



AMPLE

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)



2005

THIRD QUARTERLY REPORT

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of NANJING SAMPLE TECHNOLOGY COMPANY LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

** For identification purpose only*

Contents

2	Financial Highlight
3	Condensed Consolidated Income Statement
4	Notes to the Third Quarterly Results
9	Management Discussion and Analysis
11	Other Information

Financial Highlight

The turnover of the Group for the nine months ended 30 September 2005 (the "Review Period") amounted to approximately RMB49,920,000, representing a growth of approximately 5.06% as compared to the corresponding period of last year.

The net profit for the nine months ended 30 September 2005 was approximately RMB15,215,000, representing an increase of approximately 29.91% as compared to the corresponding period of last year.

The earnings per share was approximately RMB23.59 cents.

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005.

The management of the Group will apply a scrupulous management style and investment strategy in order to bring a long term and stable flow of income to the Group.

Condensed Consolidated Income Statement

The board (the “Board”) of Directors of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and the three months ended 30 September 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2005 <i>RMB'000</i> <i>(unaudited)</i>	2004 <i>RMB'000</i> <i>(unaudited)</i>	2005 <i>RMB'000</i> <i>(unaudited)</i>	2004 <i>RMB'000</i> <i>(unaudited)</i>
Turnover	4	49,920	47,515	18,525	16,178
Cost of sales		(22,026)	(24,501)	(10,788)	(9,175)
Gross profit		27,894	23,014	7,737	7,003
Other operating income		7,840	6,179	2,367	2,413
Marketing and promotional expenses		(4,975)	(6,762)	(1,610)	(2,983)
Administrative expenses		(11,822)	(8,192)	(3,695)	(4,514)
Profit from operations	5	18,937	14,239	4,799	1,919
Interest on bank borrowings wholly repayable within five years		(1,873)	(850)	(640)	(217)
Profit before taxation		17,064	13,389	4,159	1,702
Taxation	6	(1,968)	(1,774)	—	(338)
Profit before minority interests		15,096	11,615	4,159	1,364
Minority interests		119	97	96	(1)
Net profit for the period		15,215	11,712	4,255	1,363
Dividends	7	—	—	—	—
Earnings per share — Basic	8	RMB23.59 cents	RMB22.05 cents	RMB6.60 cents	RMB2.11 cents

Notes to the Third Quarterly Results

1. BACKGROUND OF THE CORPORATION

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

The Company's H Shares have been listed on GEM of the Stock Exchange since 9 June 2004.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the results of operations and financial position.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2005 and 2004 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

Notes to the Third Quarterly Results

3. SEGMENTAL INFORMATION

Business segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from provision of video security system solutions. Accordingly, no detailed analysis of the Group's business segments are disclosed.

Geographical segments

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

4. TURNOVER

	Nine months ended 30 September		Three months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Provision of video security system solutions	49,920	47,002	18,525	16,019
Sales of related computer products	—	513	—	159
	49,920	47,515	18,525	16,178

Notes to the Third Quarterly Results

5. PROFIT FROM OPERATIONS

	Nine months ended 30 September		Three months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
The Group's profit from operations has been arrived at after charging:				
Amortisation of goodwill included in administrative expenses	67	100	—	33
Amortisation of technical know-how included in administrative expenses	—	1,050	—	350
Cost of inventories recognised as expenses	17,503	21,139	9,260	8,090
Depreciation and amortisation of property, plant and equipment	3,823	624	1,845	207
Operating lease rentals in respect of land and buildings	63	630	21	60
Directors' and supervisors' remuneration	342	637	114	212
Staff costs	5,308	5,267	1,980	1,959
And after crediting:				
Government grant	1,359	3,112	864	1,123
Interest income	539	64	134	38
PRC value added tax refunded	2,788	2,899	2,018	1,577

Notes to the Third Quarterly Results

6. TAXATION

	Nine months ended 30 September		Three months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
The charge comprises:				
PRC income tax	(1,968)	(1,774)	—	(338)
Deferred taxation	—	—	—	—
	(1,968)	(1,774)	—	(338)

PRC income tax is calculated at the rates prevailing under the relevant laws and regulations in the PRC.

