



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

First Quarterly Report 2008

* for identification purpose only

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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 gazette 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.*

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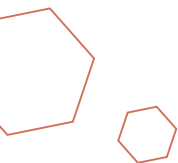


Financial Highlights

The turnover of the Group for the three months ended 31 March 2008 amounted to approximately RMB77,101,000, representing a dramatically increase of approximately 180.1% as compared to the corresponding period of last year.

The profit attributable to the equity holders of the parent for the three months ended 31 March 2008 was approximately RMB19,612,000, representing a substantial increase of approximately 89.36% as compared to the corresponding period of last year.

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008.



Financial Information

The board of Directors of the Company (the “Board”) would like to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

UNAUDITED THREE-MONTH RESULTS

	Notes	Three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Turnover	4	77,101	27,526
Cost of sales		(49,368)	(13,615)
Gross profit		27,733	13,911
Other operating income		1,159	1,080
Marketing and promotional expenses		(1,795)	(1,244)
Administrative expenses		(5,384)	(3,074)
Finance costs	5	(1,504)	(323)
Profit before tax		20,209	10,350
Income tax expense	6	(531)	—
Profit for the period	7	19,678	10,350
Attributable to:			
Equity holders of the parent		19,612	10,357
Minority interests		66	(7)
Net profit for the period		19,678	10,350
Earnings per share			
— Basic (RMB cents)	9	10.13	5.35



Financial Information

NOTES TO THE FIRST QUARTERLY RESULTS

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited) (the "Company") was established in the Mainland China (the "PRC") and was approved to be reorganised into a joint stock limited company on 28 December 2000. It is principally engaged in the provision of video security system solutions, sale of security system software and sales of related computer products. The addresses of the registered office and principal place of business of the Company are located at Room 103, Building No. 1, Ruan Jian Chuang Ye Zhong Xin, High Technology Development Region Qixia District, Nanjing City, Jiangsu Province, the PRC and No. 10 Maqun Avenue, Maqun Technology Park, Qixia District, Nanjing City, Jiangsu Province, the PRC, respectively.

The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 June 2004.

The books and records of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are maintained in Renminbi ("RMB"), the currency in which the majority of the Group's transactions is denominated.

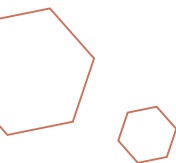


2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong with the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM.

In the current period, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years.



Financial Information

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 is 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

Turnover represents net proceeds received and receivable from the provision of video security system solutions.

5. FINANCE COSTS

	Three months ended	
	31 March 2008	2007
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	1,504	323



Financial Information

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
The charge comprises:		
PRC income tax	531	—

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%.

7. PROFIT FOR THE PERIOD

	Three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
The Group's profit for the period is arrived at after charging:		
Amount of inventory recognized as an expense	49,075	10,265
Research and development costs	381	884
Depreciation of property, plant and equipment	1,377	1,494
Operating lease rentals in respect of land use rights	169	38
Staff costs (including directors' emoluments)	1,564	2,056
and after crediting:		
Interest income	194	394
PRC value added tax refunded	—	896

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).



Financial Information

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2008 and 2007 is based on the profit attributable to equity holders of the parent approximately RMB19,612,000 and RMB10,357,000 respectively and on the weighted average number of 193,500,000 (2007: 193,500,000) ordinary shares in issue for the periods.

No diluted earnings per share has been presented for the three months ended 31 March 2008 and 2007 as no potential dilution of ordinary shares was in existence during the relevant periods.

10. RESERVES

	Attributable to equity holders of the parent					
	Share premium	Statutory surplus reserve	Retained profits	Total	Minority interests	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2008	20,391	25,332	80,527	126,250	1,443	127,693
Net profit for the period	—	—	19,612	19,612	66	19,678
At 31 March 2008	20,391	25,332	100,139	145,862	1,509	147,371
At 1 January 2007	52,641	17,601	94,924	165,166	1,322	166,488
Net profit for the period	—	—	10,357	10,357	(7)	10,350
At 31 March 2007	52,641	17,601	105,281	175,523	1,315	176,838



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

The Group's turnover for the three months ended 31 March 2008 (the "Review Period") amounted to approximately RMB77,101,000, representing a dramatically increase of approximately 180.1% as compared to the corresponding period of last year. The increase was mainly came from the contribution of 江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited), a newly acquired subsidiary.

Gross profit margin

The Group's gross profit margin of approximately 35.97% for the Review Period decreased by approximately 14.57% as compared with approximately 50.54% of the corresponding period of last year. The decrease was due to profit margin from 江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited) is lower than other companies of the Group.

Marketing and promotional expenses

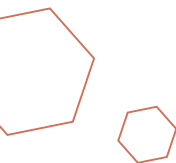
The marketing and promotional expenses to the turnover for the three months ended 31 March 2008 was 2.33%, decreased by approximately 2.19% as compared to approximately 4.52% in the corresponding period of last year. The decrease was mainly brought about by 江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited).

