SAMPLE

南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code : 1708

Annual Report 2010

* for identification purpose only

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)
Mr. Chang Yong
(Chief Executive Officer)
Mr. Guo Ya Jun

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

SUPERVISORS

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Ms. Gu Qun

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

COMPLIANCE OFFICER

Mr. Guo Ya Jun

AUTHORISED REPRESENTATIVES

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STOCK CODE

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Chairman's Statement

Mr. Sha Min *Chairman*

"To all shareholders,
On behalf of the board of directors (the "Board") of Nanjing Sample Technology Company Limited (the "Company"), I hereby present the annual report of the Company (together with its subsidiaries referred to as the "Group") for the year ended 31 December 2010 (the "period under review") for your review and consideration."

Chairman's Statement

RESULTS

Revenue and the profit attributable to owners of the Company for the 2010 financial year amounted to approximately RMB494,434,000 and RMB111,532,000, respectively (for the year ended 31 December 2009: RMB456,865,000 and RMB89,539,000), representing a growth of approximately 8.2% and 24.6%, respectively. The increase in revenue was mainly attributable to the Group successfully obtained certain large amount contracts and actively engaged in the development of Internet of Things ("IOT") business during the period under review.

DIVIDEND

The directors recommended the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2010.

BUSINESS AND OPERATION REVIEW

The Group's overall guiding concepts for development in 2010 were focused on the investment and return of technological innovation, the safety of cash-flows and assets, internet of things (IOT)-based customer value creation and experience, the transformation of business model and reinvention of professional service and information synergy. With such strategic objectives, the Company attained good results in strengthening technological innovation, focusing on the development of internet of things (IOT) technology, promotion of the application of cognitive sectors and expansion of information service business and other aspects in 2010 under the leadership of the Board.

Enhancing the level of technological innovation to build up the ability of sustainable development

2010 is a key year for the development of IOT in China, but also a year in which the Group realized a striding development in IOT industry, dominated by cognitive health care, cognitive transportation, and cognitive logistics. The Company seized the opportunities of development proactively, continued to encourage and press ahead with innovation, increased investment in the innovative technology and innovative business model so as to keep the high quality and growth in principal operations of the Group.

During the period under review, the Company was awarded Innovative Software Enterprise of China 2010 and "key software enterprise within Jiangsu Province planning framework" (江蘇省規劃佈局內重點軟體企業). Meanwhile, leveraging on its premier position and excellent reputation in the intelligent traffic and customs logistics sectors, the Company was honoured as a "key software enterprise within the State planning framework" for 2010. During the period under review, the Company and Jiangsu Interllitrans Company Limited ("Jiangsu Intellitrans"), a wholly-owned subsidiary of the Company, each obtained class 1 qualifications from 中國安全防範產品行業協會(China Security & Protection Industry Association), which laid a foundation for the Group to win large important projects in China. During the period under review, Jiangsu Intellitrans won the bid for mechanical and electronic engineering ("M&E") project of Ya'an Highway in Sichuan Province. This project not only is another large M&E project following the Group's entering into the South China market, but also an important M&E project in the western thoroughfares of the national highway network. Meanwhile, the Group's Sample bonded port logistics monitoring platform system software was awarded Top Ten Innovative Software Product of China 2010. The product adopted a core technology represented by RFID, used an in-transit monitoring strategy of "electronic car plate+electronic customs lock+GPS" to achieve full supervision of logistics in customs, which is an important step towards the full realization of cognitive logistics. In the meantime, the Group won the bid in the important works of Zhejiang Province — China Light & Textile Warehouse and Logistics Center System project, which will build a complete public service platform of logistics, realize a seamless connection to electronic ports of Zhejiang and achieve the link and connection of the information systems of related units through informatization. On the other hand, in line with the strategy of IOT of China, Jiangsu Raifu Intelligent Tech. Co., Ltd. of the Company successfully researched and developed the fifth generation of 16-port ultra high-end reader, which overcame six difficulties, filled domestic and international blanks and applied for as many as ten patents. The product can have a wide range of applications, like operator computer room management, asset management, electronic anti-counterfeit, logistics monitoring and production automation management. During the period under review, the Group has transferred its listing from the Growth Enterprise Market to the Main Board of the Hong Kong Stock Exchange, realized a leap in the development of the Company and became the first IOT enterprise in China that has successfully transferred its listing to the Main Board. The successful transferring of the listing to the Main Board will further enhance the fame of the Company and its corporate image, expand the shareholders base of the Company, and increase its trading liquidity in H shares, which is beneficial to our future growth, fund raising flexibility and business development and will bring vast opportunities of growth to the Group.

Focusing on IOT cause and achieving striding development

In 2010, facing the opportunities of development of IOT, the Group continued to pay attention to three principal operations, namely cognitive transportation, cognitive logistics, and cognitive health care. With intelligent transportation, the Group participated in the construction of "Intelligent Transportation ", piloted and planned to construct almost one thousand radio frequency/video unistatic or bistatic acquisition base stations to ensure the satisfaction of the needs of "solving the congestion", "making it convenient" and "low carbon"; engineering management information system was successfully applied in the rail transit of Wuxi, which is extremely beneficial to the expansion of the branch fields of the Company's intelligent transportation. Meanwhile, with technical score ranking No. 1 and total score ranking No.2, the Group won the bid for the transportation and roads monitoring network construction engineering project ("320 project") of Public Safety Bureau, Jiangsu Province, which has a total investment of more than RMB 2 billion and has invited bid from across China. This fortifies the Company's brand in the industry, and demonstrates its comprehensive strengths and engineering and technical skills in highway and checkpoints monitoring system, which laid a good foundation for the Group to achieve great development in intelligent transport and transportation management industry.

Meanwhile, the Group successfully researched and produced the fourth generation of safe intelligent lock and applied for the national standards, a milestone in pushing forward the cognitive logistics. The study of PaaS (Platform as a Service) model and the construction of information service platform will enable the Company to apply and expand the successful business model rapidly to three key cognitive fields, bring the Company's advantages in science and technology, capital and awareness into full play and greatly spur the Company to transform to the provider of industry solutions and information service providers. In the field of pharmaceuticals and health care, since its operation in May of 2010, 中健之康供應鏈服務有限責任公司 (Zhong Jian Zhi Kang Supply Chain Management Company Limited) expanded its size rapidly, built up its core business with medicine circulation as the main part, changed the traditions and optimised the practices through a "Group" operation philosophy, informationization approach and the development of e-eommence. The Board expects that it will achieve better results in the coming year. In the field of food safety, during the period under review, the Group signed "Meat Track and Trace Lab Project" contract and led the project of "Safe Meat" in Nanjing area, successfully extending the application of IOT to food safety. During the year, as the national model projects, works of regional "Safe Meat" and "Safe Vegetable" proceeded smoothly and is about to roll out. In the meantime, tobacco and wine, and retail industries also successively used the Group's overall solution of "Cognitive Health Care". On the other hand, the Company established Nanjing IOT Research Institute Development Company Limited (南京物聯網研究院發展有限公司), which will focus on the national strategies and significant science and technology plans of IOT industry and promote the fast development in the size of IOT industry in Nanjing through the establishment of sustainable and stable business model.

Moulding team execution and enhancing external exchanges and cooperations

The Company always insists on a virtue-oriented approach and human-oriented concept in human resources management. As the Company grows rapidly, talents, as well as nurturing of talents and continuing of knowledge and culture have already become the keys to the Company's development. The Group attaches high importance of team-building, and insists on strengthening the cultivation of execution, and sets the shaping of team execution and moulding of execution culture as the core of human resources management and culture establishment. During the period under review, the Company has steadfast in its team-building, with utmost recognition for moulding responsibility culture for being accountable to customers and team culture for being loyal to the team, by selecting and training a group of professional, young and enthusiastic managers with team spirit to take on the important posts of the Company.

The Group attached high importance to the technological innovation in principal operations and policy study, and participated in various seminars and trade fairs of the industry proactively to show the Company's technical advantages on the basis of learning and understanding the frontiers of the industry, enhance the communication and cooperation with peers and facilitate the healthy and fast development in the industry. During the period under review, state leaders and leaders from provincial and city governments visited the Company for the achievements in the application of IOT and fully recognized the achievements made by the Company in the field of IOT.

PROSPECTS

During the "Twelfth Five-Year Plan", China will pay high attention to both innovation and transformation. The IOT industry was determined as a strategic emerging industry for the "Twelfth Five-Year Plan", and the Company will have an unprecedented opportunity of development. According to the strategies the Group, the guiding objectives for overall development in 2011 will be to focus on the modified development of the Company's integration industry, fast development of IOT service business, increase the proportion of data operations and information service in the principal operations of the Company, fast enhancement in the seven key abilities of IOT and the implementation of talents strategy and the lift in the happiness index of the staff.

Continuing to innovate to warrant growth

In 2011, the Group will deploy our advantages in talents, technology, market share and capital to warrant the significant growth in the revenue of our principal operations. We will focus on cultivating core markets, building an open business model for integrated businesses, and capitalizing on our advantages in market share, capital and qualifications, so as to strive to be a coordinator of competitive integrated businesses and further enhance the market share and brand of the Company.

In 2011, the Group will continue to increase its investment in scientific innovation, and to build core technology and platform for the industries in which the Group operates. Through a number of means, including self R&D, open cooperation and merger and acquisition, we will build the abilities to design, research, develop and organize the production of the Company, form a full line of core technologies and products with self-own intellectual property rights, thereby providing strong technological support to the development of IOT industry; we will construct a cloud computing center serving the industry, which will be connected to the public cloud computing center of the government, form abilities to the system planning, structure design and organization and construction of cloud computing platform and gradually establish our core technologies and products with self-own intellectual property rights in the field of cloud storage, thus providing strong guarantee for the data operations and information service of the IOT industry; we will speed up the study of the business model of the

IOT industry, regard terminal information acquisition product and back-end information operating platform as two key pillars, establish ecological environment that will improve the application value of the industry through opening and cooperation, and form data chains, value chains and talents chains with the Company at the core, ensuring that data operations of IOT industry and information service business are implemented; In the fields of application in cognitive logistics, cognitive transport and cognitive health care, we will focus on the research and development in terminal information acquisition products that can drive the size of the users to expand rapidly, and emphasis shall be put on the construction of information operation platform that can support large scale data pooling, integrate third party application rapidly and bring value-added experience to clients; we will leverage on the advantages in the IOT sector of the Company, and speed up to push forward the standardization of IOT industry and application.

In 2011, the Group will continue to mould the culture of team execution. In line with paying high regards for team-building, we will strengthen the cultivation of execution, and set the shaping of team execution and moulding of execution culture as the core value in human resources management and culture establishment. Meanwhile, we will increase the investment in nurturing of talents, initiate a project of staff growth and expansion and select suitable talents for scientific innovation and industry development of the Company using a combination of internal training and external introduction. We will adjust incentive mechanism to enhance the sense of happiness for the staff.