The Company is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

The Company's subsidiaries are subject to a PRC income tax rate of 33%, except for Nanjing Golden Dragon Software Company Limited* (南京金龍軟件有限公司), being a qualified PRC software enterprise, which is entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC income tax for the following three years. This subsidiary is exempted from PRC income tax in 2002 and 2003 and entitled to 50% relief in 2004.

7. DIVIDENDS

The Board dose not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (2004 : Nil).

Notes to the Third Quarterly Results

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and nine months ended 30 September 2005 is based on the profit attributable to shareholders of respectively approximately RMB4,255,000 and RMB15,215,000 and on the weighted average number of 64,500,000 ordinary shares in issue for the periods.

The calculation of the basic earnings per share for the three months and nine months ended 30 September 2004 is based on the profit attributable to shareholders of respectively approximately RMB1,363,000 and RMB11,712,000 and on the weighted average number of 64,500,000 and 53,113,138 ordinary shares in issue respectively for the periods.

No diluted earnings per share have been presented for the three months and the nine months ended 30 September 2004 and 2005 as no potential dilution of ordinary shares was in existence during the relevant periods.

9. RESERVES

	Capital surplus	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	52,641	6,010	3,005	38,815	100,471
Payment of 2004 final dividend	—	—	—	(6,450)	(6,450)
Net profit for the period	—	—	—	15,215	15,215
At 30 September 2005	52,641	6,010	3,005	47,580	109,236
At 1 January 2004	—	3,904	1,952	23,969	29,825
Premium arising on issue of shares	66,280	—	—	—	66,280
Expenses incurred in connection with the issue of shares	(13,639)	—	—	—	(13,639)
Net profit for the period	—	—	—	11,712	11,712
At 30 September 2004	52,641	3,904	1,952	35,681	94,178

Management Discussion and Analysis

Financial Review

For the nine months ended 30 September 2005 (the “Review Period”), the turnover of the Group reached approximately RMB49,920,000, representing an increase of approximately 5.06% over that of the corresponding period of the previous year. The gross profit margin for the Review Period increased from 48.44% to 55.88%. The increase in gross profit margin was mainly related to completion of sales of software products relating to security system amounting to approximately RMB10,840,000 during the Review Period. The software products were developed and sold to customers on the existing technological establishment. The relating research expenses and staff cost have already charged to the income statements when incurred. Hence, it brought along with high profit margin to the Group.

For the nine months ended 30 September 2005, other operating income of the Group increased by 26.88% as compared with the corresponding period of the previous year. Although there was a decrease in government grant and refund of PRC value added tax of approximately RMB1,753,000 and RMB111,000 respectively, the Group sold software products other than security system amounting to approximately RMB3,000,000 during the Review Period. Finally, it led to an increase in the other operating income.

Marketing and promotional expenses increased by 26.43% as compared to the corresponding period of the previous year because of the relatively high spending in launching marketing campaigns in 2004. The administrative expenses increased from approximately RMB8,192,000 to approximately RMB11,822,000 as compared with the corresponding period of the previous year. The increase was attributed to the increase in depreciation charge on the Group's property and plant amounting to approximately RMB2,853,000 and payment of professional expenses after the listing of the Company approximately RMB1,000,000.

Business Review

During the Review Period, the Group continued to focus on the provision of video security system solutions in traffic monitoring and control sector and customs logistics system in the PRC. To create a favorable economic

Management Discussion and Analysis

environment, PRC provinces and cities are currently establishing “Safety Cities” (平安城市) and “Safety Avenues” (平安大道) to ensure social security and economic development; moreover, with the prosperous growth in import and export trading business in the PRC at present, the Customs department is seeking to implement comprehensive informationalisation and network technology to customs logistics monitoring and control, both creating enormous business opportunities for the Company.

As the markets of both video security system and customs logistics industry are still facing keen competition, which led to a decrease in the profit margin of the system solution market of the Group, the Group is consolidating its existing business, and looking for a more profitable operating model. Over the past quarters, the Group has constantly adopted cost control measures, the anticipated goal of which has been achieved in lowering the expenses of a number of businesses. The Group will continue with such measures while seeking other ways to further improve operational efficiency of the Group.

