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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: 1708)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2011 (the "Period") amounted to approximately RMB542,388,738, representing a growth of approximately 6.8% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the year ended 31 December 2011 was RMB146,054,063, representing an increase of approximately 31% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2011 was approximately RMB0.652 (2010: RMB0.498).

The payment of a final dividend of RMB0.1 per share is recommended for the year ended 31 December 2011.

ANNUAL RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010 as follows:

(Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi (“RMB”) yuan)

Consolidated income statement

For the year ended 31 December 2011

ITEMS	Note	2011	2010 (Restated)
I. Total operating income	3	542,388,737.94	508,016,094.03
II. Total operating cost		414,709,367.41	394,441,310.48
Operating cost		327,803,324.95	329,381,875.07
Taxes and surcharges		14,157,351.73	9,978,342.52
Selling and distribution expenses		13,088,941.60	10,333,996.29
General and administrative expenses		39,152,681.18	32,522,522.58
Finance costs	7	9,254,329.57	9,832,657.72
Impairment losses for assets		11,252,738.38	2,391,916.30
Share of profit of associates and jointly controlled entities		11,584,523.96	985,014.02
Other investment income		10,104,366.18	4,781,286.20
III. Operating profit		149,368,260.67	119,341,083.77
Add: Non-operating income		22,236,679.74	9,347,883.48
Less: Non-operating expenses		165,264.92	961,467.53
IV. Total profit	6	171,439,675.49	127,727,499.72
Less: Income tax expenses	8	25,385,612.54	16,195,468.24
V. Net profit		146,054,062.95	111,532,031.48
Net profit attributable to the shareholders of the Company		146,054,062.95	111,532,031.48
VI. Other comprehensive income		(3,212,006.14)	(196.18)
VII. Total comprehensive income		142,842,056.81	111,531,835.30
Total comprehensive income attributable to the shareholders of the Company		142,842,056.81	111,531,835.30
Total comprehensive income attributable to minority shareholders		—	—
VIII. Earnings per share:	9		
(1) Basic earnings per share		0.652	0.498
(2) Diluted earnings per share		0.652	0.498
IX. Dividends	10	22,410,000.00	22,410,000.00

Consolidated Balance Sheet*At 31 December 2011*

ASSETS	<i>Note</i>	2011	2010 (Restated)
Current assets:			
Cash and bank balance		457,625,077.68	325,375,009.04
Bills receivable	11	856,348.50	1,314,288.57
Accounts receivable	11	321,076,498.92	147,919,996.59
Prepayments	11	3,193,664.28	10,767,840.82
Other receivables	11	88,932,996.33	102,213,898.69
Inventories		277,749,254.36	228,002,694.87
Other current assets		—	150,000,000.00
Total current assets		1,149,433,840.07	965,593,728.58
Non-current assets:			
Long-term equity investments		194,007,290.40	75,985,014.02
Fixed assets		51,830,494.11	42,892,508.25
Construction in progress		4,680,462.89	4,374,193.54
Construction materials		19,289,440.00	—
Intangible assets		24,859,714.28	16,214,189.27
Deferred income tax assets		4,248,176.20	2,900,909.06
Total non-current assets		298,915,577.88	142,366,814.14
TOTAL ASSETS		1,448,349,417.95	1,107,960,542.72
Current liabilities:			
Short-term borrowings		286,300,000.00	215,000,000.00
Bills payable		28,038,552.80	12,060,877.94
Accounts payable	12	255,291,518.57	153,440,415.63
Receipts in advance	12	1,725,195.60	1,705,670.12
Accrued staff salaries		319,916.32	343,971.72
Tax payable		54,939,104.99	39,507,675.64
Other payables	12	27,683,268.40	25,784,252.60
Total current liabilities		654,297,556.68	447,842,863.65
Non-current liabilities:			
Deferred income tax liabilities		1,602,503.42	1,265,053.53
Total non-current liabilities		1,602,503.42	1,265,053.53

	<i>Note</i>	2011	2010 (Restated)
Total liabilities		655,900,060.10	449,107,917.18
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital reserve		102,999,020.45	97,561,268.03
Surplus reserve		34,049,480.44	28,801,169.93
Undistributed profits		427,217,076.14	308,821,323.70
Difference on translation of financial statements in foreign currency		(3,643,142.26)	(431,136.12)
Total equity attributable to the owners of the Company		784,722,434.77	658,852,625.54
Minority interest		7,726,923.08	—
Total shareholders' equity		792,449,357.85	658,852,625.54
Total liabilities and shareholders' equity		1,448,349,417.95	1,107,960,542.72
Net current assets	<i>13</i>	495,136,283.39	517,750,864.93
Total assets less current liabilities	<i>14</i>	794,051,861.27	660,117,679.07

