



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

Third Quarterly Report 2008

* for identification purpose only

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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.*

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Financial Highlights

The turnover of the Group for the nine months ended 30 September 2008 (the “Review Period”) amounted to approximately RMB232,810,000, representing an increase of approximately 129.02% as compared to the corresponding period of last year.

The profit attributable to the equity holders of the parent for the nine months ended 30 September 2008 was approximately RMB74,080,000, representing an increase of approximately 75.51% as compared to the corresponding period of last year.

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008.



Financial Information

The board (the “Board”) of Directors of Nanjing Sample Technology Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2008 together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	4	232,810	101,657	60,606	32,439
Cost of sales		(132,558)	(35,817)	(37,446)	(11,045)
Gross profit		100,252	65,840	23,160	21,394
Other income		20,170	4,350	15,582	1,795
Distribution costs		(8,033)	(6,984)	(1,987)	(2,477)
Administrative expenses		(27,776)	(12,613)	(14,541)	(4,317)
Finance costs	5	(4,500)	(2,356)	(1,491)	(877)
Profit before taxation		80,113	48,237	20,723	15,518
Income tax expenses	6	(5,782)	(6,000)	(3,777)	(1,886)
Profit for the period	7	74,331	42,237	16,946	13,632
Attributable to:					
Equity holders of the parent		74,080	42,208	16,790	13,606
Minority interests		251	29	156	26
Profit for the period		74,331	42,237	16,946	13,632
Dividends	8	—	—	—	—
Earnings per share					
— Basic (RMB cents)	9	38.28	21.81	8.68	7.03



Financial Information

NOTES TO THE THIRD QUARTERLY RESULTS

1. BACKGROUND OF THE CORPORATION

Nanjing Sample Technology Company Limited (南京三寶科技股份有限公司) (the "Company") was established in the People's Republic of China (the "PRC") and was approved to be reorganised into a joint stock limited company on 28 December 2000. The Company and its subsidiaries (collectively referred to as the "Group") is a major developer and provider of video security system solutions in the PRC targeting on government authorities. Its system solutions are currently designed 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 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.

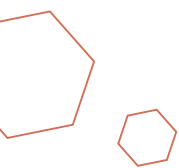
The Company's H Shares were listed on GEM of the Stock Exchange on 9 June 2004.

The books and records of the Group are maintained in Renminbi ("RMB"), the currency in which the majority of the Group's transactions is denominated.

2. BASIC OF PREPARATION

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

The condensed consolidated income 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"). The accounting policies adopted in preparing the condensed consolidated income statement for the nine months ended 30 September 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. The condensed consolidated income statements are unaudited but have been review by the Company audit committee.



Financial Information

3. SEGMENTAL INFORMATION

Business segments

Over 90% of the Group's turnover, 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 turnover was derived principally therefrom. Accordingly, no geographical segments are presented.

4. TURNOVER

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

5. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	4,500	2,356	1,491	877

6. INCOME TAX EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
The charge comprises:				
PRC income tax	5,782	6,000	3,777	1,886



Financial Information

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% (2007: 15%). In March 2008, the Company obtained a tax concession from local tax authority in which the Company was fully exempted from PRC income tax for the fourth quarter of 2007, followed by a 50% reduction in the PRC income tax for the next 3 years.

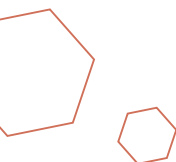
The Company's subsidiaries are subject to a PRC income tax rate of 25%.

7. PROFIT FOR THE PERIOD

	Nine months ended 30 September		Three months ended 30 September	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
The Group's profit from operations has been arrived at after charging:				
Cost of inventories recognized as expenses	130,316	22,869	35,270	6,489
Depreciation and amortization of property, plant and equipment	4,101	3,870	1,433	1,178
Operating lease rentals in respect of land right and buildings	873	476	446	419
Staff costs (including Directors' remuneration)	12,119	7,064	5,286	1,714
And after crediting:				
Interest income	1,109	984	112	118
PRC value added tax refunded	7,982	2,082	6,524	1,011

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (2007: Nil).



