagement in advance, joint innovation and participation in the operation; the Group will march in the direction of scale marketing, focus on the key provinces and cities, and put emphasis on target regions and cities where we have stronger comprehensive competitiveness and conduct full and complete sales planning in advance; the Group will offer target cities with application solutions, including urban traffic management and vehicle management that combines video and radio frequency in a way of innovation in application, lead the innovation projects and expand sales; the Group will leverage on the strengths in creditworthiness, scale and business of the Company, offer a package solution to intelligent traffic management to customers, and obtain the integrated vehicle and road monitoring management project in the entire target city.

Customs Logistics Monitoring Sector

As the master integrator of checkpoint system for customs, in 2011, the Group will strengthen the construction of high-end customer network, consolidate its leading position in the industry, and further promote the checkpoint control and the construction of network system; the Group strengthen enhancing its core competitiveness through innovation in IOT technology, upgrade and improve on its existing businesses; the Group will continue to pay attention to the research and production of regional platform and business development, so as to ensure the irreplaceable resources accumulation and projects; the Group will step up the promotion of platform software, the system of centralized monitoring system, midway monitoring system and bulk and general cargo management software and increase its effort to sale software; the Group will expand the scope of business and area covered by Nanjing, Dalian and Xiamen customs platform and further replicate the platform software to other customs; the Group will leverage on the Company's advantages in capital and market to further conduct exchanges and cooperation with peers; the Group will strengthen the construction of the brand of services, detailize and embed services to establish coordinated service response mechanism with customers, deepen the customer's dependency on the services of the Company and enhance the Company's professional service ability and image.

Expressway Monitoring Sector

In 2011, the Group will be led by marketing, reinforce the efforts to develop business, establish an effective organization for business development, and build a national marketing system. Meanwhile, the Group will further strengthen and expand the marketing team, change its operation strategies, and continue to fortify the market basis for the development of the Company. On the basis of the conventional business of expressway electrical and mechanical engineering, the Group will try its best to extend its scope of business into the urban construction projects, including urban roads, rail transport, tunnels, overpass and ports. Meanwhile, the Group will pay attention to the building of integrated traffic information system, increase R&D investment on traffic information platform and related products using the existing R&D system and resources for continued technological innovation.

RFID and Other Sector

In 2011, the Group will turn its leading advantages in IOT to market advantages, consolidate resources, strengthen the promotion of typical projects in key areas and industries, and try to achieve breakthrough in apparel industry, the application in parking lot, medicines, wines and special equipment monitoring industries; the Group will cooperate with the leading enterprises in each industry in the application of RFID technology, launch plans, products and typical model projects of application of IOT technology in their respective fields, and try to unite with strong partners to consolidate resources and form synergy; the Group will position in the design, R&D and production of IOT technology products, launch the proposals that are advanced in the industry, offer system optimization products, and make the Company become a supplier of first IOT technology products in food supervision and regional intelligent traffic industry; the Group will cooperate with first class suppliers of radio frequency technology R&D design and products and system integrator, and provide advanced system products for the full application of three key intelligent areas.

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 will expire on 31 December 2012 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the rules governing the listing of securities on the Stock Exchange (the "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 3.21 to 3.23 of the 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. 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 applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at the date of this announcement, the Directors do not have any future plans for material investment or capital assets.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with 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 2010.

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.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of the Company recommended a final dividend for 2010 of RMB0.1 per share subject to the approval by shareholders at the forthcoming annual general meeting. Dividend will be payable on or about 23 August 2011 to shareholders whose names appear on the register of members on 23 May 2011.

The Register of Members of the Company will be closed from 22 April 2011 to 23 May 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 April 2011.

PUBLICATION OF ANNUAL REPORT

The 2010 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at http://www.sampletech.com.cn in due course.

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

Nanjing, the PRC
28 March 2011

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. Ma Jun; and the independent non-executive Directors are Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John.

* *For identification purpose only*