Consolidated statement of changes in equity

For the year ended 31 December 2011

ITEMS	2011 Attributable to the shareholders of the Company						Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	97,561,268.03	28,801,169.93	308,821,323.70	(431,136.12)	–	658,852,625.54
II. Opening balance of current year	224,100,000.00	97,561,268.03	28,801,169.93	308,821,323.70	(431,136.12)	–	658,852,625.54
III. Changes during the period	–	5,437,752.42	5,248,310.51	118,395,752.44	(3,212,006.14)	7,726,923.08	133,596,732.31
(I) Net profits	–	–	–	146,054,062.95	–	–	146,054,062.95
(II) Other comprehensive income	–	–	–	–	(3,212,006.14)	–	(3,212,006.14)
(III) Contribution by shareholders and capital reduction	–	–	–	–	–	7,726,923.08	7,726,923.08
1. Capital contribution by shareholders	–	–	–	–	–	7,726,923.08	7,726,923.08
(IV) Profit appropriation	–	–	5,248,310.51	(27,658,310.51)	–	–	(22,410,000.00)
1. Appropriation to surplus reserves	–	–	5,248,310.51	(5,248,310.51)	–	–	–
2. Appropriation to shareholders	–	–	–	(22,410,000.00)	–	–	(22,410,000.00)
(V) Other	–	5,437,752.42	–	–	–	–	5,437,752.42
IV. Closing balance of current period	224,100,000.00	102,999,020.45	34,049,480.44	427,217,076.14	(3,643,142.26)	7,726,923.08	792,449,357.85

Consolidated statement of changes in equity

For the year ended 31 December 2011

ITEMS	2010 (Restated)						Total shareholders' equity
	Attributable to the shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	97,561,268.03	23,990,156.63	224,510,305.52	(430,939.94)	–	569,730,790.24
II. Opening balance of current year	224,100,000.00	97,561,268.03	23,990,156.63	224,510,305.52	(430,939.94)	–	569,730,790.24
III. Changes during the period	–	–	4,811,013.30	84,311,018.18	(196.18)	–	89,121,835.30
(I) Net profits	–	–	–	111,532,031.48	–	–	111,532,031.48
(II) Other comprehensive income	–	–	–	–	(196.18)	–	(196.18)
(III) Contribution by shareholders and capital reduction	–	–	–	–	–	–	–
(IV) Profit appropriation	–	–	4,811,013.30	(27,221,013.30)	–	–	(22,410,000.00)
1. Appropriation to surplus reserves	–	–	4,811,013.30	(4,811,013.30)	–	–	–
2. Appropriation to shareholders	–	–	–	(22,410,000.00)	–	–	(22,410,000.00)
IV. Closing balance of current period	224,100,000.00	97,561,268.03	28,801,169.93	308,821,323.70	(431,136.12)	–	658,852,625.54

Notes

For the year ended 31 December 2011

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*) (the “Company”, together with its subsidiaries, the “Group”) 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. 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 22 November 2010, the Company’s H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the “Main Board”). The registered address and the principal place of business of the Company are Building No. 1, Ruan Jian Chuang Ye Zhong Xin, High and New Technology Industrial Development Zone, Nanjing City, Jiangsu Province, PRC and Sample Technology Park, No. 10 Maqun Avenue, Qixia District, Nanjing City, PRC respectively.

The Company is engaged in the information technology application (IT application) service industry. Scope of business of the Company: computer networks, industrial automation engineering design, installation; electronic products, manufacturing and development of computer, sale of self-developed product, system integration; computer technology consulting and information services; research and development of ITS-based basic information collection technology and equipment. The Company is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and health care and other application areas.

The functional currency of the Company is RMB, while that for overseas business is the lawful currency of the place it located. The Group’s financial statements were prepared in RMB.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company’s financial statements were used to be prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAP”) for disclosure in Hong Kong. According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by the Stock Exchange in December 2010, with effect from this financial year, the Company decided to prepare its financial statements in accordance with the “Accounting Standards for Business Enterprises” and other related regulations issued by the China Ministry of Finance (“PRC Accounting Standards”). The adoption of PRC Accounting Standards has been applied retrospectively and the comparative financial information for the year ended 31 December 2010 is converted in accordance with PRC Accounting Standards. The reconciliation of shareholders’ equity and profit of the Company from HKGAAP to PRC Accounting Standards is set out in the section headed “Reconciliations of HKAS to PRC Accounting Standards”.

The Company’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the PRC Accounting Standards, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2010 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance; and the accounting policies and estimates of the Group.

3. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from Intelligent traffic, custom logistics and sales of equipment and service business. The turnover of the previous year was reclassified according to the requirements of the PRC accounting standard for preparation.

