



# 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 : 8287

## Interim Report 2007



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*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

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# Financial Highlights

The turnover of the Group for the six months ended 30 June 2007 amounted to approximately RMB69,218,000, representing an increase of approximately 36.13% as compared to the corresponding period of last year.

The profit attributable to equity holders of the parent for the six months ended 30 June 2007 was approximately RMB28,602,000, representing an increase of approximately 88.0% as compared to the corresponding period of last year.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007.

# Financial Information

## INTERIM RESULTS

The board of Directors (the “Board”) of Nanjing Sample Technology Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 June 2007 together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	Six months ended 30 June		Three months ended 30 June	
		2007	2006	2007	2006
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Turnover	4	<b>69,218</b>	50,846	<b>41,692</b>	40,357
Cost of sales		<b>(24,772)</b>	(26,664)	<b>(11,157)</b>	(19,191)
Gross profit		<b>44,446</b>	24,182	<b>30,535</b>	21,166
Other income		<b>2,555</b>	3,539	<b>1,475</b>	1,851
Distribution costs		<b>(4,507)</b>	(3,191)	<b>(3,263)</b>	(2,039)
Administrative expenses		<b>(8,296)</b>	(6,490)	<b>(5,222)</b>	(3,968)
Finance costs	5	<b>(1,479)</b>	(1,301)	<b>(1,156)</b>	(668)
Profit before taxation		<b>32,719</b>	16,739	<b>22,369</b>	16,342
Income tax expenses	6	<b>(4,114)</b>	(1,167)	<b>(4,114)</b>	(1,124)
Profit for the period	7	<b>28,605</b>	15,572	<b>18,255</b>	15,218
Attributable to:					
Equity holders of the parent		<b>28,602</b>	15,214	<b>18,259</b>	14,833
Minority interests		<b>3</b>	358	<b>(4)</b>	385
Profit for the period		<b>28,605</b>	15,572	<b>18,255</b>	15,218
Earnings per share					
— Basic (RMB cents)	9	<b>44.34</b>	23.59	<b>28.31</b>	23.00

# Financial Information

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	54,076	57,896
Prepaid lease payments		6,794	6,869
Convertible note receivable		—	1,000
Deferred tax assets		891	891
		<b>61,761</b>	66,656
Current assets			
Inventories		6,066	3,280
Trade and other receivables	11	94,099	92,294
Prepaid lease payments		150	150
Amounts due from customers for contract works		77,034	31,127
Restricted bank deposits		361	361
Bank balances and cash		140,090	121,013
		<b>317,800</b>	248,225
Current liabilities			
Trade and other payables	12	69,669	29,135
Construction cost payables		309	1,978
Tax liabilities		3,990	6,780
Short-term bank loans		46,000	46,000
		<b>119,968</b>	83,893
Net current assets		<b>197,832</b>	164,332
Net assets		<b>259,593</b>	230,988
Capital and reserves			
Share capital	13	64,500	64,500
Reserves		193,768	165,166
Equity attributable to equity holders of the parent		<b>258,268</b>	229,666
Minority interests		1,325	1,322
Total equity		<b>259,593</b>	230,988

# Financial Information

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent							
	Share Capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Statutory		Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Minority	
			surplus	welfare			Total RMB'000 (Unaudited)	interests RMB'000 (Unaudited)
			reserve	reserve				
			RMB'000 (Unaudited)	RMB'000 (Unaudited)				
At 1 January 2007	64,500	52,641	17,601	—	94,924	229,666	1,322	230,988
Profit for the period	—	—	—	—	28,602	28,602	3	28,605
At 30 June 2007	64,500	52,641	17,601	—	123,526	258,268	1,325	259,593
At 1 January 2006	64,500	52,641	7,913	3,956	50,613	179,623	4,857	184,480
Net profit for the period	—	—	—	—	15,214	15,214	358	15,572
At 30 June 2006	64,500	52,641	7,913	3,956	65,827	194,837	5,215	200,052

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	22,371	(10,349)
Net cash outflow from investing activities	(1,815)	(54)
Net cash outflow from financing activities	(1,479)	(10,000)
Increase/(Decrease) in cash and cash equivalents	19,077	(20,403)
Cash and cash equivalents at the beginning of the period	121,013	140,265
Cash and cash equivalents at the end of the period	140,090	119,862

# Financial Information

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"). They are prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the six months ended 30 June 2007 and 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

### 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### 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.



# Financial Information

## 4. TURNOVER

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of video security system solutions	69,218	50,846	41,692	40,357

## 5. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	1,479	1,301	1,156	668

## 6. INCOME TAX EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The charge comprises:				
PRC income tax	4,114	1,167	4,114	1,124

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

The Company is recognized 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%.

