



南京三寶科技股份有限公司

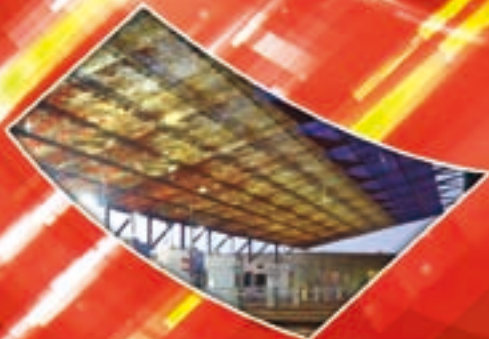
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED *

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

Stock code : 1708

2012

Interim Report



* for identification purpose only

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the six months ended 30 June 2012 (the "Period") amounted to approximately RMB311,560,600.70, representing a growth of approximately 2.89% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2012 was RMB73,378,048.07, representing an increase of approximately 20.96% as compared to corresponding period of last year.

The basic earnings per share for the six months ended 30 June 2012 was approximately RMB0.327 (2011: RMB0.271).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors of Nanjing Sample Technology Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 together with the comparative figures for the six months ended 30 June 2011 as follows:

(Unless otherwise stated, the financial information of the Company in this report was stated in Renminbi ("RMB") yuan)

Financial Information

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

ITEMS	Note	Six months ended 30 June	
		2012	2011 (Restated)
I. Total operating income	2	311,560,600.70	302,819,999.50
II. Total operating cost		240,209,041.42	248,673,440.23
Operating cost		187,931,687.51	216,189,000.96
Taxes and surcharges		7,489,405.92	1,746,848.26
Selling expenses		8,839,122.10	6,161,121.61
Administrative expenses		27,334,735.75	17,787,537.86
Finance costs	4	7,645,583.22	6,788,931.54
Impairment losses for assets		968,506.92	-
Share of profit of associates and jointly controlled entities		4,322,682.62	146,134.05
Other investment income		2,249.18	-
III. Operating profit		75,676,491.08	54,292,693.32
Add: Non-operating income		14,157,096.63	14,673,954.16
Less: Non-operating expenses		211,351.97	-
IV. Total profit		89,622,235.74	68,966,647.48
Less: Income tax expenses	5	16,851,716.26	8,303,978.46
V. Net profit		72,770,519.48	60,662,669.02
Net profit attributable to the shareholders of the Company		73,378,048.07	60,662,669.02
VI. Other comprehensive income		-	(2,000.00)

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (Continued)

ITEMS	Note	Six months ended 30 June	
		2012	2011 (Restated)
VII. Total comprehensive income		72,770,519.48	60,660,669.02
Total comprehensive income attributable to the shareholders of the Company		73,378,048.07	60,660,669.02
Total comprehensive income attributable to minority shareholders		(607,528.59)	-
VIII. Earnings per share:	6		
(1) Basic earnings per share		0.327	0.271
(2) Diluted earnings per share		0.327	0.271
IX. Dividends	7	-	-

Financial Information

CONSOLIDATED BALANCE SHEET

At 30 June 2012

ASSETS	Note	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Current assets:			
Cash and bank balance		379,968,744.48	457,625,077.68
Bills receivable	8	200,000.00	856,348.50
Accounts receivable	8	284,524,209.88	321,076,498.92
Prepayments	8	13,311,017.80	3,193,664.28
Other receivables	8	126,540,506.99	88,932,996.33
Inventories		428,979,603.01	277,749,254.36
Other current assets		–	–
Total current assets		1,233,524,082.16	1,149,433,840.07
Non-current assets:			
Long-term equity investments		198,332,222.20	194,007,290.40
Fixed assets		49,873,495.24	51,830,494.11
Construction in progress		84,404,805.81	4,680,462.89
Construction materials		2,817,100.00	19,289,440.00
Intangible assets		22,656,308.71	24,859,714.28
Long-term prepayments		700,000.00	–
Deferred income tax assets		6,081,133.09	4,248,176.20
Total non-current assets		364,865,065.05	298,915,577.88
TOTAL ASSETS		1,598,389,147.21	1,448,349,417.95