(1) Operating income and operating cost

Item	2011	2010 (restated)
Principal operating income	537,533,918.69	503,072,208.48
Other operating income	4,854,819.25	4,943,885.55
Total operating income	<u>542,388,737.94</u>	<u>508,016,094.03</u>
Principal operating cost	324,751,142.92	325,435,212.39
Other operating cost	3,052,182.03	3,946,662.68
Total operating cost	<u>327,803,324.95</u>	<u>329,381,875.07</u>

(2) Principal operations (by product)

Name of Products	2011		2010 (restated)	
	operating income	operating cost	operating income	operating cost
Intelligent traffic	371,950,455.07	254,743,894.87	373,532,114.16	270,837,293.17
Customs logistics	82,296,992.34	39,468,145.81	81,391,036.38	35,637,326.54
Sales of equipment	62,202,501.30	26,483,737.38	40,720,157.86	15,259,632.36
Service	21,083,969.98	4,055,364.86	7,428,900.08	3,700,960.32
Total	<u>537,533,918.69</u>	<u>324,751,142.92</u>	<u>503,072,208.48</u>	<u>325,435,212.39</u>

4. SEGMENTS INFORMATION

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

5. GROSS PROFIT

	2011	2010 (restated)
Operating income	542,388,737.94	508,016,094.03
Operating cost	327,803,324.95	329,381,875.07
Gross profit	<u>214,585,412.99</u>	<u>178,634,218.96</u>

6. TOTAL PROFIT

Total profit is arrived at after charging/(crediting):

	2011	2010 (restated)
Auditor's remuneration	750,000.00	920,000.00
Staff costs including directors' emoluments	24,871,000.00	17,179,000.00
Retirement benefits scheme contributions	4,209,000.00	2,889,000.00
	<u>29,080,000.00</u>	<u>20,068,000.00</u>
Depreciation of fixed assets	5,285,000.00	5,456,000.00
Amortisation of intangible assets	1,946,000.00	1,946,000.00
Provision for impairment of inventories	236,000.00	41,000.00
Carrying amount of inventories sold	313,401,000.00	316,568,000.00
Amount of inventories recognised as expenses	<u>313,637,000.00</u>	<u>316,609,000.00</u>
Provision for bad debt for trade receivables	11,017,000.00	2,350,000.00
Amortisation of land use rights	190,000.00	150,000.00
Exchange losses	(576,000.00)	157,000.00
Government grant	(12,916,000.00)	(2,868,000.00)

7. FINANCE COSTS

Items	2011	2010 (restated)
Interest expenses	15,524,237.60	10,957,867.38
Less: interest income	6,153,467.71	1,788,962.65
Exchange gains and losses	(575,686.96)	156,603.08
Others	459,246.64	507,149.91
Total	<u>9,254,329.57</u>	<u>9,832,657.72</u>

Notes: Interest expenses are interest on bank borrowings wholly repayable within five years.

8. INCOME TAX EXPENSES

Items	2011	2010 (restated)
Current income tax calculated based on tax law and related regulations	26,901,485.40	17,823,343.64
Deferred income tax adjustment	(1,515,872.86)	(1,627,875.40)
Total	<u>25,385,612.54</u>	<u>16,195,468.24</u>

The Company was certified as a software enterprise within national planning framework (國家佈局內的軟體企業) since 2009. Pursuant to the requirements of “Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax”(財稅〔2008〕1號) that where the key software enterprises within national planning framework do not enjoy the tax exemption treatment for the year, the income shall be taxed at the reduced rate of 10%, the enterprise income tax rate for the Company is 10% during the reporting period.

On 21 October 2008, Jiangsu Intellitrans Company Limited, a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. This company continued to obtain the High and New Technology Enterprise certificate on 30 September 2011, with an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People’s Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate is 15% during the reporting period.

On 22 December 2009, Jiangsu Raifu Intelligent Tech. Co., Ltd.(the “Raifu Company”), a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局). Pursuant to article 28 of the Enterprise Income Tax Law of the People’s Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. In the meantime, Raifu Company is a foreign investment company, and can be exempted from the enterprise income tax for their first two profitable years (after deducting losses incurred in previous years) and are entitled to a 50% tax reduction for the succeeding three years calculated based on their statutory income tax rate. 2007 is its first profitable year, and it was exempted from the enterprise income tax from 2007 to 2008, and from 2009 to 2011, it was taxed at an enterprise income tax rate of 12.5%. Therefore, its effective tax rate is 12.5% during the reporting period.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year attributable to the shareholders of the Company of RMB146,054,063 (2010: RMB111,532,031) and weighted average number of issued ordinary shares of approximately 224,100,000 (2010: 224,100,000) during the year.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2011 and 2010.