Stable development and securing returns

In 2011, the Group will continue to step up its risk management and control, improve the risk aversion and crisis management mechanism and emergency planning by means of measures such as building information system and emergency mechanism for risk prevention and control, and secure the stable development of the Company. Meanwhile, we will strengthen exchanges and co-operations with external parties, and establish strategic cooperation with prestigious corporations, science institutions as well as institutions of higher education. We will capitalize on policy trends and directions of scientific research and technology development in a timely manner and strengthen our cooperation and exchanges with peers for synergy development. On the other hand, the Group will make full use of platforms, including IOT industry institute, form a highland of the development of IOT technology and industry and create a national famous brand, Sample IOT. Leveraging on the existing strengths of the Company, we will strive to become a leading IOT enterprise in China that has core IOT technologies, offers users with IOT system solutions, can implement IOT value-added services which are highly recognised in capital market of China and abroad.

On behalf of Sample Technology, I would like to extend my heart-felt gratitude to our suppliers, customers and shareholders for their unfailing support and faith, as well as the dedicated efforts from every staff, which enabled the Group to achieve another pinnacle of performance.

By Order of the Board
Sha Min
Chairman

Nanjing, China
28 March 2011

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2010 was approximately RMB494,434,000, representing an increase of approximately 8.2% over last year. The increase was mainly attributable to the Group's active development of various businesses during the period under review. In addition, the Group successfully obtained certain contracts with substantial contract sums and actively engaged in the development of Internet of Things ("IOT") business during the period under review.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2010 was approximately 33.2%, representing an increase of approximately 10% over last year. The increase was mainly attributable to the effective measures taken by the Group to control product cost and overall gross margin during the period under review.

Other Income

Other income of the Group for the year ended 31 December 2010 was approximately RMB18,722,000, representing a decrease of about 29.1% when compared with the corresponding period of last year.

Distribution Costs

Distribution costs of the Group for the year ended 31 December 2010 was approximately RMB10,335,000, representing a decrease of approximately 6.6% over last year. The decrease was mainly attributable to the increase in product awareness and core competitiveness of the Company as well as the corresponding decrease in after-sales maintenance costs.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2010 was approximately RMB34,607,000, representing a decrease of approximately 17.3% over last year. The decrease was mainly attributable to the effective cost control taken during the period under review.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB111,532,000, representing an increase of 24.6% over last year. The increase was mainly attributable to the growth in the result achieved.

FINANCIAL RESOURCES AND LIQUIDITY

Equity attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB658,852,000. Current assets were approximately RMB960,773,000, comprising cash and bank balances of approximately RMB310,159,000. Non-current liabilities were approximately RMB1,265,000. Current liabilities were approximately RMB447,872,000, mainly comprising trade and other payables and receipts in advance, short-term bank loans and tax payable. As at 31 December 2010, net assets per share of the Group was approximately RMB2.94 (31 December 2009: RMB2.54) and short-term bank loans of the Group were RMB215,000,000.

PLEDGE OF ASSETS

As at 31 December 2010, bank deposits of RMB15,216,000 (2009: RMB19,059,000) were pledged for projects in progress.

GEARING RATIO

For the year ended 31 December 2010, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2009: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

Since the Group mainly conducts its business in the PRC and most of the sales and purchases of the Group were denominated in RMB, the Group's operating results were not exposed to any foreign currency risk.

SUBSTANTIAL ACQUISITION AND SIGNIFICANT INVESTMENT

During the period under review, the Group had no substantial acquisition and significant investment matters.

CAPITAL COMMITMENT

As at 31 December 2010, the Group had (i) a capital commitment of RMB15,000,000 for the acquisition of 20% registered capital of Nanjing Information Investment Holdings Company Limited and (ii) a capital commitment of RMB5,000,000 for the acquisition of Nanjing Wu Lian Wang Yan Jiu Yuan Development Company Limited, a 70%-owned subsidiary of the Company, should all capital was paid up by its shareholders.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, total employees' remuneration of the Group was approximately RMB20,068,000 (2009: RMB17,077,000) and the number of employees was 353 (2009: 305). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW

Business Development

Urban Traffic Monitoring and Control Sector

During the period under review, high-definition checkpoint, checkpoint ePolice, radar speed detection and video speed detection products increasingly became the mainstream demand in the urban traffic monitoring and control market. Leveraging on the accumulation of technology for years, the Group formed a complete product launch system for front-end checkpoint equipment, namely the integration of a complete solution that incorporates radar speed detection, high-definition identification and video-based vehicle flow detection functions. In September 2010, the Group won the bid for 320 projects in Jiangsu Province, and ranked second in terms of comprehensive strength among all the 12 short-listed enterprises. This will provide the Company with further advantages in the continuous development in the market of provincial traffic checkpoints in Jiangsu Province.

Customs Logistic Monitoring Sector

During the period under review, the Group continued to push forward the logistics monitoring project in Nanjing Customs proactively, and successfully operated in Long Tan Port, Zhangjiagang and Lianyungang, accounting for 60% of the sea transportation in Nanjing Customs. It is expected that the system will be further promoted to other customs throughout Nanjing Customs. Meanwhile, the Group explored mode of cooperation in long-term software service with customs proactively, signed long-term software maintenance contract with Nanjing Customs and gradually formed a system of platform operation, maintenance and support with Sample characteristics. During the period under review, the Group actively developed platform for Dalian Customs, which is directly linked and connected to bonded logistics center platform, bonded port platform and export processing area platform, and the smooth operation received praise from the industry. Being a model for regional platform in the circle of customs, there is a chance for the same platform to be adopted in other domestic customs.

During the period under review, as one of the drafters setting the standard for intelligent secure lock for the General Administration of Customs, the Group has submitted the national standard of the intelligent secure lock, and the security registration and certification for intelligent secure lock raised by the Group has also been included in the standard submitted by the General Administration of Customs. During the period under review, the Group actively promoted the electronic customs lock project, successfully implemented intelligent secure lock in the midway monitoring between Fuzhou Bonded Logistics Park and PSA Terminal and has been approved by Fuzhou Customs to fully apply in Fuzhou Bonded Port and Wushui Port in Wuxishan. Meanwhile, the Group applied intelligent secure lock in the logistics monitoring system in Nanjing Customs, started to carry out pilot testing in Zhangjiagang and Long Tang Port, and completed the electronic customs lock checkpoints acquisition and backstage software coordination and adjustment works. During the period under review, the Group strengthened and furthered its exchanges and communications with electronic port, and actively pushed forward the establishment of strategic cooperation relationship.

Expressway Monitoring Sector

During the period under review, competition became increasingly fierce in the electrical and mechanical engineering market of the traffic sector across the country. The Group's business system which was led by marketing possessed apparent competitive edge in the market. The Group successfully won the contracts for projects like Ya'an Expressway in Sichuan, Sujiahang Expressway, Mohei-Simao Expressway in Yunnan and Suzhou Raocheng Expressway. During the period under review, the Group actively implemented the various significant electrical and mechanical engineering projects including Guangxi Guanghe Expressway project, Zhuyong Expressway project, Guizhou Oil small project, Jincheng-Jiyuan Section Expressway in Shanxi, Sichuan Ya'an Project, Hebei Langcang Project and Sujiahang Project and projects which were completed and opened for traffic. Sujiahang monitoring transformation project was completed, inspected and accepted, and named as an excellent project by the owner. The construction of Tianjin Haibin Thoroughfare project is in progress, and is expected to open for traffic at some sections by the beginning of next year.

During the period under review, the Group actively promoted its business in the highway software market, and realized the extension of the market for existing customers and the exploration of new market. Projects completed and accepted include the management system for Taizhou Bridge project, the quality supervision and management system for the supervision authority in Jiangsu Province, the engineering project for the Communication Engineering Construction Bureau of Jiangsu Province, the integrated information management project for Xiandai Investment in Hunan, the Wuxi metro project, the integrated management system for Nanjing-Shanghai Expressway, the management system of Taizhou City as well as the management system for the reclamation project in Lianyungang.

RFID and Other Sector

During the period under review, the Group was engaged in three major sectors: intelligent transportation, intelligent logistics and intelligent pharmaceuticals. We carried out follow-up and research works and implemented our findings on the projects within such sectors. We actively engaged in the development of major projects of the IOT. Following the IOT project of Zhong Jian Zhi Kang "Safe Pharmaceuticals" intelligent health care, the Group successfully won the bid for the "Safe Meat" projects in Nanjing City and Yangzhou City. These projects are key components for the food safety service system using IOT technology and are expected to be promoted extensively and fully applied in the domestic food secure industry.

During the period under review, the Group successfully researched and produced the 16-port reader, which provided a good product basis for the application of IOT technology on asset management. Meanwhile, the Group continued to conduct research to optimize the functions of UHF readers, carried out analysis and made recommendations for improvement on the model, packaging and function optimization of UHF readers with reference to factors like customer opinions, products of our counterparts and applications in the industry. At the same time, the Group conducted research on the application of RFID under different circumstances, and finished the 2008-2012 Chinese RFID market research and industry investment analysis and forecast report.

During the period under review, the Group cooperated with Nanjing Bureau of Technical Supervision to commence the application of RFID technology on the inspection and supervision of special equipment and IOT monitoring system on the security of RFID technology-based crane lifters projects. Meanwhile, the Group cooperated with the integrators in the industry, successfully carried out projects, including the application of UHFRFID on buses in Hangzhou, safe community in Hangzhou, apparel supply chain, the management of parking lot and the management of the metro construction site in Wuxi and the asset management of computer room and establish long-term cooperation relationship with the leading manufactures in UHFRFID chip and equipments in China and the world.

Research and Development

During the period under review, the Group provided all-round support to the scientific development, ranging from capital, culture to cooperation, further increased its investment in science and technology used in the industry, universities and research institutes, reinforced the introduction and training mechanism of high-end technology talents, encouraged product innovation that can form intellectual property rights and be accepted by the market and created an atmosphere of active innovation. Meanwhile, the Group actively conducted a number of seminars and discussion with enterprises, universities and institutes of technology and communications operators with respect to intelligent logistics, intelligent transport and intelligent health care. During the period under review, the Group took part in a number of international technological exchanges and collaborations, and finished the research with Microsoft SAAS platform. The Group also participated in the key pilot project of 3-network convergence in Nanjing City and launched the strategic research project of the building of PaaS information service platform, which symbolized the transformation from project-oriented to platform-based of the Company and successfully accumulated experiences in the cooperation with international prestigious software company in high-end software platform project.

During the period under review, the Group actively pushed forward the study on the application of IOT technology on the urban intelligent traffic, including improvement on the implementation plan of intelligent transportation, type section of the equipment and testing. Meanwhile, the Group completed proposals for technical plans of expressway ETC system and ETC settlement center and of the pilot project of RFID-based intelligent transport management in Chongqing, and completed the pilot implementation of UHFRID non-stop system in Huaian Toll Station.

During the period under review, the Group commended study of the application of the information tracing and management system for the flow of vegetables and the processes of food processing, completed the design and optimization of solutions to the food (meat and vegetable) safety and conducted an in-depth study of the market prospect, the technical advantages and strategies as well as the model of market expansion in this field. Meanwhile, the Group proposed operational plans in the field of food circulation, detailing the operation of tracing electronic scale, possible model of operations in electronic settlement in whole-sale market and delivery services.