Financial Information

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2008 and 2007 is based on the profit attributable to equity holders of the parent approximately RMB74,080,000 and RMB42,208,000 respectively and on the weighted average number of 193,500,000 and 193,500,000 (restate) ordinary shares in issue for the respective periods.

The calculation of the basic earnings per share for the three months ended 30 September 2008 and 2007 is based on the profit attributable to equity holders of the parent approximately RMB16,790,000 and RMB13,606,000 respectively and on the weighted average number of 193,500,000 and 193,500,000 (restate) ordinary shares in issue for the respective periods.

No diluted earnings per share have been presented for the nine months and the three months ended 30 September 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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2008	20,391	25,332	80,527	126,250	1,443	127,693
Profit for the period	—	—	74,080	74,080	251	74,331
At 30 September 2008	20,391	25,332	154,607	200,330	1,694	202,024
At 1 January 2007	52,641	17,601	94,924	165,166	1,322	166,488
Bonus issue and capitalization issue	(32,250)	—	(96,750)	(129,000)	—	(129,000)
Profit for the period	—	—	42,208	42,208	29	42,237
At 30 September 2007	20,391	17,601	40,382	78,374	1,351	79,725



Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

During the Review Period, the Group enhanced its project work management and improved the quality of its after-sales services by adopting meticulous measures to cure problems in these areas, making necessary rearrangements and highlighting job priorities. Through systematic training in project implementation skills, the projects were executed with shorter response time and better quality to further enhance the standard of our user services. With strong customer recognition, the Company's leading position for transport-related products was reassured.

To ensure continuous enhancement of its ability to expand, the Group was stepping up with efforts to transform and innovate its marketing approach and bringing in reinforcements for its marketing team. Teamwork was strengthened in project operations and efforts were focused on prominent projects with high margin and significant weighting, such as the provincial intranet system for customs checkpoints, for which marketing efforts with various provincial/municipality governments were rewarded with positive results.

With regard to research and development of new products, the Group continued to increase investments in technologies and bolster its strengths in top-level technical expertise. Our high-definition ePolice system and provincial intranet system for customs checkpoints were favourably received by users upon market launch. Research and development was progressing in an orderly manner for other products urgently required by the market, such as the high-definition customs checkpoint system and the inter-zone speed detection system. These cutting-edge products, to be launched by the end of the current year or early next year, are expected to provide the Group with a new niche for profit growth.

During the Review Period, the operation and production system platform of the Group had reached the testing stage after going through a full-scale modification exercise. Investment in the construction of the Hangzhou-Ningbo ECL (electronic customs lock) project was confirmed and it was decided that phase-one operations would commence at three locations in Hangzhou (namely Yiwu (義烏), Jindong (金東) and Dongyang (東陽)) and four locations in Ningbo (namely Terminals II, III and IV in Beilun (北侖) plus Daxie (大榭)). Meanwhile, the Group participated in the training sessions related to the customs checkpoint intranet system organised by the Guangdong Customs to train up key frontline customs officers at relevant checkpoints in the application of the front-end checkpoint system. We also participated in a conference organised by the Shenzhen Customs to promote the use of the intranet system for customs checkpoints in Shenzhen and confirmed systems upgrade and integration tasks for the Yantian Port Terminal. In addition, the Group coordinated with the Supervisory Department and the Procurement










Management Discussion and Analysis

Centre to determine the cost of relay development. At the same time, we were engaged in active development of logistics control platforms and projects developed or planned for development in this regard included the logistics control platform of Dalian Customs, the advanced clearance logistics platform of Dongdu Checkpoint in Xiamen, the intranet platform of Nanjing Customs and the logistics platform of Changzhou Customs. In respect of smart card readers, the Group organised systematic training for the marketing staff concerned, enhanced promotion and publicity and drafted a manual for operation for the new product.