10. DIVIDENDS

Items	2011	2010 (restated)
Final dividend proposed of RMB0.1 per share	<u>22,410,000.00</u>	<u>22,410,000.00</u>

The directors recommend the payment of a final dividend of RMB0.1 per share (2010: RMB0.1 per share) for the year ended 31 December 2011 on 22 March 2012.

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 annual general meeting.

Items	2011	2010 (restated)
Final dividend in respect of the previous year, approved and paid during the year	<u>22,410,000.00</u>	<u>22,410,000.00</u>
Total	<u>22,410,000.00</u>	<u>22,410,000.00</u>

11. TRADE AND OTHER RECEIVABLES

	2011	2010 (restated)
Accounts receivable	339,502,633.05	155,143,898.36
Less: Provision for doubtful and bad debts for accounts receivables	18,426,134.13	7,223,901.77
Bills receivable	856,348.50	1314,288.57
Prepayments	3,193,664.28	10,767,840.82
Other receivables	89,262,684.80	102,235,079.66
Less: Provision for doubtful and bad debts for other receivables	329,688.47	21,180.97
Total	<u>414,059,508.03</u>	<u>262,216,024.67</u>

The aging analysis of accounts receivable

Types	2011		2010 (restated)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	300,986,541.49	8,261,307.30	129,382,306.87	2,531,737.90
1 to 2 years	21,401,137.54	1,306,666.81	10,194,371.49	647,819.79
2 to 3 years	6,893,682.57	1,726,660.88	9,805,807.31	1,331,664.34
Over 3 years	10,221,271.45	7,131,499.14	5,761,412.69	2,712,679.74
Total	<u>339,502,633.05</u>	<u>18,426,134.13</u>	<u>155,143,898.36</u>	<u>7,223,901.77</u>

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.

12. TRADE AND OTHER PAYABLES

	2011	2010 (restated)
Accounts payables	255,291,518.57	153,440,415.63
Receipts in advance	1,725,195.60	1,705,670.12
Other payables	27,683,268.40	25,784,252.60
Total	<u>284,699,982.57</u>	<u>180,930,338.35</u>

Age analysis of trade payables

	2011	2010 (restated)
Within 1 year	203,929,817.08	116,880,037.93
1 to 2 years	30,274,406.49	22,079,083.96
Over 2 years	21,087,295.00	14,481,293.74
Total	<u>255,291,518.57</u>	<u>153,440,415.63</u>

13. Net current assets

	2011	2010 (restated)
Current assets	1,149,433,840.07	965,593,728.58
Less: current liabilities	654,297,556.68	447,842,863.65
Net current assets	<u>495,136,283.39</u>	<u>517,750,864.93</u>

14. Total assets less current liabilities

	2011	2010 (restated)
Total assets	1,448,349,417.95	1,107,960,542.72
Less: current liabilities	654,297,556.68	447,842,863.65
Total assets less current liabilities	<u>794,051,861.27</u>	<u>660,117,679.07</u>

15. Contingent Liabilities

During the year, the Company had provided a guarantee amounting to RMB200,000,000 (2010: RMB0) in favour of a bank for Zhong Jian Zhi Kang Supply Chain Management Company Limited, a joint venture company of the Company, to obtain loan facilities. As at 31 December 2011, an amount of RMB171,614,768 (2010: nil) was utilized.

16. Subsequent material investments

As at the date of this announcement, the Directors has carried out the following material investments after the balance sheet date:

- (1) On 13 March 2012, the Company contributed additional capital of RMB25 million to Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, its wholly owned subsidiary, which has registered and paid up capital of RMB100 million after the increase of capital. This increase has been verified by 江蘇利安達興會計師事務所有限公司 and a capital verification report with the reference of Su Li An Da Yan Zi (2012) Di No.0032 was issued on 14 March 2012.
- (2) The Company and Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, its wholly owned subsidiary, jointly established 江蘇三寶信息技術有限公司 with a registered capital of RMB50 million. The first capital contribution of RMB10 million was made on 18 January 2012 and the second contribution of RMB40 million was made on 21 March 2012, of which RMB15 million was contributed by the Company, representing 30% of the registered capital and RMB35 million was contributed by Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, representing 70% of the registered capital. The above capital contributions have been verified by 江蘇利安達興會計師事務所有限公司 and the capital verification reports with the reference of Su Li An Da Yan Zi (2012) Di No.0005 and No.0035 were issued on 18 January 2012 and 21 March 2012 respectively.
- (3) Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, a wholly owned subsidiary of the Company, made the second and third capital contribution to Nanjing City Intelligent Traffic Co., Ltd. (南京城市智能交通有限公司), a subsidiary under its control, both for RMB26 million on 5 January 2012 and 12 March 2012 respectively. The registered and paid up capital of the company are RMB100 million after the contributions. Both capital contributions have been verified by 江蘇利安達興會計師事務所有限公司 and the capital verification reports with the reference of Su Li An Da Yan Zi (2012) Di No.0001 and No.0029 were issued on 5 January 2012 and 13 March 2012 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2011 was approximately RMB542,388,738, representing an increase of approximately 6.8% over last year. The increase was mainly attributable to the fact that the Group proactively promote the development of IOT business and proactively develop various businesses during the period under review.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2011 was approximately 39.6%, representing an increase of approximately 4.4% over last year. The increase was mainly attributable to the increase in the Group's bargaining power, decrease in purchase price and change in product mix during the period under review.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2011 was approximately RMB13,088,942, representing an increase of approximately 26.7% over last year. The increase was mainly attributable to the Group's proactively development of new markets.