# Financial Information

## 7. PROFIT FOR THE PERIOD

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The Group's profit from operations has been arrived at after charging:				
Cost of inventories recognized as expenses	16,380	20,925	6,115	14,298
Depreciation and amortization of property, plant and equipment	2,692	1,809	1,198	822
Operating lease rentals in respect of land right and buildings	57	50	38	12
Staff costs (including Directors' remuneration)	5,350	3,805	3,294	2,173
And after crediting:				
Government grant	—	500	—	—
Interest income	866	580	472	245
PRC value added tax refunded	1,071	1,093	175	482

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: NIL).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30 June 2007 is based on the profit attributable to equity holders of the parent of respectively approximately RMB18,259,000 and RMB28,602,000 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 six months ended 30 June 2006 is based on the profit attributable to equity holders of the parent of respectively approximately RMB14,833,000 and RMB15,214,000 and on the weighted average number of 64,500,000 ordinary shares in issue for the periods.

No diluted earnings per share have been presented for the six months ended 30 June 2007 and 2006 as no potential dilution of ordinary shares was in existence during the relevant periods.

# Financial Information

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB2,025,000 and RMB656,000 for the acquisition of property, plant and equipment and additions to construction in progress respectively.

## 11. TRADE AND OTHER RECEIVABLES

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade receivables	36,146	73,066
Other receivables	43,272	5,079
Prepayments to suppliers	15,889	15,357
	95,307	93,502
Less: accumulated impairments	(1,208)	(1,208)
	94,099	92,294

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.

The fair value of the Group's trade and other receivables at the balance sheet date, determined based on the present value of the estimated cash flows discounted at the prevailing market rate at the balance sheet date, approximates to their corresponding carrying amounts.

The following is an aged analysis of trade receivables net of impairment losses:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Age		
0 to 90 days	6,441	49,905
91 to 180 days	1,953	2,195
181 to 365 days	12,104	7,517
1 to 2 years	14,461	12,262
	34,959	71,879

# Financial Information

## 12. TRADE AND OTHER PAYABLES

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade payables	14,237	14,899
Other payables	55,432	14,236
	69,669	29,135

The following is an aged analysis of trade payables

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Age		
0 to 90 days	6,842	7,078
91 to 180 days	1,448	3,973
180 to 365 days	3,066	2,042
1-2 years	1,614	731
Over 2 years	1,267	1,075
	14,237	14,899

## 13. SHARE CAPITAL

	Number of shares		Amount	
	At 30 June 2007 '000	At 31 December 2006 '000	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Registered issued and fully paid:				
Domestic shares with				
par value of RMB1.00 each	44,100	44,100	44,100	44,100
H shares with per value of				
RMB1.00 each	20,400	20,400	20,400	20,400
	64,500	64,500	64,500	64,500

# Financial Information

During the period, the Board proposed a bonus issue ("Bonus Issue") and a capitalization issue ("Capitalization Issue") to the shareholders of H shares and domestic shares on the basis of (i) fifteen Bonus Shares for every ten H shares and for every ten domestic shares in issue and (ii) five capitalization shares for every ten H shares and for every ten domestic shares in issue on 25 August 2007. The Bonus Shares and Capitalization Shares to be issued pursuant to the Bonus Issue and Capitalization Issue respectively will be credited as fully paid by way of capitalization of the Company's retained earning account and share premium account respectively.

The Bonus Issue and the Capitalization Issue are conditional upon (a) the passing of a special resolution by the shareholders at the EGM to approve the proposed Bonus Issue and Capitalization Issue; (b) the passing of a special resolution by the holders of H shares and domestic shares at the class meetings to approve the proposed Bonus Issue and Capitalization Issue; and (c) the Listing Committee of Stock Exchange granting the listing of, and permission to deal in, the Bonus H shares and the Capitalization H shares pursuant to the Bonus Issue and the Capitalization Issue respectively.

## **14. RESERVES**

Movements of the reserves for the six months ended 30 June 2007 and 2006 are shown in the condensed consolidated statement of changes in equity.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### TURNOVER

For the six months ended 30 June 2007 (the “Review Period”), the turnover of the Group reached approximately RMB69,218,000, representing an increase of approximately 36.13% over that of the corresponding period of last year. The growth was mainly attributable to the continuous increase in sales of Intelligence Police Inspection System and Customs Logistics Monitoring System in the Review Period. During the Review Period, the Group has completed sales of customs centralized monitoring system in Dalian Protective Tariff Port Area of approximately RMB26,081,000.