During the Review Period, the Group won tenders for the following projects: system upgrade implementation for Sichuan Chengle Road Monitoring Centre, the communications pipeline project for Huhhot Outer Ring Expressway (a key section of Danla National Expressway in Inner Mongolia), the implementation of mechanical and electrical (“M&E”) projects for the Xianju and Yongjia sections of Zhuyong Highway in Zhejiang, the operational information system project of Zhejiang Communications Investment Group Co., Ltd. (浙江交通投資集團有限公司), the implementation of the toll road vehicle licence plate identification project of Shannxi Provincial Communication Construction Group (陝西交通建設集團), the networks integration project and service station integrated management software project for service stations along Shanghai-Nanjing Expressway, and the integrated management system upgrade project for Shanghai-Nanjing Expressway Company Limited (滬寧高速公路公司). Meanwhile, full-scale implementation had commenced for the M&E project for the Jincheng-Jiyuan Highway Section in Shanxi, the phase-two ventilation and lighting construction project for tunnels along Mengzi-Xinjie Expressway in Yunnan, system upgrade implementation for Chengle Road Monitoring Centre and the communications pipeline project for Huhhot Outer Ring Expressway (a key section of Danla National Expressway in Inner Mongolia), and notable progress had been reported.

In the fourth quarter, the Group will actively cooperate with China Customs in the trial projects for front-end integration at Tianjin Customs and Beijing Customs. There are plans with China Customs to finalise a reporting and briefing system that provides relevant China Customs officers with regular updates on project progress and the Group’s new product development relating to customs operations. We also plan to present our export and bulk cargo system solutions to China Customs in a move to open up new markets, while further efforts will be made to promote the application of electronic licence plates. On the back of its superior resources, the Group will seek to increase its market share in highway M&E systems through stronger market development efforts, while stepping up with research on ETC (electronic toll collections) technologies to procure application in the area of intelligence traffic, with a view to driving integration of traffic information management technologies and thereby establishing the Group as a dominant force in the industry.





Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

The Group's turnover for the Review Period amounted to approximately RMB232,810,000, representing a dramatic increase of approximately 129.02% over that of the corresponding period of last year. The growth was mainly attributable to newly acquired wholly owned subsidiary — Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司).

Gross profit

For the Review Period, the Group's gross profit of approximately RMB100,252,000, an increase of approximately RMB35,412,000, as compared to approximately RMB65,840,000 over the corresponding period of last year.

Other income

The Group's other income of approximately RMB20,170,000 for the Review Period experienced a dramatic increase of approximately RMB15,820,000 as compared with approximately RMB4,350,000 of the corresponding period of last year mainly since significant amount of maintenance service income received and there was a PRC value added tax refunded during the Review Period.



Distribution costs

Distribution costs led an increase of 15.02% as compared with the corresponding period of last year. The increase mainly brought by newly acquired wholly owned subsidiary — Jiangsu Intellitrans Company Limited (江蘇智運科技發展有限公司).

Administrative expenses

The Group's administrative expenses experienced an increase of 120.22% from approximately RMB12,613,000 in the corresponding period of last year to approximately RMB27,776,000 in the Review Period. It was mainly contributed to the increase of staff costs and research and development costs.

Profit for the period

The profit attributable to the equity holders of the parent increased from approximately RMB42,208,000 in the corresponding period of last year to approximately RMB74,080,000 in the Review Period, representing an increase of 75.51%.



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 September 2008, 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 shares	Nature of interest	Approximate percentage of the registered capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.7

Note: As Du Yu 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 30 September 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 shareholder	Number of 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)	58,950,000	Beneficial owner/ 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)	22,455,000	Beneficial owner/ corporate	11.60
Active Gold Holding Limited	49,545,000	Beneficial owner/ corporate	25.60

Notes:

- 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 ("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 30 September 2008, none of the Directors or supervisors of the Company is authorised to subscribe any H shares of the Company. As at 30 September 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 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 30 September 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.

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 nine months ended 30 September 2008.

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.





Other Information

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the nine months ended 30 September 2008, 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 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



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

** for identification purpose only*