General and Administrative Expenses

General and administrative expenses of the Group for the year ended 31 December 2011 was approximately RMB39,152,681, representing an increase of approximately 20.4% over last year. The increase was mainly attributable to the increase in investment on research and development during the period under review.

Net Profit Attributable to shareholders of the Company

For the year ended 31 December 2011, the Group recorded a net profit attributable to shareholders of the Company of approximately RMB146,054,063, representing an increase of 31% over last year. The increase was mainly attributable to the increase in overall gross profit and increase in investment gain from Zhong Jian Zhi Kang Supply Chain Company Limited.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2011, the equity of the Company's shareholders was approximately RMB784,722,435. Current assets were approximately RMB1,149,433,840, comprising cash and bank balances of approximately RMB457,625,078. Non-current liabilities were approximately RMB1,602,503. Current liabilities were approximately RMB654,297,556.68, mainly comprising trade and other payables and receipts in advance, short-term bank loans, other loans payable and tax payable. Net assets per share

of the Group was approximately RMB3.54 (31 December 2010: RMB2.94). As at 31 December 2011, the short-term bank loans of the Group were RMB286,300,000.

PLEDGE OF ASSETS

As at 31 December 2011, bank deposits of RMB72,575,000 were pledged to the bank for projects in progress (2010: RMB15,216,000).

GEARING RATIO

For the year ended 31 December 2011, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2010: 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

On 12 August 2011, the Company has entered into the agreements with 南京三寶科技集團有限公司 (Nanjing Sample Technology Group Co. Ltd.), a substantial shareholder of the Company for the acquisition of a land use right of a piece of land situated in 馬群科技園 (Maqun Technology Park), Qixia District, Nanjing City, Jiangsu Province of the PRC and a building erected on this land at a total consideration of RMB16,835,400.

On 18 October 2011, the Company's wholly owned subsidiary, Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited entered into the Agreement with the Nanjing Kang Da Lai Electronic Technology Co., Ltd. to acquire 65% equity interests of the Nanjing City Intelligent Transportation Co., Ltd. The consideration was RMB14,350,000.

On 19 December 2011, the Company, Nanjing Pharmaceutical Company Limited ("Nanjing Pharmaceutical") and Zhong Jian Zhi Kang Supply Chain Management Company Limited (the "JV Company") entered into a capital injection agreement. Under the Agreement, each of the Company and Nanjing Pharmaceutical will contribute RMB100,000,000 to the registered capital of the JV Company. The capital injection was completed on 26 December 2011.

Save as disclosed, the Group did not have any other material acquisition and material investment during the period under review.

CAPITAL COMMITMENT

As at 31 December 2011, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2011, the Company had provided a financial guarantee in favour of Bank of Jiangsu Company Limited (江蘇銀行股份有限公司) for Zhong Jian Zhi Kang Supply Chain Management Company Limited* (中健之康供應鏈服務有限責任公司) (the “JV Company”), a joint venture company, to obtain loan facilities for an amount of RMB200,000,000 (RMB171,614,768 was utilized) from the Bank. Save as disclosed, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, total employees’ remuneration of the Group was approximately RMB29,080,000 (2010: RMB20,068,000) and the number of employees was 368 (2010: 353). 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, the Group inherited the qualification, client resources, series products and other high quality assets in the field of intelligent transportation science and technology, established and improved the transportation science and technology high-definition monitor products line, and provided a full set of application system solutions. During the period under review, the Group successfully won the bid for Nanjing intelligent transportation foundation platform construction project, undertook and actively carried out the implementation works for the first phase of environment protection E-card base station and intelligent foundation platform construction projects. During the period under review, the Group has undertaken and actively carried out the Nanjing 3·20 project issued for motor vehicles during the year. The 3·20 project was based on road monitoring, integrated video surveillance, positioning system and other resources, abounded in the content of intelligence platform, aiming at construction of command scheduling comprehensive platform relying on the police geographic information system (“PGIS”), so as to meet the needs of practical situations for horizontal command of level 3 command police response systems, major cases, incidents, disasters and accidents, vertically and horizontally patrolling and visiting. The implementation of the project greatly improved the level of management and security control of the public safety organs, leading the reform and innovation in mechanism concerning police affairs.