PROSPECTS

Research and Development

In 2011, the Group will continue to increase the investment in science and technology, focus on the model technological transformation projects to promote the building of management system and culture system and to build core technologies and platform for the industries in which the Company operates. The Group will continue to improve and push forward steadily building the system of science and technological innovation, speed up the study on the business model of IOT industry, promote the innovation and integration of the software R&D platform product and form core intellectual property rights, including commencing the study on the cloud computing demand and model of construction, self R&D of core products in cloud storage, arranging and improving on PaaS platform, building the operation platform of food safety, R&D of secure intelligent logistics equipment and detection of IOT equipment system.

Sales and Marketing

Urban Traffic Monitoring and Control Sector

In 2011, the Group will fully introduce the innovation mechanism, with innovation in marketing, including the selection of key projects and areas, engagement in advance, joint innovation and participation in the operation; the Group will march in the direction of scale marketing, focus on the key provinces and cities, and put emphasis on target regions and cities where we have stronger comprehensive competitiveness and conduct full and complete sales planning in advance; the Group will offer target cities with application solutions, including urban traffic management and vehicle management that combines video and radio frequency in a way of innovation in application, lead the innovation projects and expand sales; the Group will leverage on its strengths in creditworthiness, scale and business, offer a packaged solution to intelligent traffic management to customers, and obtain the integrated vehicle and road monitoring management project in the entire target city.

Customs Logistics Monitoring Sector

As the master integrator of checkpoint system for customs, in 2011, the Group will strengthen the construction of high-end customer network, consolidate its leading position in the industry, and further promote the checkpoint control and the construction of network system; the Group will enhance its core competitiveness through innovation in IOT technology, upgrade and improvement on its existing businesses; the Group will continue to pay attention to the research and production of regional platform and business development, so as to ensure the irreplaceable resources accumulation and projects; the Group will step up the promotion of platform software, the system of centralized monitoring system, midway monitoring system and bulk and general cargo management software and increase its effort to sale software; the Group will expand the scope of business and area covered by Nanjing, Dalian and Xiamen customs platform and further promote the platform software to be adopted in other customs; the Group will leverage on the Company's advantages in capital and market share to further conduct exchanges and cooperation with peers; the Group will strengthen its brand recognition, detailize and embed services to establish coordinated service response mechanism with customers, deepen the existing customers' brand loyalty to the Company's products and enhance the Company's professional service ability and image.

Expressway Monitoring Sector

In 2011, the Group will be led by marketing, reinforce the efforts to develop business, establish an effective organization for business development, and build a national marketing system. The Group will further strengthen and expand its marketing team, change its operation strategies, and continue to fortify the market basis for the development of the Company. On the basis of the conventional business of expressway electrical and mechanical engineering, the Group will try its best to extend its scope of business into the urban construction projects, including urban roads, rail transport, tunnels, overpass and ports. Meanwhile, the Group will pay attention to the building of integrated traffic information system, increase R&D investment on traffic information platform and related products using the existing R&D system and resources for continued technological innovation.

RFID and Other Sector

In 2011, the Group will turn its leading advantages in IOT to market advantages, consolidate resources, strengthen the promotion of typical projects in key areas and industries, and try to achieve breakthrough in apparel industry, the application in parking lot, medicines, wines and special equipment monitoring industries; the Group will cooperate with the leading enterprises in each industry in the application of RFID technology, launch plans, products and typical model projects of application of IOT technology in their respective fields, and try to unite with strong partners to consolidate resources and form synergy; the Group will position in the design, R&D and production of IOT technology products, launch the proposals that are advanced in the industry, offer system optimization products, and make the Company become a supplier of the first IOT technology products in food supervision and regional intelligent traffic industry; the Group will cooperate with first class suppliers of radio frequency technology R&D design and products and system integrator, and provide advanced system products for the full application of three key intelligent areas.

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 46, received postgraduate education, is an executive Director and Chairman of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. Mr. Sha was conferred the honorary titles of "Jiangsu Province Outstanding Young Entrepreneur" and "Nanjing Ten Outstanding Young Entrepreneur" in 2000 and 2001 respectively. Mr. Sha was elected as a committee member of the Nanjing City Committee of the Chinese People's Political Consultative Conference in January 2003 and a committee member of the Jiangsu Province Committee of the Chinese People's Political Consultative Conference in December 2007. In November 2010, Mr. Sha was awarded in Nanjing a title of "Individual with active contribution to the construction of China's famous software city". Mr. Sha joined the Company in December 1997 and was first appointed as an exective Director in December 1999.

Mr. Chang Yong (常勇), aged 44, received postgraduate education, is an executive Director and general manager of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from 1990 to 1992. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive director and general manager of the Company in December 1997. Mr. Chang was elected as a member of the Chinese People's Political Consultative Committee of Xuanwu District in Nanjing City in 1998.

Mr. Guo Ya Jun (郭亞軍), aged 51, received university education, is an executive Director, vice general manager and financial controller of the Company. He is responsible for supervising the Company's accounting department and financial affairs. He graduated from Anhui Agricultural College in August 1982 with a bachelor's degree in agricultural economics. Mr. Guo also graduated from Southeast University in 2004 with a master's degree in business administration. Mr. Guo worked for the Finance Bureau of Lingbi County in Anhui Province from 1982 to 1992 and Nanjing Jintai Building Materials Development Company between 1993 and 1996. Mr. Guo was appointed as finance manager of Sample Group in October 1996 and became the Company's financial controller and vice general manager in December 2000. He is currently mainly responsible for the financial and administrative management of the Group. He joined the Company in December 1997 and was first appointed as an executive Director in December 1999.

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun (馬俊), aged 46, a non-executive Director of the Company. He graduated from Nanjing University in economic management in 1995. He worked for 南京福申房地產開發有限責任公司 in 1998. He is currently the chairman and general manager of 南京福申房地產開發有限責任公司.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zhan (張展), aged 43, received university education, is an independent non-executive Director of the Company. He obtained a bachelor's degree in computer science from Wuhan University in 1989. From 1989 to 1998, he worked for the Nanjing Branch of China Construction Bank and was responsible for financial analysis, accounting matters and management. Since 1998, he has been involved in capital market operation. He has extensive experience in financial management, review and analysis of listed companies' audited financial statements. He was appointed as an independent non-executive Director in 2000. Mr. Zhang is currently general manager of the investment banking division of China Jianyin Investment Securities Company Limited.

Mr. Wang Wei (王煒), aged 51, received postgraduate education, is an independent non-executive Director of the Company. He obtained a bachelor's degree in road engineering in 1982, a master's degree in 1985 from Southeast University and taught at the university. Mr. Wang obtained a doctorate degree in Structural Engineering from Southeast University in 1990 and taught as a visiting professor at Ruhr-University, Germany in 1996. Mr. Wang was appointed as an independent non-executive Director of the Company in 2001. He is currently dean of transportation college of Southeast University and head of City Road Traffic Management (Clear Way Project) National Professional Group.

Mr. Lau Shek Yau John (劉石佑), aged 63, an independent non-executive Director of the Company. He graduated from the University of Hong Kong in 1971. Mr. Lau was a director of Inchcape Export Buying Services from 1971 to 1983. Mr. Lau established United Distribution Services Far East Limited in 1985, Hoi Kong Container Services Company Limited in 1986 and Wide Shine Terminals Limited in 1990. He founded Cargo Services Far East Limited in 1991 and was appointed as an independent non-executive Director in 2003. Mr. Lau is a member of the Nanjing City Committee of the Chinese People's Political Consultative Committee.

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 55, a supervisor of the Company. Mr Qiu was an EMBA graduate. He is now a professor of the economics and management college of Southeast University. He is also executive director of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From 1991 to 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate management and industrial development. He was first appointed as a supervisor of the Company in August 2007.

Ms. Gu Qun (顧群), aged 44, a supervisor of the Company. She graduated from Nanjing University of Finance & Economics in economic management in 2004. She joined Sample Group in November 1995 and has been responsible for financial auditing of the Company from December 2000. Ms. Gu was first appointed as a supervisor of the Company in May 2010.

Mr. Dai Jian Jun (戴建軍), aged 40, a supervisor of the Company. He was educated in Jiangsu Public Security Professional School from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003.

SENIOR MANAGEMENT AND CORE TECHNICAL STAFF

Mr. Zhu Xiang (朱翔), aged 34, vice president, secretary of the Board of the Directors and general manager of the investment centre. He graduated from Xi'an Jiaotong University in July 2000 and obtained a MBA degree from Nanjing University in June 2006. He joined the securities department of Hainan Airlines Company Limited in July 2000 as assistant to secretary of the board of directors. He joined the Company in March 2003 and served as senior manager of the Company's investment department, general manager of the investment centre, general manager of financing and investment centre and vice president.

Mr. Xin Ke Jun (辛柯俊), aged 41, received university education, is senior engineer, vice president and director of the Company's research Institute. He graduated from the Southeast University with a bachelor degree in the thermal power profession in 1990. Mr. Xin joined Jiangsu Changshu Electricity Generating Co. Ltd (江蘇常熟發電有限公司) in 1990. In 1994, he worked in Huadong Wangju as a supervisor of presure vessel monitoring (華東網局一級壓力容器監察). He worked for Nanjing Merit Automation Co. Ltd as the deputy general manager in 2002. In 2004, he joined Beijing State-Power Pulian Technology Co. Ltd (北京國電普聯科技有限公司) and served as the chief engineer. Mr. Xin joined the Company in 2007 and is currently the head of research institute of the Company.

Ms. Du Jin (杜瑾), aged 47, received postgraduate education, is vice president and manager of the Company's logistic affairs department. She obtained an MBA degree from Asia International Open University (Macau) in 2000. She formerly worked for Jiangsu Province Telecommunication Equipment Factory from December 1985 to August 1993 and Nabisco Food (Suzhou) Company Limited, Nanjing Branch from July 1996 to July 1998. She joined the Company in August 1998, and is manager of the Company's logistics affairs department.

Mr. Wang Yue Ping (王躍平), aged 55, received postgraduate education, is general manager of Jiangsu Raifu Intelligent Tech. Co. Ltd. He graduated from the University of Manitoba in Canada in 1992 and obtained a doctoral degree in civil engineering, and worked on a post-doctoral research in mechanical engineering at Stanford University in U.S. in September 1994. He formerly worked for Singapore National Institute of Information Science (新加坡國家信息科學研究院) as researcher from October 1994 to June 2000, Singapore Senior Technology Co., Ltd (新加坡資深科技有限公司) as general manager from July 2000 to December 2002, China Transportation HEAD New Technology Co., Ltd (上海中交海德科技股份有限公司) as deputy general manager from January 2003 to December 2003. He joined Jiangsu Intellitrans Company Limited in March 2004 and served as the deputy general manager. He became the chief technical officer of Nanjing Sample Technology Company Limited in January 2009.

Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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 products and system solutions are currently designated for use in (i) urban traffic monitoring and control sector and (ii) customs logistics monitoring sector; and (iii) expressway monitoring sector in the PRC.

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2010 are set out on pages 31 to 83 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2010 (2009: RMB0.1 per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the Note 17 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this annual report were:

Executive Directors

Mr. Sha Min *(Chairman)*
Mr. Chang Yong *(Chief Executive Officer)*
Mr. Guo Ya Jun

Non-executive Director

Mr. Ma Jun (Appointed on 19 May 2010)
Mr. Ge Jun (Resigned on 19 May 2010)

Independent Non-executive Directors

Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

Supervisors

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Ms. Gu Qun (Appointed on 19 May 2010)
Mr. Sun Huai Dong (Resigned on 19 May 2010)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will expire on 31 December 2012 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

Save as the disclosed above, no Directors and Supervisors standing for re-election at the forthcoming annual general meeting has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

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

Save as disclosed below, as at 31 December 2010, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and 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 should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Long Positions in Shares

Name of Directors	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min	1,350,000	Beneficial owner	0.6%
	65,720,000	Interest of controlled corporation	29.33%

Note: Mr. Sha Min ("Mr. Sha") directly holds 1,350,000 domestic shares of the Company and is interested in 47.91% of equity interest of Nanjing Sample Technology Group Company Limited which in turn owns 65,720,000 domestic shares of the Company. Under SFO, Mr. Sha is deemed to be interested in all 67,070,000 domestic shares of the Company. Du Yu (杜予) is the spouse of Mr. Sha. Under SFO, Du Yu is also deemed to be interested in 67,070,000 domestic share of the Company in which Mr. Sha is interested.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2010, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	65,720,000 Domestic Shares	Beneficial owner/corporate	29.33%
Jiang Su Red Stone Technology Corporation ("Red Stone")	15,685,000 Domestic Shares	Beneficial owner/corporate	7.00%
Active Gold Holding Limited	49,545,000 Domestic Shares	Beneficial owner/corporate	22.11%
Atlantis Investment Management Ltd. (Note 2)	27,921,000 H Shares	Investment manager	12.46%
Liu Yang (Note 2)	27,921,000 H Shares	Interest of controlled corporation	12.46%
Golden Meditech Company Limited (Note 3)	12,097,000 H Shares	Interest of controlled corporation	5.40%
Manygain Global Limited	10,000,000 H Shares	Beneficial owner	4.46%
GE Asset Management Incorporated	10,000,000 H Shares	Investment manager	4.46%
JP Morgan Chase & Co.	7,000,000 H Shares	Interest of controlled corporation/ Custodian corporation/approved lending agent	3.12%

Note:

(1) Sample Group directly holds 60,770,000 Domestic Shares. Sample Group is also interested in 95% 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 holds 4,950,000 Domestic Shares and therefore by virtue of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Commerce City. As such, Sample Group is the substantial and the single largest shareholders of the Company. Mr. Sha Min, the Chairman of the Company, held 47.91% of equity interest of Sample Group, together with parties acting in concert with him (including 2% held by Mr. Qi Tong Lin, 9.52% held by Mr. Sun Huai Dong, 4.67% held by Mr. Chang Yong, an executive director of the Company, and 2.27% held by Mr. Guo Ya Jun, an executive director of the Company) held an aggregate of 66.37% of equity interest of Sample Group.

(2) Atlantis Investment Management Limited and Ms. Liu Yang hold the said shares as an investment manager. Ms. Liu Yang controls 90% of the voting rights of Atlantis Investment Management (Hong Kong) Limited and 40% of the voting rights of Atlantis Investment Management Ltd.

(3) 12,097,000 H Shares were held by GM Investment Company Limited, which is a wholly-owned subsidiary of Golden Meditech Company Limited. By virtue of GM Investment Company Limited's interests in the Company, Golden Meditech Company Limited is deemed to be interested in the same 12,097,000 H Shares under the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2010, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2010, none of the Directors or Supervisors 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 kind of right during the year.

SHARE OPTION SCHEME

The details of the share option scheme of the Company are set out in Note 36 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 52.26% (2009: 60.41%) of the total sales for the year and sales to the largest customer included therein amounted to 19.47% (2009: 31.74%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 26.56% (2009: 26.67%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 8.97% (2009: 7.43%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest individuals of the Group are set out in Note 12 and Note 13 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note 32 to the financial statements. As at 31 December 2010, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 132,300,000 Domestic shares.

RESERVES

Details of the movements of reserves of the Group during the year are set out on page 36 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Group's reserves available for distribution amounted to RMB277,923,000 (2009: RMB200,171,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, for the year ended 31 December 2010, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2010, none of the Directors or Supervisors had the rights to subscribe for the H Shares of the Company.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules 3.21 to 3.23 of the 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 audited results of the Group for the period under review and has provided advice and comments thereon.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in Note 36 to the financial statements.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 31 December 2010, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note 38 to the consoldiated financial statements.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint the auditors and fix their remuneration.

On behalf of the Board
Sha Min
Chairman

Nanjing, the PRC
28 March 2011

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Directors of the Company during the year were as follows:

Executive Directors
Mr. Sha Min *(Chairman)*
Mr. Chang Yong *(Chief Executive Officer)*
Mr. Guo Ya Jun

Non-executive Director
Mr. Ma Jun (Appointed on 19 May 2010)
Mr. Ge Jun (Resigned on 19 May 2010)

Independent Non-executive Directors
Mr. Zhang Zhan
Mr. Wang Wei
Mr. Lau Shek Yau John

Each of the Directors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2012 and the further renewal for another terms of three years shall be subject to the approval at the annual general meeting of the Company.

The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 15 to 17 of this annual report. The board of Directors held a full Board meeting in each quarter. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The roles of the Chairman and the Chief Executive Officer are segregated. Such segregation helps to reinforce their independence and accountability. The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and the Company's shareholders as a whole and that the Board meetings are planned and conducted effectively. On the other hand, the Chief Executive Officer is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming fully accountability to the Board for all the Group's operations.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Apart from its statutory responsibilities, the Board of Directors approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2010, the Board held 6 meetings, four of which were regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. The following table shows the attendance of individual Directors at the meetings held during the year.

Name of Directors	**Number of attendance**
Executive Directors	
Mr. Sha Min *(Chairman)*	6/6
Mr. Chang Yong *(Chief Executive Officer)*	6/6
Mr. Guo Ya Jun	6/6
Non-executive Director	
Mr. Ge Jun (Resigned on 19 May 2010)	3/6
Mr. Ma Jun (Appointed on 19 May 2010)	3/6
Independent Non-executive Directors	
Mr. Zhang Zhan	5/6
Mr. Wang Wei	6/6
Mr. Lau Shek Yau John	6/6

Apart from the above regular board meetings held during the year, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive detailed agenda for decision prior to each board meeting.

REMUNERATION COMMITTEE

The Company's remuneration committee have been approved in the board meeting on 10 November 2005 and the terms of references is in compliance with the Code provision B.1.1 to B.1.3 of the Corporate Governance Practices. Members of the remuneration committee, with the majority consisting of independent non-executive Directors, comprise:

Mr. Guo Ya Jun *(the Chairman of the remuneration committee)*
Mr. Zhang Zhan
Mr. Wang Wei

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

A meeting was held during the year by the remuneration committee to review the remuneration packages of executive Directors and the director's fees of the independent non-executive Directors. All members of the remuneration committee, namely Mr. Guo Ya Jun, Mr. Zhang Zhan and Mr. Wang Wei attended the said meeting. The remuneration committee plans to meet at least once a year in the coming year.

NOMINATION OF DIRECTORS

The Company's nomination committee was approved and established in the board meeting held on 25 August 2007. Members of the nomination committee comprise:

Mr. Sha Min *(the Chairman of the nomination committee)*
Mr. Zhang Zhan
Mr. Guo Ya Jun

It is the board of Directors' responsibilities in relation to nomination of Directors (i) to review the structure, size and composition of the Board; (ii) identify individuals suitably qualified to become Board members; and (iii) to convene shareholders' meeting in relation to appointment and re-appointment of Directors of the Company. A meeting was held during the year by the nomination committee. All members of the nomination committee, namely Mr. Sha Min, Mr. Zhang Zhan and Mr. Wang Wei attended the said meeting.

AUDITOR'S REMUNERATION

The remuneration in respect of the services provided by the Company's auditors is analysed as follows:

	2010 **RMB'000**	2009 RMB'000
Services rendered		
Audit services	**920**	679
Non-audit services	**55**	–
	975	679

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference in compliance with Rules C.3.3 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the Company's draft annual reports and accounts, interim reports and quarterly reports to Directors.

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 held four meetings during the year. Details of the attendance of the audit committee meetings are as follows:

	Number of attendance
Mr. Zhang Zhan	4/4
Mr. Wang Wei	4/4
Mr. Lau Shek Yau John	4/4

During the year, the Group's unaudited quarterly and interim results for the year 2010 and annual audited results for the year ended 31 December 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on pages 29 to 30 of this annual report.

INTERNAL CONTROL

During the year, the Board convened meetings periodically to discuss financial, operational and risk management control. The Board and the audit committee have conducted several reviews on its internal control system and evaluations on the effectiveness and the adequacy of the internal control measures on a regular basis.

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2010 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

During the year under review, the supervisory committee performed supervisory duties faithfully in an active, pragmatic and prudent manner, and provided reasonable recommendations and opinions to the Board in respect of the operation and development plans of the Company. It also strictly and effectively supervised the Company's management in formulating significant policies and making decisions to ensure that they were in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of the shareholders.