### GROSS PROFIT

The gross profit margin for the Review Period increased by 16.65% to 64.21% as compared with the corresponding period of last year. Following the trend in the first quarter, the increase in gross profit margin was mainly due to the change in the Group's sales mix to concentrate more on sales of software system products and led to achievement of higher profit margin.

### DISTRIBUTION COSTS

Distribution costs led an increase of 41.24% as compared with the corresponding period of last year. The increase was in line with the increase in turnover during the Review Period. The percentage of distribution costs to turnover maintained at 6.51% as compared to 6.28% of the corresponding period of last year.

### ADMINISTRATIVE EXPENSES

The administrative expenses increased from approximately RMB6,490,000 to approximately RMB8,296,000 in the corresponding period of last year. The increase was mainly constituted from increase in research and development expenses especially in custom logistics sector.

# Management Discussion and Analysis

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopted stringent financial management policies and maintained a healthy financial condition. The net current assets as at 30 June 2007 was approximately RMB197,832,000 (At 31 December 2006: approximately RMB164,332,000).

As at 30 June 2007, the cash on hand and bank deposits of the Group amounted to approximately RMB140,090,000 (At 31 December 2006: approximately RMB121,013,000).

## **CAPITAL STRUCTURE**

As at 30 June 2007, the total bank borrowings of the Group was RMB46,000,000 (At 31 December 2006: RMB46,000,000) with fixed annual interest rates ranging from 5.73% to 5.49%, which are repayable within one year.

## **PLEDGE OF ASSETS OF THE GROUP**

As at 30 June 2007, the short-term bank borrowings of RMB46,000,000 were unsecured.

## **EMPLOYEES**

As at 30 June 2007, the Group has an aggregate of 238 employees. During the Review period, the staff costs (including directors' and supervisors' remuneration) was approximately RMB5,350,000 (corresponding period of 2006: approximately RMB3,805,000).

The salary and bonus policy of the Group is principally determined by the performance of the individual employee.

## **GEARING RATIO**

The gearing ratio (calculated at total debts divided by total assets) of the Group as at 30 June 2006 was approximately 12.12% (At 31 December 2006: 14.61%).

# Management Discussion and Analysis

## **RISK IN FOREIGN EXCHANGE**

The revenue and expenses of the Group were denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant.

## **SIGNIFICANT INVESTMENT HELD**

The Group did not have significant investment held as at 30 June 2007.

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Review Period, no material acquisition or disposal of subsidiaries and associated companies was entered by the Group.

## **FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET**

As at the date of this report, the Group has not executed any agreement in respect of proposed acquisition and did not have any other future plan of material investment or capital asset.

## **CONTINGENT LIABILITIES**

As at 30 June 2007, the Group did not have any material contingent liabilities.

## **BUSINESS REVIEW AND PROSPECT**

At present, public security in China is paying more attention to introducing the scientific and technological products in its routine operations, in order to improve the control of social security and road traffic, resulting in greater demand for products from the whole industry. In the mean time, there are more new players entering into this industry, leading fiercer competition. For this reason, in order to secure the leading position in the industry, the Company continued to place greater input in technology, launch various systematic products that satisfy the demands of consumers according to market demand. The Company also continued to update the existing systems, resulting in great improvement in terms of quality and performance. The Company is improving and growing in the face of competition.



# Management Discussion and Analysis

The Company launched “Intelligence Police Inspection” System. Such systems are currently under construction in various cities in the province. The systems which are currently in use are posing an enormous and positive impact on society and get favorable comments from their operators. Outside the province, the Company also began to upgrade and transform the existing systems as Intelligence Police Inspection System and utilize the newly developed video streaming identification technology in those updated systems, greatly improving identification rate of the system. The system received the high praise of operators and experts. This technology will be fully used in system construction in the future.

The Company not only put out new technologies and new products constantly, but also paid great attention to the formulation of the industry standard. The Company and related sectors researched to make the systematic platform standard for Intelligence Police Inspection System; on the other hand, the Company is actively participating in Ministry of Public Security’s making “the general technological conditions for the vehicle license plate automatic identification, comparison and inspection system” which is a State standard and is intended to be launched in October of 2007. The Company continued to consolidate its leading position in the industry and expand its market share.