Customs Logistic Monitoring Sector

During the period under review, the Group cooperated with Nanjing Custom to jointly promote the internet of things (“IOT”) application in customs, and carried out pilot trial of the good items with intellectual property rights and bonded goods; we cooperated with the data center, improved the

credibility and safety of the data collected through the application of CA. Meanwhile, the Group achieved progress in such projects as storage platform business, real-time acquisition of vessel information, dock yard information 3D simulation and video linkage technology, which greatly enriched and expanded the Company's product line and business scopes.

During the period under review, the national standards for secure intelligent lock was jointly drafted by the Group and General Administration of Customs, and have already been evaluated and approved by Technical Examination of National Standards Committee. The intelligent secured lock was integrated into the application in various projects such as the zone-port interaction of Fuzhou Bonded Port, Suzhou Industrial Park and Zhengzhou Airport.

During the period under review, the Group made remarkable achievements in the logistics platform construction. The Fuzhou Bonded Port platform project has passed the final inspection by eleven Ministries under the State Council in December and entered into trial running. The project of Dalian logistics monitoring platform has completed its research and development works for newly changed requirements, and was connected with 25 sites of Dalian Customs Surveillance Zones and realized the true ideas of customs logistics regulation. XinShengWei intelligent command center has already smoothly passed the first stage of inspection, mainly realized the supervised visualization at many supervision places in XinShengWei Customs and the functions of vessel freight management in the customs. The research and development ("R&D") works for the Xiamen Haicang Bonded Port have been completed, and run stably at present. It is expected that the acceptance check will be completed in March 2012. The intranet systems for Nanjing Stations have realized the access to 16 sites, namely XinShengWei, Zhangjiagang, Lianyungang, Nantong Zhenjiang and Wuxi, etc, and were in the period of operation promotion. As for the project "Unified Logistics Monitoring Platform in Customs Surveillance Zones", a personalized and flexible configuration in the business process of Customs Surveillance Zones, it is expected that the product release will be completed by the end of February 2012.

Expressway Monitoring Sector

During the period under review, the Group actively promoted its businesses in the highway software market, and realized the extension of the market for existing customers and exploration of new market. Meanwhile, the Group continued to increase the expansion of direct customer resources, and focused on strategic cooperation within the industry, which improved the ability of coordinated operations with partners in the bidding process. The Group has established its marketing system center based on key projects, implemented authorization management by project area. Taking the provinces such as Jiangsu, Hebei, Sichuan, Zhejiang, Guangxi, Guangdong, Shanxi as its key regions, the Group successfully won contracts for projects like the mechanical and electrical engineering for coastal Expressway from Cangzhou Qikou to Haifeng, the Hangzhou-An Cheng section in Zhejiang Hangchang Expressway, reconstruction projects for 83 provincial Expressways in Zhejiang from Linhai to Duqiao, mechanical and electrical engineering projects for Guangyuan-Nanchong Expressway in Sichuan province, communication toll collection and monitoring system for the Fourth Nanjing Yangtze River Bridge, and proactively expand its business to other areas, therefore, the breadth and depth of market resources can be improved significantly. During the period under review, the Group actively implemented various significant electrical and mechanical engineering projects including the Fourth Bridge in Nanjing, the Sichuan Guangyuan-Nanchong project, Coastal Expressway in Hebei Cangzhou, projects in Yagu, Sichuan, the southern part of Tianjin Haibin Thoroughfare, Langfang section project in Langfang.

Heibei, in which both the Sichuan Guangyuan-Nanchong project and Hebei Cangzhou project were completed and opened for operation, the project in Yagu, Sichuan has been completed and open for traffic, which will soon be handed over for acceptance and perform final account audit.

RFID and Other Sector

With further development of the IOT industry, the Group continued to strengthen its technological innovation during the period under review, starting thorough exploration in new business models from innovation in systems, products and market modes. For system innovation, the Group completed R&D and preliminary implementation of free flow radio frequency identification (“RFID”) system, intelligent parking system and commodity credit platform system, etc; for product innovation, the Group completed the formulation of a number of test specifications such as paste technology, stability and adaptability for motor vehicle environmental IC card label, and also formulated the specifications for installation and testing of readers; for market mode innovation, the Group put forward the idea of maximizing the labelling agent so as to reduce costs and build up foundation for scale application in IOT industry.