The supervisory committee has carefully reviewed the Company's annual report, audited by BDO Limited, to be proposed by the Board and agreed that it truly and fully reflect the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee
Qiu Xiang Yang
Chairman

Nanjing, the PRC
28 March 2011

Independent Auditor's Report

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TO THE SHAREHOLDERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED
(Established and reorganised into a joint stock limited company
in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Nanjing Sample Technology Company Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 31 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number: P05309
Hong Kong, 28 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	6	**494,434**	456,865
Cost of sales		**(330,435)**	(350,537)
Gross profit		**163,999**	106,328
Other income	6	**18,722**	26,421
Other gains and losses	7	**(47)**	27,396
Distribution costs		**(10,335)**	(11,069)
Administrative expenses		**(34,607)**	(41,869)
Share of results of a jointly-controlled entity		**985**	–
Finance costs	9	**(10,990)**	(9,751)
Profit before income tax	10	**127,727**	97,456
Income tax expense	11	**(16,195)**	(7,969)
Profit for the year		**111,532**	89,487
Other comprehensive income for the year, net of tax:			
Exchange difference on translation of financial statements of foreign operations		**–**	(8)
Total comprehensive income for the year		**111,532**	89,479
Profit attributable to:			
Owners of the Company	14	**111,532**	89,539
Non-controlling interests		**–**	(52)
		111,532	89,487
Total comprehensive income attributable to:			
Owners of the Company		**111,532**	89,531
Non-controlling interests		**–**	(52)
		111,532	89,479
Earnings per share	16		
– Basic (RMB)		**0.50**	0.44
– Diluted (RMB)		**0.50**	0.44

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	17	**47,331**	48,050
Prepaid lease payments	18	**6,267**	6,417
Intangible assets	19	**9,732**	11,678
Deferred tax assets	20	**2,901**	1,949
Deposit for investment in an associate	21	**5,000**	–
Interest in a jointly-controlled entity/deposit for investment in a jointly-controlled entity	22	**75,985**	75,000
Total non-current assets		**147,216**	143,094
Current assets			
Inventories	24	**2,493**	1,947
Trade receivables	25	**147,920**	143,132
Bills receivable	26	**1,314**	–
Other receivables and prepayments	27	**157,982**	217,295
Prepaid lease payments	18	**150**	150
Amounts due from customers for contract work	28	**225,509**	223,930
Short-term debt investments	29	**100,000**	–
Tax recoverable		**30**	1,529
Pledged bank deposits		**15,216**	19,059
Bank balances and cash		**310,159**	190,411
Total current assets		**960,773**	797,453
Current liabilities			
Trade and other payables and receipts in advance	30	**216,572**	231,919
Short-term bank loans	31	**215,000**	127,000
Tax payable		**16,300**	9,957
Total current liabilities		**447,872**	368,876
Net current assets		**512,901**	428,577
Total assets less current liabilities		**660,117**	571,671

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Deferred tax liabilities	20	**1,265**	1,941
Net assets		**658,852**	569,730
Equity			
Share capital	32	**224,100**	224,100
Reserves		**434,752**	345,630
Total equity		**658,852**	569,730

These financial statements on pages 31 to 83 were approved and authorised for issue by the Board of directors on 28 March 2011 and are signed on its behalf by:

Director

Director

Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	17	**44,931**	45,480
Prepaid lease payments	18	**6,267**	6,417
Deferred tax assets	20	**2,265**	1,312
Deposit for investment in an associate	21	**5,000**	–
Interest in a jointly-controlled entity/deposit for investment in a jointly-controlled entity	22	**75,000**	75,000
Interests in subsidiaries	23	**189,136**	173,925
Total non-current assets		**322,599**	302,134
Current assets			
Inventories	24	**1,151**	1,269
Trade receivables	25	**100,960**	69,639
Bills receivable	26	**1,314**	–
Other receivables and prepayments	27	**55,228**	80,628
Prepaid lease payments	18	**150**	150
Amounts due from customers for contract work	28	**32,278**	30,137
Short-term debt investments	29	**100,000**	–
Pledged bank deposits		**325**	260
Bank balances and cash		**77,543**	100,834
Total current assets		**368,949**	282,917
Current liabilities			
Trade and other payables and receipts in advance	30	**56,339**	49,100
Short-term bank loans	31	**115,000**	40,000
Amounts due to subsidiaries	23	**653**	–
Tax payable		**2,070**	3,180
Total current liabilities		**174,062**	92,280
Net current assets		**194,887**	190,637
Net assets		**517,486**	492,771

Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Equity			
Share capital	32	**224,100**	224,100
Reserves	33	**293,386**	268,671
Total equity		**517,486**	492,771

These financial statements on pages 31 to 83 were approved and authorised for issue by the Board of directors on 28 March 2011 and are signed on its behalf by:

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company							
	Share capital RMB'000	**Share premium** RMB'000	**Statutory surplus reserve** RMB'000	**Exchange translation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2009	193,500	20,391	35,221	(423)	125,084	373,773	1,696	375,469
Profit for the year	–	–	–	–	89,539	89,539	(52)	89,487
Other comprehensive income	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive income for the year	–	–	–	(8)	89,539	89,531	(52)	89,479
Issue of shares (Note 32)	30,600	75,826	–	–	–	106,426	–	106,426
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	(1,644)	(1,644)
Profit appropriation	–	–	14,452	–	(14,452)	–	–	–
At 31 December 2009	224,100	96,217	49,673	(431)	200,171	569,730	–	569,730
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**111,532**	**111,532**	**–**	**111,532**
Dividend approved in respect of previous year (Note 15)	**–**	**–**	**–**	**–**	**(22,410)**	**(22,410)**	**–**	**(22,410)**
Profit appropriation	**–**	**–**	**11,370**	**–**	**(11,370)**	**–**	**–**	**–**
At 31 December 2010	**224,100**	**96,217**	**61,043**	**(431)**	**277,923**	**658,852**	**–**	**658,852**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**127,727**	97,456
Adjustments for:		
Finance costs	**10,990**	9,751
Interest income	**(6,705)**	(5,775)
Depreciation of property, plant and equipment	**5,456**	6,532
Discount on acquisition of additional equity interest in a subsidiary	**–**	(1,344)
Amortisation of intangible assets	**1,946**	1,946
Amortisation of prepaid lease payments	**150**	151
Gain on disposal of intangible assets	**–**	(10,541)
Gain on disposal of debt assignment	**–**	(15,582)
Loss on disposal of property, plant and equipment	**47**	71
Additional provision for impairment loss on trade receivables	**2,485**	14,166
Impairment of inventories	**41**	124
Share of results of a jointly-controlled entity	**(985)**	–
Operating profits before changes in working capital	**141,152**	96,955
Increase in inventories	**(587)**	(215)
(Increase)/decrease in trade receivables	**(7,138)**	112,677
Increase in bills receivable	**(1,314)**	–
Decrease/(increase) in other receivables and prepayments	**59,313**	(132,382)
Increase in amounts due from customers for contract work	**(1,579)**	(133,553)
(Decrease)/increase in trade and other payables and receipts in advance	**(15,347)**	79,803
Cash generated from operations	**174,500**	23,285
Net PRC enterprise income tax paid	**(9,981)**	(4,193)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**164,519**	19,092

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES		
Deposit for investment in a jointly-controlled entity	–	(75,000)
Interest received	6,570	1,323
Proceeds from disposal of intangible assets	–	15,000
Proceeds from disposal of property, plant and equipment	76	30
Payments to acquire property, plant and equipment	(4,860)	(717)
Decrease in pledged bank deposits	3,843	270
Purchase of short-term debt investments	(100,000)	–
Deposit for investment in an associate	(5,000)	–
NET CASH USED IN INVESTING ACTIVITIES	(99,371)	(59,094)
FINANCING ACTIVITIES		
Interest paid	(10,990)	(9,751)
Dividend paid	(22,410)	(7,200)
Net proceeds from issue of new shares	–	106,426
Payment to acquire additional equity interest in a subsidiary	–	(300)
Repayment of short-term bank loans	(127,000)	(224,000)
New short-term bank loans raised	215,000	209,000
Repayment of other loan	–	(2,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	54,600	72,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,748	32,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	190,411	158,246
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	(8)
CASH AND CASH EQUIVALENTS AT END OF YEAR	310,159	190,411
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	310,159	190,411

1. GENERAL

南京三宝科技股份有限公司 (Nanjing Sample Technology Company Limited) (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. It is principally engaged in the provision of video security system solutions, sales 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 1 Huangzhuang Road, 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.

On 23 November 2010, the Company's H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the "Main Board"). Further details are set out in the Company's announcement dated 23 November 2010. The last trading date of the Company's H shares on the GEM was 30 November 2010.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-Cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(Continued)*

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, and accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendment) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of HKAS 17 has had no impact on the consolidated financial statements.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of this interpretation has had no impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2010	(i) & (ii)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(i)
HKAS 24 (Revised)	Related Party Disclosures	(ii)
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	(iii)
HKFRS 9	Financial Instruments	(iv)

Effective date:

(i) Annual periods beginning on or after 1 July 2010
(ii) Annual periods beginning on or after 1 January 2011
(iii) Annual periods beginning on or after 1 July 2011
(iv) Annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of the these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries ("the Group").

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Subsidiaries

Subsidiaries are entities in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly-controlled entities' net assets except that losses in excess of the Group's interest in the jointly-controlled entities are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint ventures *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are immediately recognised in profit or loss.

The Company's investment in a jointly-controlled entity is stated at cost less impairment losses, if any. Results of jointly-controlled entity are accounted for by the Company on the basis of dividends received and receivable.

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, other than construction in progress, are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Building	30 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5-10 years
Leasehold improvements	5-20 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss.

(f) Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

(h) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives below. The amortisation expense is recognised in profit or loss and included in cost of sales.

Technical know-how	8 years

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets *(Continued)*

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss, if any.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(p)).

(i) Financial instruments

(i) Financial assets

The Group's financial assets are classified as loans and receivables. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group's financial liabilities are classified as liabilities at amortised cost. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities at amortised cost including trade and other payables and short term bank loans are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recongised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers for contract work.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition

Revenue is measured at the fair of consideration received or receivable.

When the outcome of a contract for the installation of network systems can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable that they are recoverable.

Sales of goods are recognised when goods are delivered and title has passed while service income is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the deposits to their net carrying amounts.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised in other comprehensive income and accumulated as exchange translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the exchange translation reserve.

(o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- prepaid lease payments;
- investments in subsidiaries and deposit for investment in a jointly-controlled entity; and
- intangible assets

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(r) Retirement benefit cost

Retirement benefit cost, which represents the amount payable in accordance with the regulation promulgated by the PRC local government, is charged to profit or loss as incurred.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for the Group's intangible assets. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or, where appropriate, the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

(d) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(e) Construction contracts

As explained in accounting policy Notes 4(j) and 4(l), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 28 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

6. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income for the year is as follows:

Turnover

Turnover represents revenue received and receivable from the Group's security system business.

	2010 RMB'000	2009 RMB'000
Provision of video security system solutions	**463,833**	393,954
Sales of security system software	**33,969**	14,858
Sales of material and parts	**5,270**	53,976
	503,072	462,788
Less: Business tax and other related taxes	**(8,638)**	(5,923)
Turnover	**494,434**	456,865

Other income

	2010 RMB'000	2009 RMB'000
PRC value added tax refunded	**4,912**	10,617
Interest income from		
– short-term debt investments	**2,806**	–
– other loan receivable	**1,975**	–
– bank deposits	**1,789**	1,323
– impaired trade receivables	**135**	4,452
Total interest income	**6,705**	5,775
Maintenance service income	**4,917**	7,681
Less: Cost incurred for maintenance services	**(2,273)**	(1,715)
Technical service income	**–**	721
Government grants	**2,998**	2,314
Others	**1,463**	1,028
	7,105	10,029
Other income	**18,722**	26,421

7. OTHER GAINS AND LOSSES

	2010 RMB'000	2009 RMB'000
Discount on acquisition of additional equity interest in a subsidiary	–	1,344
Gain on disposal of intangible assets	–	10,541
Gain on debt assignment (note)	–	15,582
Loss on disposal of property, plant and equipment	(47)	(71)
	(47)	27,396

Note:

During the year ended 31 December 2009, the Group entered into a debt assignment arrangement with an independent third party in which the Group assigned trade receivables with an aggregate net carrying amount of RMB16,004,000 (representing gross amounts of RMB31,586,000 less provision for impairment losses of RMB15,362,000 and allowances for doubtful debts of RMB220,000) to the independent third party at gross amounts. The directors of the Company are of opinion that the Group would not enter into new contract works with these customers in near future. The difference of RMB15,582,000 between the consideration and the net carrying amounts of the trade receivables was recognised in profit or loss.