Prospect

A year has passed since the relocation of the Group to the Sample Science and Technology Park last September, with all aspects of its operations has been on the right track and moved in a favourable direction. The Group will continue to work towards the objectives of “specialization”, “business scale-up” and “commercialisation”. Product specialization: to launch Sample special video security system and customs logistics system solutions; business scale-up: to increase the overall profitability and the scale-up of the Group by conducting separate independent audit for its businesses; commercialisation: to enhance the reputation and market competitiveness of the Group by further liaising with local and overseas companies with strong business potentials.

In addition, the Group will further improve, optimize and upgrade the video security system and customs logistics system solutions, so as to further explore the market in the PRC and overseas and gain access to the upcoming business opportunities in order to accelerate business growth and development, as well as maximize the return to the shareholders.

Interests or Short Positions in the Share Capital of the Company and its Associated Corporations of the Directors, Supervisors and Chief Executive Officers

As at 30 September 2005, the interests or short position of the Directors, supervisors and chief executive officers of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions in shares of the Company:

Name of Director	Number of domestic shares	Nature of interest	Approximate percentage of the registered capital of the Company (%)
Sha Min	450,000	Beneficial owner	0.7

Note: As Du Yu is the spouse of Sha Min, Du Yu is deemed to be interested in 450,000 domestic shares held by Sha Min pursuant to Part XV of the SFO.

Other Information

Interests Discloseable under the SFO and Substantial Shareholders

So far to the knowledge of the Directors, as at 30 September 2005, the following persons (other than the Directors, supervisors or chief executive officers of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company:

Name of Shareholder	Number of domestic shares	Nature of interest	Approximate percentage of the registered capital of the Company (%)
Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) ("Sample Group") (Note 1)	19,650,000	Beneficial owner and corporate	30.47
Nanjing Zhongbei (Group) Company Limited* (南京中北(集團)股份有限公司) ("Nanjing Zhongbei")	12,000,000	Beneficial owner	18.60
Nanjing Huadong Electronics Information & Technology Company Limited* (南京華東電子信息科技股份有限公司) ("Huadong Technology")	12,000,000	Beneficial owner	18.60
Nanjing Huadong Electronics Group Company Limited* (南京華東電子集團股份有限公司) ("Huadong Electronics") (Note 2)	12,000,000	Corporate	18.60

Notes:

1. Sample Group directly holds 18,000,000 domestic shares and is also interested in 95.00% of the registered capital of Nanjing Sample Technology Commerce City Company Limited ("Sample Commerce City"), which in turn is directly interested in 1,650,000 domestic shares. Pursuant to Section 316 of the SFO, Sample Group is deemed to be interested in the 1,650,000 domestic shares held by Sample Commerce City.
2. Pursuant to section 316 of the SFO, Huadong Electronics is deemed to be interested in 12,000,000 domestic shares held by Huadong Technology, as Huadong Electronics is interested in 45.20% of registered capital of Huadong Technology.

Directors' and Supervisors' Interests in Underlying Shares by Derivatives

Save as disclosed above, as at 30 September 2005, none of the Directors or supervisors of the Company is authorised to subscribe any H shares of the Company. As at 30 September 2005, none of the Directors or supervisors of the Company or any of their spouses or children under eighteen years of age has any right to subscribe any H shares of the Company or has exercised any such right during the period.

Share Option Scheme

The shareholders of the Company conditionally adopted a share option scheme ("Share Option Scheme"), by a resolution dated 24 April 2004. As at 30 September 2005, no option(s) is granted under the Share Option Scheme.

Competing Business and Conflicts of Interest

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

Compliance Adviser's Interest

As at 30 September 2005, according to the notification of the compliance adviser of the Company, Core Pacific — Yamaichi Capital Limited ("CPY"), none of CPY, its directors, employees or associates (as defined in Note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or any of its subsidiaries, or had the right to subscribe or nominate others to subscribe the share capital of the Company or any of its subsidiaries.

Other Information

According to the agreement entered into by the Company and CPY on 2 June 2004, CPY acts as the compliance adviser of the Company for the period from 9 June 2004 to 31 December 2006 or until the agreement is terminated pursuant to the terms and conditions of the agreement and receives and will receive an agreed amount of fees for the services to be rendered in respect thereof.

Audit Committee

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

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

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

10 November 2005
Nanjing, the PRC

** for identification purpose only*