In the first half of 2007, the Company researched and developed its proprietary 3.0 edition of the centralized monitoring system , separating operation monitoring from equipment monitoring. Such system has been finished 80%. The Company signed the formal cooperative operation contract with customs of Huangpu, jointly establishing electronic license plate operation project. Meanwhile, the Company have already launched the electronic license plate project in Dalian Port and finished the preliminary phase of the project in Lianyun Harbor. The Company undertakes to build “Daiyao Bay Protective Tariff Port Area Intelligence Card Construction” and “Daiyao Bay Protective Tariff Port Area Customs Control Platform” in Daiyao Bay Protective Tariff Port Area, Dalian, providing strong technological support to consolidate the policy advantage, function advantage and position advantage for protective tariff Area, export of processed goods and port area in Daiyao Bay Protective Tariff Port, as well as optimize customs control system, indicating that the Company has accumulated in-depth experience for customs logistics control aspects.

# Management Discussion and Analysis

The Company has basically established the structure framework and software framework on which to build logistics information service platform, completed design for the sub-website of electronic license plate sector of logistics information service platform, commenced the software development of electronic license plate sector and the building-up of website, determined the new electronic license plate data format, securing the compatibility and expandability. It is estimated that operations will be further divided during the second half year, including the establishment of the software applied on the electronic license plate network, the function upgrade to electronic license plate network and provision of SaaS operation services to transport enterprises. Meanwhile, the Company researched and analyzed the existing logistics platforms throughout China, and negotiated with governments including Hangzhou and Ningbo regarding the cooperation to build logistics information platforms.

The Company speeded up the pace for construction of the system of customer service centre and made the customs transport and maintenance platform proposal which has already been approved by the senior officials of customs. Customer service centre system structure has been finished. It is estimated that the call centre will commence its operations in August and customer services will be further divided. The Company is committed to serving as promised and makes the system localized and has greater access to network.

Meanwhile, the Company will also launch the construction project of intelligence containers in the second half of this year, including the demonstration project equipment installation, fine-tune and test of electronic labels to containers in Chongqing Harbor; arrangement of demonstration project materials and information-based container project confirmation materials; information-based container project confirmed by Ministry of Information Industry; installation of electronic labels applied on fully intelligence containers for the General Customs Administration and compile the reading and writing standard; system equipment installation, fine-tune and label placing for Nanjing customs vehicle administration.

# Management Discussion and Analysis

## MARKET PROSPECT FOR THE NEW PRODUCTS

(Intelligence Police Inspection System) The Company developed the public security system catering for the actual business demand and takes the lead in launching Intelligence Police Inspection System in China. The system integrates the functions of information collection, data processing, remote and warning and on-site interception and becomes one of the important methods and tools used in the public security investigation on traffic laws violations, stolen automobiles, hit and run of traffic accidents and arresting the people for evading taxes, loans and debts (網上三逃人員). At present, the Company has established Intelligence Police Inspection System in various places within and outside the province. Moreover, it actively cooperates with the provincial public security department to create a unified system standard and promotes the system throughout China gradually.

(Video streaming identification technology) the Company has recently launched the automatic vehicle license plate identification device based on video streaming identification technology. The product has adopted the most advanced computerized visual technology and is able to make fast and real time identification of the vehicles in the video streaming. Besides improving the identification rate, it is highly efficient for maintenance and repair costs; therefore its market prospect is expected to be robust.

## Other Information

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

As at 30 June 2007, 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 June 2007, the following shareholders (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
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation* (江蘇世紀金牛科工貿實業有限公司) ("Century Golden Ox")	12,000,000	Beneficial owner	18.60
Active Gold Holding Limited ("Active Gold") (Note 2)	12,000,000	Beneficial owner	18.60

# Other Information

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. Subsequent to 30 June 2007, Active Gold acquired 4,515,000 domestic shares of the Company from Century Golden Ox. The transaction was completed on 19 July 2007. The approximate percentage of the registered capital of the Company held by Century Golden Ox and Active Gold became 11.60% and 25.60% respectively immediately after the transaction.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 30 June 2007, none of the Directors or supervisors of the Company is authorised to subscribe any H shares of the Company. As at 30 June 2007, 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 Review Period.

## SHARE OPTION SCHEME

The principle terms and conditions of the share option scheme ("Share Option Scheme"), which was conditionally approved by a resolution of the shareholders of the Company dated 24 April 2004, are set out in the section "Summary of the terms and conditions of Share Option Scheme" in Appendix VII to the Prospectus. As at 30 June 2007, no options is granted under the Share Option Scheme.

# Other Information

## COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the six months ended 30 June 2007.

## 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.

# Other Information

## CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2007, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## PURCHASE, REDEMPTION OR SALES 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 August 2007  
Nanjing, the PRC

\* for identification purpose only