8. SEGMENTS INFORMATION

Reportable operating segments

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

The Group's turnover derived from security system business in different sectors was analysed as follows:

	2010 RMB'000	2009 RMB'000
Urban traffic monitoring and control sector	39,749	59,409
Customs logistics monitoring sector	81,391	62,969
Expressway monitoring sector	333,783	293,143
Others	48,149	47,267
	503,072	462,788
Less: Business tax and other related taxes	(8,638)	(5,923)
Turnover	494,434	456,865

8. SEGMENTS INFORMATION *(Continued)*

Information about major customers

Revenue of RMB143,521,000 (2009: RMB272,503,000) was derived from the Group's provision of video security system solutions business to two (2009: three) customers with whom transactions exceed 10% of the Group's revenue.

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank loans wholly repayable within five years	**10,990**	9,751

10. PROFIT BEFORE INCOME TAX

	2010 RMB'000	2009 RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**975**	679
Staff costs including directors' emoluments	**17,179**	14,436
Retirement benefits scheme contributions	**2,889**	2,641
	20,068	17,077
Less: Staff costs included in research and development costs	**(7,876)**	(4,017)
	12,192	13,060
Research and development costs	**15,452**	12,404
Depreciation of property, plant and equipment	**5,456**	6,532
Amortisation of intangible assets (included in cost of sales)	**1,946**	1,946
Impairment of inventories	**41**	124
Carrying amount of inventories sold	**316,568**	343,683
Amount of inventories recognised as expenses	**316,609**	343,807
Additional provision for impairment loss on trade receivables	**2,485**	14,166
Operating lease rentals in respect of buildings	**775**	945
Amortisation of prepaid lease payments	**150**	151
Exchange losses, net	**157**	358

11. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010 RMB'000	2009 RMB'000
PRC income tax	**17,823**	8,949
Deferred taxation (Note 20)		
– origination and reversal of timing difference	**(1,628)**	(1,095)
– resulting from a change in tax rate	**-**	115
Income tax expense	**16,195**	7,969

PRC income tax is calculated at the rates prevailing under the relevant laws and regulations in the PRC. The standard enterprise tax rate for enterprises in the PRC is 25%.

The Company is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%. In February 2008, the Company was identified as an Important Enterprise. Pursuant to the policies for encouraging development of software properties and integrated electrical circuit properties issued by the State Commission of the PRC, the Company was entitled to a preferential tax rate of 10% for the years ended 31 December 2009 and 2010.

During the current and prior years, the Company's major subsidiary, Jiangsu Intellitrans Company Limited ("Jiangsu Intellitrans") is certified as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

Certain of the Company's subsidiaries are recognised as high-technology companies according to PRC tax regulations and are entitled to a preferential tax rate of 15%. The remaining subsidiaries are subject to PRC income tax rate of 25%.

11. INCOME TAX EXPENSE *(Continued)*

(b) The tax charge for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2010		2009	
	RMB'000	**%**	RMB'000	%
Profit before income tax	**127,727**		97,456	
Tax at the preferential domestic income tax rate of 15%	**19,159**	**15.0**	14,618	15.0
Tax effect of expenses not deductible for tax purpose	**2,138**	**1.7**	1,831	1.9
Tax effect of income not taxable for tax purpose	**(3,250)**	**(2.5)**	(5,067)	(5.2)
Effect of change in tax rate	**–**	**–**	69	0.1
Tax relief	**(2,362)**	**(1.8)**	(2,010)	(2.0)
Effect of tax loss not recognised	**429**	**0.3**	125	0.1
Under/(over)-provision in prior year	**102**	**–**	(1,530)	(1.6)
Others	**(21)**	**–**	(67)	(0.1)
Tax charge and effective tax rate for the year	**16,195**	**12.7**	7,969	8.2

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's Directors were as follows:

	2010				2009			
		Other emoluments				Other emoluments		
	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pensions schemes RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pensions schemes RMB'000	Total RMB'000
Executive directors								
Mr. Sha Min	20	277	33	330	30	296	38	364
Mr. Chang Yong	20	196	25	241	30	205	31	266
Mr. Guo Ya Jun	20	221	29	270	30	250	37	317
Sub-total	60	694	87	841	90	751	106	947
Non-executive director								
Mr. Ge Jun	10	-	-	10	10	–	–	10
Sub-total	10	-	-	10	10	–	–	10
Independent non-executive directors								
Mr. Zhang Zhan	10	-	-	10	10	–	–	10
Mr. Wang Wei	10	-	-	10	10	–	–	10
Mr. Lau Shek Yau, John	10	-	-	10	60	–	–	60
Sub-total	30	-	-	30	80	–	–	80
Supervisors								
Mr. Sun Huai Dong	10	-	-	10	10	–	–	10
Mr. Dai Jian Jun	10	-	-	10	10	–	–	10
Sub-total	20	-	-	20	20	–	–	20
Independent supervisor								
Mr. Qiu Xiang Yang	10	-	-	10	10	–	–	10
Sub-total	10	-	-	10	10	–	–	10
Total	130	694	87	911	210	751	106	1,067

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2010 (2009: Nil). No emoluments were paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office during the year ended 31 December 2010 (2009: Nil).

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	**389**	663
Contributions to retirement benefits scheme	**51**	32
	440	695

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
Nil to HK$1,000,000 (Nil to RMB870,000)	**2**	2

During the years, no emoluments were paid by the Group to the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of RMB47,125,000 (2009: RMB44,454,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2010 RMB'000	2009 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**47,125**	44,454
Final dividends from subsidiaries attributable profits of the previous year financial year, approved and paid during the year	**–**	49,590
Company's profit for the year (Note 33)	**47,125**	94,044

15. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	2010 **RMB'000**	2009 RMB'000
Final dividend proposed of RMB0.1 per share	**22,410**	22,410

The directors recommend the payment of a final dividend of RMB0.1 per share (2009: RMB0.1 per share) in respect of the year ended 31 December 2010 on 28 March 2011.

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the forthcoming annual general meeting.

(b) Dividends payable to owners of the Company attributable to the previous year, approved and paid during the year:

	2010 **RMB'000**	2009 RMB'000
Final dividend in respect of the previous year, approved and paid during the year (2009: RMBNil)	**22,410**	–

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB111,532,000 (2009: RMB89,539,000) and weighted average number of ordinary shares 224,100,000 (2009: 205,405,000) during the year.

The amount of diluted earnings per share is the same as the basic earnings per shares as there was no potential ordinary share outstanding during the years ended 31 December 2010 and 2009.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Furniture fixtures and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2009	34,098	23,368	5,361	17,887	447	81,161
Additions	–	309	408	–	–	717
Disposals	–	(1,975)	(146)	–	–	(2,121)
At 31 December 2009	34,098	21,702	5,623	17,887	447	79,757
Additions	–	730	203	–	3,927	4,860
Disposals	–	(902)	(638)	–	–	(1,540)
At 31 December 2010	34,098	21,530	5,188	17,887	4,374	83,077
ACCUMULATED DEPRECIATION						
At 1 January 2009	4,614	12,979	2,804	6,798	–	27,195
Provided for the year	1,080	2,971	641	1,840	–	6,532
Eliminated on disposal	–	(1,884)	(136)	–	–	(2,020)
At 31 December 2009	5,694	14,066	3,309	8,638	–	31,707
Provided for the year	1,080	2,563	599	1,214	–	5,456
Eliminated on disposal	–	(840)	(577)	–	–	(1,417)
At 31 December 2010	6,774	15,789	3,331	9,852	–	35,746
NET CARRYING AMOUNT						
At 31 December 2010	**27,324**	**5,741**	**1,857**	**8,035**	**4,374**	**47,331**
At 31 December 2009	28,404	7,636	2,314	9,249	447	48,050

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Buildings	Furniture fixtures and equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2009	34,098	15,500	4,182	17,887	–	71,667
Additions	–	1,899	113	–	–	2,012
Disposals	–	(1,449)	(146)	–	–	(1,595)
At 31 December 2009	34,098	15,950	4,149	17,887	–	72,084
Additions	–	427	–	–	3,927	4,354
Disposals	–	(856)	(384)	–	–	(1,240)
At 31 December 2010	34,098	15,521	3,765	17,887	3,927	75,198
ACCUMULATED DEPRECIATION						
At 1 January 2009	4,614	8,698	2,395	6,797	–	22,504
Provided for the year	1,080	2,214	479	1,840	–	5,613
Eliminated on disposal	–	(1,377)	(136)	–	–	(1,513)
At 31 December 2009	5,694	9,535	2,738	8,637	–	26,604
Provided for the year	1,080	2,133	385	1,215	–	4,813
Eliminated on disposal	–	(796)	(354)	–	–	(1,150)
At 31 December 2010	6,774	10,872	2,769	9,852	–	30,267
NET CARRYING AMOUNT						
At 31 December 2010	**27,324**	**4,649**	**996**	**8,035**	**3,927**	**44,931**
At 31 December 2009	28,404	6,415	1,411	9,250	–	45,480

Notes:

(a) The Group's buildings are situated in the PRC and on leasehold lands that are held under medium-term (Note 18).

(b) On 9 April 2007, the Group entered into a co-operation agreement with an independent third party for joint operation of a RFID Technology research and exhibition centre for a term of 2 years. The agreement is recognised as jointly-controlled assets in the prior years. As of 31 December 2008, the Group's share of jointly controlled assets recognised in the financial statements was RMB2,015,000. In 2009, the agreement was terminated and all the jointly-controlled assets had been taken up by the Group.

18. PREPAID LEASE PAYMENTS

Group and Company

	2010 **RMB'000**	2009 RMB'000
Leasehold land in the PRC:		
– Medium-term lease	**6,417**	6,567
Analysed for reporting purposes as:		
– Current asset	**150**	150
– Non-current asset	**6,267**	6,417
	6,417	6,567

19. INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2009	21,666
Disposals/write off	(5,096)
At 31 December 2009 and 31 December 2010	16,570
AMORTISATION	
At 1 January 2009	3,583
Provided for the year	1,946
Eliminated on disposals/write off	(637)
At 31 December 2009	4,892
Provided for the year	1,946
At 31 December 2010	6,838
NET CARRYING AMOUNT	
At 31 December 2010	**9,732**
At 31 December 2009	11,678

Notes:

(i) Technical know-how are amortised over their estimated useful lives of 8 years.

(ii) During the year ended 31 December 2009, certain technical know-how were disposed at a consideration of RMB15,000,000. The Group recognised a gain of RMB10,541,000 on disposal of intangible assets, representing the excess over the carrying amount of RMB4,459,000 recognised in profit or loss.