During the period under review, Zhong Jian Zhi Kang Supply Chain Service Company Limited* (中健之康供應鏈有限責任公司) (“Zhong Jian Zhi Kang”) realized the mobilization and reasonable allocation of its advantageous resources, set up the “supply chain management plus e-commerce” business model and implemented the synergic procurement project and established corresponding project organization management system, which provided strong support for innovation in the financial service system of the supply chain. Meanwhile, Zhong Jian Zhi Kang has changed its business format through information construction by altering the way of placing orders and conducting trade from offline to online e-commerce, developed and displayed its online exhibition platform. The first phase online services platform launched by Zhong Jian Zhi Kang in the mainly incorporated services for exhibition management (organization of drug purchasing fair), online negotiation (direct communication channel between suppliers and end customers) and commodity order placing (order placing behaviors and order management of the drug purchasing fair).

Research and Development

During the period under review, the Group increased its investment in science and technology innovation, improved and pushed forward steadily for building the system of science and technology innovation, speed up the study on the business model of IOT industry, and promoted the innovation, integration, commercialization of the software R&D platform. During the period under review, the Group undertook and researched and developed series of industrial projects concerning IOT, including construction and plan of the commodity credit platform, PaaS (Platform-as-a-Service) platform, R&D of core products in cloud storage, vehicle identification system for multi-lanes, trial production and demonstrating application of safe intelligent lock and car linked intelligent equipments etc.

PROSPECTS

RESEARCH AND DEVELOPMENT

In 2012, the Group will continue to increase the investment in science and technology, strengthen the foundation ability of science and technology, create an environment for science and technology advancement, so as to attract more talents, especially the talents who have the required academic affairment, and also formulate policies on future revenue for products or use of venture capital, implement market mechanism and encourage innovation practice. Innovation in science and technology included platform development, new product R&D, prospective research and supporting foundation, specially included development of application of machine vision cloud service, R&D for car networking unit, R&D for origin of commodity unit, commercialization of electronic lock, commercialization of turnover box, commercialization of mini reader and writer, commercialization of vehicle identification device for multi-lanes, R&D for integration of RFID and sensor and improvement of R&D management platform, etc.

SALES AND MARKETING

Integrated businesses

In 2012, the Group will comprehensively track and participate in the second phase of the planning and construction of Gold Gate Customs. Through the application and intelligence analysis development of IOT, we will actively conduct the large scale construction of intelligent command center and logistic monitoring, carry out the strategic layout for the future customs business; Through technology innovation, we will strengthen our core competitiveness and upgrade our existing business so as to double our growth; we will cooperate with professional peer companies by means of merger or deep cooperation to broaden our business models; we will strengthen construction of service brand for promoting the depth and reputation of customer services steadily.

In 2012, the Group will leverage on the advantage in funding, qualification and resources to realize the innovation and transformation in the traditional business management model, cooperate with government to promote the model, legal results and technology solutions, thereby form the technical protection city program with the industry leading level, boost our technological strength for implementation of technology financial project; we will continue to lay the highest stress on marketing, strengthen the ability of business expansion, emphasis on development of first hand customer resources, and value the strategic cooperation in the industry; as for the new business sector, we will broaden the acquisition channels of projects by making full use of the technology and financial measures, so as to increase profit margins of the projects; we will continue to prepare well in quality and efficiency for bidding and tendering documents, and to raise the level of project management and enhance the capacity of project implementation.

In 2012, the Group will seize the opportunities arising from the market and state policies, increase our market share so as to further enhance our core competitiveness, and strengthen the impact on the industry; we will seize the key markets, resources and projects for unified operation to ensure the projects will be acquired and implemented in high quality; we will pay much attention on after sales services, intensify customer service awareness and gain further reputation in the industry.

Product supply

In 2012, the Group will actively cooperate with system integrators and distributors in other industries based on the original marketing mode and channel. We will supply the Nanjing intelligence transportation equipments and labels with self-owned products and promote IOT technologies products, strive to achieve new sales growth based on the main products of self-owned ultra high frequency (“UHF”) reader; Meanwhile, we will focus on building the IOT product trade platform which aims at the layout strategic of IOT so as to effect in the promotion of application of relevant IOT. The specific measures include: focus on target commodity and reduce the labelling cost to its lowest possible level; carry out the R&D of RFID and enrich the Company’s IOT technical product line and with more promotional support develop the product system for IOT technical products at consumption level, further improve the whole structure, functionality and performance of the IOT product system so as to fully present the Company’s core competitiveness and price advantages of its technical products when promoting the implementation of intelligence traffic model and IOT environmental application in future.