Administrative expenses

The Group's administrative expenses experienced an increase of 75.15% from approximately RMB3,074,000 of the corresponding period of last year to approximately RMB5,384,000 for the Review Period. The increase was mainly brought about by 江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited).

Net profit attributable to equity holders of the parent

Net profit attributable to the equity holders of the parent significant increased by approximately 89.36% from approximately RMB10,357,000 of the corresponding period of last year to approximately RMB19,612,000 for the Review Period.





Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Traffic Sector

With the development of technology, the players in the traffic monitoring industry in the PRC have unanimously recognised that high definition, high DPI and high recognition rate are the technological development trend in the industry. Besides, the technical requirements and specifications of these '3Hs' have also been taken into consideration as the relevant standards of the PRC. The Group has kept track of the development trend of the industry since the beginning of last year, products such as high-definition customs gate, high-definition ePolice and video high recognition rate ePolice were developed during the Review Period. These products were well accepted by the market and significant market share was also gained, whereby new momentum was injected into the Group in the area of traffic monitoring, making it well positioned to benefit from the re-division and re-integration of the market.








Logistics Sector

During the Review Period, the Group promoted standardised workflow for management and actively expanded the development of workflow, including the pricing of constructions, business procurement and internal monitoring of projects, of which the Xiamen Project was highly complimented upon inspection. Discussions with the Department for Supervision and Administration of the General Customs Administration were conducted and conclusion was drawn for the early stages in respect of the routine maintenance of the customs gate for the general integration projects, whilst the arrangements for the coming stages were also made. In addition, operation projects have commenced, of which the electronic customs lock in the logistics park of Zhangjiagang Win Hanverky Terminal has been operating normally. Meanwhile, the Group has continuously improved its after-sales service system by maintaining the provision of routine after-sales services, managing and controlling the service quality at all maintenance depots and centers throughout the country.

Highway Sector

During the Review Period, the Group successfully bid for the electrical and mechanical project of the highway connecting Anyang and Nanle in Henan and the project of communication pipeline engineering underneath Liuguan highway in Anhui; the electrical and mechanical engineering of the highway connecting Jincheng and Jiyuan in Shanxi were also in full swing; the project of communication pipeline engineering underneath the highway connecting Shuifu and Maliu Bay in Yunnan has entered the stage of inspection and delivered excellent results.



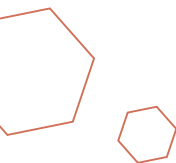


Management Discussion and Analysis

During the year, the Group will rely on its own strengths and resources to increase its market share of highway electrical and mechanical works, further promote the applications of the internet unitoll management system for open toll stations at provincial, municipal, county levels and the software for traffic industry.

RFID Sector

Currently, the growth of the RFID industry, especially the area of UHF RFID, is relatively slow. The core customers in the RFID industry are those engaging in local traffic management. Owing to the price competition among various small companies in the market, fierce competition is common. Therefore, the Group has focused on the provision of parking services and launched different ranges of products with the aim of widening the price gap and differentiating itself from other competitors, and satisfactory results were achieved during the Review Period. The Group plans to launch a free training programme for entire year commencing in April, one session per month, active preparation is currently under way.



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 31 March 2008, the interests or short positions 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 interests	Approximate percentage of the registered capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.7

Note: As Du Yu (杜予) is the spouse of Sha Min, Du Yu is deemed to be interested in 1,350,000 domestic shares held by Sha Min pursuant to Part XV of the SFO.



Other Information

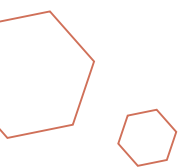
INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far to the knowledge of the Directors, as at 31 March 2008, 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 Shareholders	Number of domestic shares	Nature of interests	Approximate percentage of the registered capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note)	58,950,000	Beneficial and corporate	30.47
Jiang Su Century Golden Ox Technology & Industry & Trade Corporation	22,455,000	Beneficial	11.60
Active Gold Holding Limited	49,545,000	Beneficial and corporate	25.60

Note: Sample Group directly holds 54,000,000 domestic shares and is also interested in 95.00% of the registered capital of Nanjing Sample Technology Commerce City Company Limited (南京三寶科技商城有限公司) ("Sample Commerce City"), which in turn is directly interested in 4,950,000 Domestic Shares. Pursuant to section 316 of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Commerce City.






Other Information

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 March 2008, none of the Directors or supervisors of the Company is authorised to subscribe any H shares of the Company. As at 31 March 2008, 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








A share option scheme ("Share Option Scheme") was conditionally adopted by a resolution of the shareholders of the Company on 24 April 2004. As at 31 March 2008, none of the options 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.

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

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

9 May 2008
Nanjing, the PRC

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

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