20. DEFERRED TAX ASSETS/(LIABILITIES)

The movements in the components of deferred tax assets/(liabilities) recognised by the Group and the Company during the current and prior years are as follows:

Group

	Depreciation of property, plant and equipment RMB'000	Recognition of intangible assets RMB'000	Impairment loss on trade and other receivables RMB'000	Impairment loss on inventories RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	474	(2,712)	1,115	24	127	(972)
Credited/(charged) to profit or loss for the year (Note 11)	(381)	961	(483)	13	985	1,095
Effect of change in tax rate	–	–	–	–	(115)	(115)
At 31 December 2009	93	(1,751)	632	37	997	8
Credited/(charged) to profit or loss for the year (Note 11)	(93)	486	235	5	995	1,628
At 31 December 2010	**–**	**(1,265)**	**867**	**42**	**1,992**	**1,636**

Company

	Depreciation of property, plant and equipment RMB'000	Impairment loss on trade and other receivables RMB'000	Impairment loss on inventories RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	474	726	17	-	1,217
Credited/(charged) to profit or loss for the year	(381)	(522)	11	987	95
At 31 December 2009	93	204	28	987	1,312
Credited/(charged) to profit or loss for the year	(93)	235	4	807	953
At 31 December 2010	**–**	**439**	**32**	**1,794**	**2,265**

20. DEFERRED TAX ASSETS/(LIABILITIES) *(Continued)*

Deferred tax balances are presented in the end of reporting period as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**2,901**	1,949	**2,265**	1,312
Deferred tax liabilities	**(1,265)**	(1,941)	**–**	–
	1,636	8	**2,265**	1,312

At 31 December 2010, the Group has unused tax losses of RMB729,000 (2009: RMB1,320,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses will expire in five years from the respective dates of incurrence.

21. DEPOSIT FOR INVESTMENT IN AN ASSOCIATE

On 29 December 2010, the Company entered into an agreement with Nanjing Information Investment Holdings Company Limited ("NJ Information") in which the Company subscribed 20% of the registered capital of NJ Information at RMB20,000,000 (thereafter referred to as the "Capital Injection"). NJ Information was established in January 2009 with registered capital of RMB100,000,000. Up to the date of this report, the Capital Injection has not yet completed. Accordingly, the Company recognised RMB5,000,000 as deposit for investment in an associate in non-current assets at the end of reporting period.

22. INTEREST IN A JOINTLY-CONTROLLED ENTITY/DEPOSIT FOR INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**-**	–	**75,000**	–
Share of net assets	**75,985**	–	**–**	–
Deposit for investment in a jointly-controlled entity	**–**	75,000	**–**	75,000
	75,985	75,000	**75,000**	75,000

22. INTEREST IN A JOINTLY-CONTROLLED ENTITY/DEPOSIT FOR INVESTMENT IN A JOINTY-CONTROLLED ENTITY) *(Continued)*

Details of the jointly-controlled entity as at 31 December 2010 were as follows:

Company	Place of incorporation/ registration	Place of operation	Issued and fully paid capital/ registered capital	Percentage of ownership interests/voting rights/profit share	Principal activities
中健之康供應鏈服務有限公司 (Zhong Jian Zhi Kang Supply Chain Management Company Limited)	PRC	PRC	RMB150,000,000	50%	Distribution and wholesale of pharmaceutical products

The summarised financial information in respect of the Group's share of jointly-controlled entity is set out below:

	2010 RMB'000
Non-current assets	8,636
Current assets	234,966
Current liabilities	(167,617)
Net assets	75,985
Income	396,390
Expenses	(394,727)
Profit before income tax	1,663
Income tax expense	(678)
Profit for the year	985

On 25 December 2009, the Company entered into a joint venture agreement ("JV Agreement ") with Nanjing Pharmaceutical Company Ltd ("NJ Pharmaceutical") in relation to the joint investment in Zhong Jiang Zhi Kang Supply Chain Management Company Limited (previously known as Nanjing Medicine Marketing Company Ltd) ("NJ Marketing"). The Company and NJ Pharmaceutical would jointly establish a cooperation platform for the pharmaceutical products supply chain management information project. NJ Marketing originally is a wholly-owned subsidiary of NJ Pharmaceutical and was established in February 2009 with registered capital of RMB48,000,000. Pursuant to the JV Agreement, NJ Pharmaceutical will increase its investment in NJ Marketing to RMB75,000,000 and the Company will also inject RMB75,000,000 as capital contribution. The Company and NJ Pharmaceutical would contribute equally to the registered capital of the joint venture in the total amount of RMB150,000,000.

As at 31 December 2009, Industry and Commerce registration of NJ Marketing was not yet completed and accordingly, the Company recognised RMB75,000,000 as deposit for investment in a jointly-controlled entity in non-current assets as at that date.

During the current year, the Industry and Commerce registration of NJ Marketing has been completed and therefore deposit was reclassified as the Group's interest in a jointly-controlled entity.

23. INTERESTS IN SUBSIDIARIES

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**126,078**	96,078
Amounts due from subsidiaries	**63,058**	77,847
	189,136	173,925

Amounts due from subsidiaries are unsecured, interest-free and in substance form part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

Amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the Company's subsidiaries as at 31 December 2010 were as follows:

Company	Place of incorporation/ registration	Place of operation	Issued and fully paid capital/ registered capital '000	Effective equity interest attributable to the Company Directly	Indirectly	Principal activities
南京三寶物流科技有限公司 (Nanjing Sample Logistic Company Limited) ("NJ Sample Logistic")	PRC	PRC	RMB6,000	100%	–	Provision of video security system solutions
江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Limited)	PRC	PRC	RMB60,000	100%	–	Provision of intelligent transportation system construction services
Sample Technology (H.K.) Co., Limited	Hong Kong	Hong Kong	HK$78	100%	–	Investment holding
Federal International Enterprise Limited ("Federal International")	Hong Kong	Hong Kong	HK$10	–	100%	Investment holding
江蘇瑞福智能科技有限公司 (Jiangsu Raifu Intelligent Tech. Co., Ltd.)	PRC	PRC	RMB10,800	–	100%	Manufacture and trading of electronic products
湖南省利貞科技有限公司 (Hunan Li Zhen Technology Co., Ltd.) (2)	PRC	PRC	RMB30,000	–	100%	Dormant
南京物聯聯網研究院發展有限公司 (1) (Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited) ("NJ Wu Lian")	PRC	PRC	RMB30,000/ RMB50,000	70%	–	Not yet commence business

All the above companies are limited liability companies.

23. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(1) On 21 October 2010, the Company and two independent third parties set up NJ Wu Lian with authorised capital of RMB50,000,000. Pursuant to NJ Wu Lian's articles of association, the Company would hold 70% of the registered capital of NJ Wu Lian when all capital was paid up by shareholders. As at the end of reporting period, RMB30,000,000, representing 60% of the registered capital of NJ Wu Lian, has been paid-up by the Company. The remaining unpaid registered capital of RMB5,000,000 will be injected by the Company before 21 October 2012.

(2) The subsidiary was deregistered in January 2011.

24. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Computer hardware products, equipment and software products	**2,875**	2,288	**1,466**	1,542
Less: Provision for obsolete inventories	**(382)**	(341)	**(315)**	(273)
	2,493	1,947	**1,151**	1,269

25. TRADE RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from third parties	**100,029**	100,665	**93,227**	60,380
Amounts due from customers for contract work (Note 28)	**55,115**	47,341	**12,106**	11,282
Less: Provision for impairment losses (Note (c))	**(7,224)**	(4,874)	**(4,373)**	(2,023)
	147,920	143,132	**100,960**	69,639

(a) 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.

25. TRADE RECEIVABLES *(Continued)*

(b) The following is an ageing analysis of trade receivables, net of allowance for doubtful debts and provision for impairment losses, at the end of reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Aged:				
0 – 90 days	**58,099**	63,002	**25,779**	7,751
91 – 180 days	**9,321**	14,083	**8,740**	3,121
181 – 365 days	**57,546**	18,810	**47,330**	14,904
1 – 2 years	**11,059**	37,191	**7,400**	35,202
Over 2 years	**11,895**	10,046	**11,711**	8,661
	147,920	143,132	**100,960**	69,639

(c) The movements in the provision for impairment losses during the year are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**4,874**	11,640	**2,023**	8,700
Interest income recognised	**(135)**	(4,452)	**(135)**	(4,452)
Debt assignment (Note 7)	**–**	(15,582)	**–**	(15,582)
Additional impairment loss recognised	**2,485**	14,166	**2,485**	13,357
Amount written off as uncollectible	**-**	(898)	**-**	-
At end of year	**7,224**	4,874	**4,373**	2,023

This provision has been determined based on the estimated future cash flows discounted at appropriate rate or by reference to past default experience, where appropriate. The Group does not hold any collateral over these balances.

(d) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**783**	5,777
Less than 6 months past due	**206**	134
	989	5,911

25. TRADE RECEIVABLES *(Continued)*

(d) Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26. BILLS RECEIVABLE

As at 31 December 2010, all bills receivable aged within 90 days.

27. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits for tenders	**78,431**	60,902	**4,501**	4,367
Prepayment and other receivables	**18,978**	35,837	**418**	33,768
Other loan receivable (note)	**50,000**	–	**50,000**	–
Deposits paid to suppliers	**10,573**	120,556	**309**	42,493
	157,982	217,295	**55,228**	80,628

Note: Other loan receivable was lent to an independent third party and entrusted by a bank in the PRC. It is interest-bearing at 5.80% per annum and repayable in 2011. The Group does not hold any collateral over these balances.

28. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contract costs incurred to date	**675,024**	423,112	**59,045**	25,687
Recognised profits less recognised losses	**216,297**	106,369	**60,868**	20,083
	891,321	529,481	**119,913**	45,770
Less: Progress billing	**(609,695)**	(187,432)	**(81,536)**	(13,867)
Receipts from customers in advance	**(56,117)**	(118,119)	**(6,099)**	(1,766)
	225,509	223,930	**32,278**	30,137

At 31 December 2010, retentions held by customers for contract work included in trade receivables (Note 25) under current assets amounted to RMB55,115,000 (2009: RMB47,341,000).

29. SHORT-TERM DEBT INVESTMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted trust funds, at cost (note)	**100,000**	–	**100,000**	–

Note:

During the year, the Group invested an aggregate amount of RMB100,000,000 into a RMB trust funds for a period of one year. The fund bears interest ranging from 2.31% per annum to 5.00% per annum without a fixed pre-determined return.