Information services

In 2012, the Group will further carry out the construction of technical platform, build up certain platform systems including supporting platform for operation, internet portal display platform and vehicle-mounted collection platform. Meanwhile, the Group will actively carry out certain operation services including real time traffic, parking, electronic medical records and expansion services of vehicle cards, etc.

In 2012, the Group will actively create the supply chain service network, exploiting areas for sustainable development, and actively develop the business models for cooperative procurement and synergic marketing; we will set up the business operation system integrating purchase and sale processes, put forward the classification management among suppliers and products, improve the procurement and settlement rules and make innovation in channel management services so as to raise fully its level of business; we will make great effort to develop electronic business, try to achieve business transformation to form the networking of offline business, and vertical search of supply chain service platform and industry; we will consolidate and deepen the results for electronic ordering and online display trading platform.

Proposed Issue of A Shares

On 18 October 2011, the Company announced that the Company will apply with to the relevant regulatory departments in PRC in accordance with the PRC laws and regulations, and subject to other regulatory requirements, for the issue of not more than 73,900,000 A shares of RMB1.00 per share to the natural persons, legal persons and other institutional investors (other than those who were prohibited from subscribing for A shares pursuant to the relevant PRC laws, regulations and other regulatory requirements) with A share accounts at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and will apply to the Shenzhen Stock Exchange for the listing of and dealing in those A shares. The proposed issue of A shares has been approved at the extraordinary general meeting of the Company (“EGM”) and at the class meeting for holders of H shares and domestic shares held on 30 December 2011, with effect for 12 months starting from 30 December 2011. As at the

date of this announcement, the Company has not yet formally submitted the application to the China Securities Regulatory Commission (“CSRC”) for the approval of the proposed issue of A shares. Further announcement will be made by the Company as necessary or appropriate to notify the shareholders and potential investors of the Company in respect of the progress of the issue of A shares.

Change of the Company’s auditor

At the EGM held on 30 December 2011, a resolution has been passed to remove the Company’s auditor, BDO Limited, and appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the Company’s auditor. BDO China Shu Lun Pan Certified Public Accountants LLP was only appointed as the auditor to perform the audit work on the Company’s financial statements for the year ended 31 December 2011 in accordance with the PRC auditing standards, with its term starting from the date on which the resolution was passed at the EGM to the date on which the next annual general meeting will be held. The resigned auditor, BDO Limited confirmed that, there was no matter that needed to be brought to the attention of the shareholders. The Board was further authorized at the EGM to determine the remuneration of BDO China Shu Lun Pan Certified Public Accountants LLP by reference to the market conditions and upon mutual consents of the parties.

Reconciliations of HKAS and PRC accounting standards

In 2009, the Company acquired a portion of interests in Nanjing Sample Logistic Company Limited, resulting in a difference in investment amounting to RMB1,343,837.42. The original financial statements recognized the amount as current revenue according to the HKAS, which should be recognized as capital reserve according to PRC accounting standards. Retrospective adjustments was therefore made during the period, leading to a reduction in net profit of RMB1,343,837.42 for the year 2009 as well as in undistributed profit of RMB1,343,837.42 at the beginning of the period, and an increase in capital reserve of RMB1,343,837.42.

As PRC accounting standards were adopted during the year, the Group has reclassified certain items in the financial statements for the previous year to facilitate the corresponding comparison of the accounting items.

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 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. 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. Shum Shing Kei (the Chairman of the audit committee), Mr. Xu Suming and Mr. Li Haifeng. 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 THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2011 have been agreed by the Group’s auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regards did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

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

Recently, the Company has intended to acquire partial interests in 南京市信息化投資控股有限公司 (the “Proposed Acquisition”). 南京市信息化投資控股有限公司 is a state-owned company engaging in informationalization construction and services business. The Proposed Acquisition facilitates the Company to develop information operation, which benefits the Company’s financial position and operation result in future, so does its long-term development. As both parties are still in negotiation and no agreement has been signed, the Proposed Acquisition may or may not be proceeded. If the Proposed Acquisition is successfully finalized, it will constitute a connected transaction of the Company. The Company will further disclose the details in accordance with relevant Listing Rules and comply with the requirements of relevant Listing Rules.

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 2011.

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 2011 of RMB0.1 per share subject to the approval by shareholders at the forthcoming annual general meeting. Dividend will be payable on or about 27 August 2012 to shareholders whose names appear on the register of members on 25 May 2012.

The Register of Members of the Company will be closed from 25 April 2012 to 25 May 2012 (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 4:00 p.m. on 24 April 2012.

PUBLICATION OF ANNUAL REPORT

The 2011 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
22 March 2012

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. Xu Suming, Mr. Li Haifeng and Mr. Shum Shing Kei.

* *For identification purpose only*