30. TRADE AND OTHER PAYABLES AND RECEIPTS IN ADVANCE

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**134,259**	162,602	**21,727**	26,105
Other payables	**58,248**	45,648	**19,386**	11,151
Receipts in advance	**1,208**	2,984	**1,208**	2,984
Other tax payables	**22,857**	20,685	**14,018**	8,860
	216,572	231,919	**56,339**	49,100

The following is an ageing analysis of trade payables at the end of reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Aged:				
0 – 90 days	**83,991**	122,061	**11,997**	15,595
91 – 180 days	**10,742**	7,306	**2,280**	3,075
181 – 365 days	**15,019**	8,335	**3,386**	2,668
1 – 2 years	**10,857**	20,607	**1,588**	3,291
Over 2 years	**13,650**	4,293	**2,476**	1,476
	134,259	162,602	**21,727**	26,105

31. SHORT-TERM BANK LOANS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unsecured bank loans (note)				
– guaranteed by a shareholder, Nanjing Sample Technology Group Company Limited ("Sample Group")	**215,000**	127,000	**115,000**	40,000

Note: The bank loans are unsecured and repayable within one year with interest charged ranging from 4.78% to 6.06% (2009: 5.31% to 5.84%) per annum.

The fair values of the above bank loans estimated by discounting their future cash flows at the prevailing market borrowing rates at 31 December 2010 and 2009 approximate to the corresponding carrying amounts.

32. SHARE CAPITAL

	Numbers of shares			Amount		
	Domestic shares	H shares	Total	Domestic shares	H shares	Total
				RMB'000	RMB'000	RMB'000
Registered, issued and fully paid, with par value of RMB1.0 each:						
At 1 January 2009	132,300,000	61,200,000	193,500,000	132,300	61,200	193,500
Issue of shares (note)	–	30,600,000	30,600,000	–	30,600	30,600
At 31 December 2009 and 31 December 2010	132,300,000	91,800,000	224,100,000	132,300	91,800	224,100

Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for, and traded in Hong Kong dollars between legal and natural persons of Hong Kong, Macau, Taiwan or any countries other than the PRC. Domestic shares on the other hand, may only be subscribed for, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

Note:

Pursuant to a subscription agreement dated 9 June 2009, 30,600,000 H shares of RMB1.00 each were issued and allotted at HK$4.00 per share on 11 August 2009 at an aggregate consideration of RMB106,426,000, net of issuing expenses, of which RMB30,600,000 was credited to share capital and the remaining balance of RMB75,826,000 was credited to the share premium account.

33. RESERVES

Company

	Share premium RMB'000 (Note (i))	Statutory surplus reserve RMB'000 (Note (ii))	Retained profits RMB'000	Total RMB'000
Nanjing Sample				
At 1 January 2009	20,391	10,028	68,382	98,801
Profit and total comprehensive income for the year	–	–	94,044	94,044
Issue of shares (Note 32)	75,826	–	–	75,826
Profit appropriation	–	4,558	(4,558)	–
At 31 December 2009	96,217	14,586	157,868	268,671
Profit and total comprehensive income for the year	–	–	47,125	47,125
Dividend approved in respect of the previous year (Note 15)	–	–	(22,410)	(22,410)
Profit appropriation	–	4,713	(4,713)	–
At 31 December 2010	96,217	19,299	177,870	293,386

Notes:

(i) Share premium

Share premium arose from the issuance of share at prices in excess of their par value.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company and its subsidiaries are required to set aside 10% of its profit after income tax expense for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered capital).

According to the Articles of Association of the Company and its subsidiaries, statutory surplus reserve can be used to i) make up prior year losses; ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the registered capital of the Company or its subsidiaries; or iii) expand production operation.

In accordance with the Company's Articles of Association, the profit after income tax expense for the purpose of appropriation will be deemed to be the lesser of the amounts determined accordance with (i) PRC accounting standards and regulations and (ii) either International Financial Reporting Standards or overseas accounting standards of the place in which the Company's shares are listed.

(iii) Exchange translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(n).

34. LEASES COMMITMENTS

The Group as lessee

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of factory and premises which fall due as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**136**	505
In the second to fifth years inclusive	**–**	82
	136	587

Leases are negotiated for an average term of three years and rentals are fixed for such term.

35. CAPITAL COMMITMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Commitments for acquisition of an associate				
– contracted for but not provided	**15,000**	–	**15,000**	–
Commitments for acquisition of a subsidiary				
– contracted for but not provided	**–**	–	**5,000**	–

36. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 24 April 2004 (the "Share Option Scheme"), the Company may grant options to any full-time employees, directors (including non-executive directors and independent non-executive directors) and part-time employees with weekly working hours of 10 hours and above of the Group and any advisor (professional or otherwise) or professional consultant, distributors, suppliers, agents, customers, joint venture partners, service providers which, in the opinion of the Company's board of directors (the "Board"), has or had made contribution to the Group the option to subscribe for the H shares in the Company for a consideration of HK$1 for each lot of share options granted.

The Share Option Scheme will remain valid for a period of ten years commencing on 24 April 2004. Option granted are exercisable at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised from the date of grant of the option is not more than ten years from the date of grant of the option.

36. SHARE OPTION SCHEME *(Continued)*

The subscription price for H shares under the Share Option Scheme will not be less than the higher of (i) the closing price of the H shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the H shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a H share.

However, for the participants who are PRC nationals or enterprises established in the PRC and have taken up any options to subscribe for H shares, they shall not be entitled to exercises the options until:

(i) The current restriction imposed by the relevant PRC laws and regulations restricting PRC nationals or enterprises established in the PRC from subscribing for and dealing in H shares or any law and regulations with similar effects have been abolished or diminished; and

(ii) The China Securities Regulatory Commission or other relevant government authorities in the PRC have approved the issue of new H shares upon the exercise of any options which may be granted under the Share Option Scheme.

No options have been granted by the Company under the Share Option Scheme since its adoption.

37. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirements scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of RMB2,889,000 (2009: RMB2,641,000) represents contributions payable to these schemes by the Group in respect of the current year. All the contributions had been paid over to the scheme as at 31 December 2010.

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

(a) The Company and Sample Group entered into licence agreement on 1 January 2001 pursuant to which Sample Group agreed to grant a licence to the Company for the use of the trademarks "Sample" and "神保" at nil consideration with effect from 1 January 2001. Pursuant to a supplemental agreement to the licence agreement dated 30 July 2008 ("Supplemental Agreement"), Sample Group irrevocably agreed to grant a licence to the Company for (i) the use of the trademark "Sample" and (ii) the exclusive use of the trademark "神保" in connection with the services included in class 42, which includes computer rental, computer programming, computer software design, updating of computer software, rental of computer software, consultancy in the field of computer hardware, leasing access time to computer database, at nil consideration. The licence period for (i) will expiry on 31 July 2018 whilst the licence period for (ii) will expiry at the earlier of (a) 31 July 2018; and (b) the date when the necessary procedures for the transfer of the trademark have been completed pursuant to the exercise of the option under the trademark option agreement ("Option agreement") dated 30 July 2008. Under the Supplemental Agreement, Sample Group retains the right to use the trademark " Sample" in connection with services included in class 42 and the Company was granted a pre-emptive right to acquire the trademark "Sample" and "神保" should Sample Group intend to transfer the same to third parties under the same terms and conditions after the expiry of the Supplementary Agreement.

The Option Agreement was entered into between the Company and Sample Group pursuant to which an option was granted to the Company by Sample Group exercisable from the date of the trademark option agreement to 31 July 2018 ("Option Period"). During the Option Period, the Company may, by written notice, request Sample Group to transfer the trademark "神保" to the Company at nil consideration.

(b) At the end of reporting period, certain of the Group's short-term bank loans are secured by guarantees given by related companies:

	2010	2009
	RMB'000	RMB'000
Guarantees given by Sample Group	**215,000**	127,000

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) The remuneration of directors is disclosed in Note 12 and other members of key management personnel during the year was as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	**389**	594
Contributions to retirement benefits/pensions schemes	**26**	114
	415	708

39. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which include short-term bank loans disclosed in Note 31, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of reporting period was as follows:

	2010 RMB'000	2009 RMB'000
Debts	**215,000**	127,000
Cash and cash equivalents	**(310,159)**	(190,411)
Net debts	**(95,159)**	(63,411)
Total equity	**658,852**	569,730
Net debt to equity ratio	**N/A**	N/A

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, trade and other payables short-term debt investments, cash and cash equivalents and short-term bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily relates to the Group's trade and other receivables, deposits paid to suppliers, amounts due from customers for contract works. In order to minimise the risk, the management of the Group closely monitors overdue debts. Normally, the Group does not obtain collateral from customers. The recoverable amount of each individual debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors of the Group consider that credit risk associated with the Group's trade receivables and amounts due from customers for contract work is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 37.3% (2009: 8.8%) and 65.4% (2009: 23.4%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 25.

(b) Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

Group	Carrying amount RMB'000	Total contractual discounted cash flow RMB'000	Less than 3 months RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000
As at 31 December 2010					
Trade and other payables	**192,507**	**192,507**	**192,507**	**–**	**–**
Short-term bank loans	**215,000**	**219,580**	**107,852**	**91,410**	**20,318**
	407,507	**412,087**	**300,359**	**91,410**	**20,318**
As at 31 December 2009					
Trade and other payables	208,250	208,250	208,250	–	–
Short-term bank loans	127,000	130,517	11,660	68,332	50,525
	335,250	338,767	219,910	68,332	50,525

Company	Carrying amount RMB'000	Total contractual discounted cash flow RMB'000	Less than 3 months RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000
As at 31 December 2010					
Trade and other payables	**41,113**	**41,113**	**41,113**	**–**	**–**
Short-term bank loans	**115,000**	**117,391**	**66,493**	**30,580**	**20,318**
Amounts due to subsidiaries	**653**	**653**	**653**	**–**	**–**
	156,766	**159,157**	**108,259**	**30,580**	**20,318**
As at 31 December 2009					
Trade and other payables	37,256	37,256	37,256	–	–
Short-term bank loans	40,000	40,851	10,457	10,363	20,031
	77,256	78,107	47,713	10,363	20,031

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Market risk

(i) Interest rate risk

Interest-bearing financial assets are mainly bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly short-term bank loans with fixed interest rates which expose the Group to fair value interest rate risk. The interest rates and terms of repayment of the bank loans are disclosed in Note 31.

(ii) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group carries out a majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

(iii) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2010 and 2009 may be categorised as follows:

	2010	2009
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances), at amortised cost	**722,018**	449,341
Financial liabilities		
Financial liabilities, at amortised cost	**430,364**	355,935

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**494,434**	456,865	331,726	152,790	131,614
Profit before income tax	**127,727**	97,456	98,929	89,672	58,860
Profit for the year	**111,532**	89,487	93,399	90,205	50,593
Non-controlling interests	**–**	(52)	253	121	(550)
Profit attributable to owners of the Company	**111,532**	89,539	93,146	90,084	50,043
Earning per share — Basic (RMB)	**0.50**	0.44	0.48	0.47	0.78

ASSETS AND LIABILITIES

	At 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**147,216**	143,094	80,434	96,884	66,656
Current assets	**960,773**	797,453	605,853	380,063	248,225
Current liabilities	**447,872**	368,876	308,029	155,560	83,893
Net current assets	**512,910**	428,577	297,824	224,503	164,332
Equity attributable to owners of the Company	**658,852**	569,730	373,773	319,750	229,666
Total equity	**658,852**	569,730	375,469	321,193	230,988