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2012

	Note	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Current liabilities:			
Short-term borrowings		246,300,000.00	286,300,000.00
Bills payable		13,378,783.00	28,038,552.80
Accounts payable	9	329,362,420.47	255,291,518.57
Receipts in advance	9	22,620,293.83	1,725,195.60
Accrued staff salaries		261,073.65	319,916.32
Tax payable		41,795,255.39	54,939,104.99
Other payables	9	30,203,257.15	27,683,268.40
Total current liabilities		683,921,083.49	654,297,556.68
Non-current liabilities:			
Special payable		19,930,000.00	–
Deferred income tax liabilities		1,295,562.39	1,602,503.42
Other non-current liabilities		–	–
Total non-current liabilities		21,225,562.39	1,602,503.42

Financial Information

CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2012

	Note	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Total liabilities		705,146,645.88	655,900,060.10
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital reserve		102,999,020.45	102,999,020.45
Surplus reserve		34,049,480.44	34,049,480.44
Undistributed profits		500,595,124.21	427,217,076.14
Difference on translation of financial statements in foreign currency		(3,620,518.26)	(3,643,142.26)
Total equity attributable to the shareholders of the Company		858,123,106.84	784,722,434.77
Minority interest		35,119,394.49	7,726,923.08
Total shareholders' equity		893,242,501.33	792,449,357.85
Total liabilities and shareholders' equity		1,598,389,147.21	1,448,349,417.95
Net current assets		549,602,998.67	495,136,283.39
Total assets less current liabilities		914,468,063.72	794,051,861.27

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Six months ended 30 June	
	2012	2011 (restated)
I. Cash flows from operating activities		
Net cash flows from operating activities	33,452,814.55	(44,704,213.76)
II. Cash flows from investing activities		
Net cash flows from investing activities	(228,337,404.34)	(86,314,000.05)
III. Cash flows from financing activities		
Net cash flows from financing activities	117,617,423.05	13,211,491.36
IV. Effect of foreign exchange rate changes on cash and cash equivalents	365,438.72	–
V. Net increase in cash and cash equivalents	(76,901,728.02)	(117,806,722.45)
Add: Cash and cash equivalents at beginning of period	415,049,940.54	310,158,695.63
VI. Cash and cash equivalent at end of period	338,148,212.52	192,351,973.18

Financial Information

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

(All amounts in Renminbi yuan unless otherwise stated)

Six months ended 30 June 2012							
ITEMS	Attributable to the owners of the Company						Total shareholders' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	102,999,020.45	34,049,480.44	427,217,076.14	(3,643,142.26)	7,726,923.08	792,449,357.85
II. Opening balance of current year	224,100,000.00	102,999,020.45	34,049,480.44	427,217,076.14	(3,643,142.26)	7,726,923.08	792,449,357.85
III. Changes during the period	-	-	-	73,378,048.07	22,624.00	27,392,471.41	100,793,143.48
(I) Net profits	-	-	-	73,378,048.07	-	(607,528.59)	72,770,519.48
(II) Other comprehensive income	-	-	-	-	22,624.00	-	22,624.00
(III) Shareholders contribution and capital reduction	-	-	-	-	-	28,000,000.00	28,000,000.00
1. Capital contribution by shareholders	-	-	-	-	-	-	-
(IV) Profit appropriation	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	-	-	-	-
(V) Others	-	-	-	-	-	-	-
IV. Closing balance of current period	224,100,000.00	102,999,020.45	34,049,480.44	500,595,124.21	(3,620,518.26)	35,119,394.49	893,242,501.33

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

		Six months ended 30 June 2011 (restated)						
		Attributable to the owners of the Company					Total shareholders' equity	
ITEMS		Share capital	Capital surplus	Surplus reserve	Undistributed profits	Others		Minority interest
I.	Closing balance of prior year	224,100,000.00	97,561,268.03	28,801,169.93	308,821,323.70	(431,136.12)	-	658,852,625.54
II.	Opening balance of current year	224,100,000.00	97,561,268.03	28,801,169.93	308,821,323.70	(431,136.12)	-	658,852,625.54
III.	Changes during the period	-	-	-	60,662,669.02	2,000.00	-	60,664,669.02
	(I) Net profits	-	-	-	60,662,669.02	-	-	60,662,669.02
	(II) Other comprehensive income	-	-	-	-	2,000.00	-	2,000.00
	(III) Shareholders contribution and capital reduction	-	-	-	-	-	-	-
	(IV) Profit appropriation	-	-	-	-	-	-	-
	1. Appropriation to surplus reserves	-	-	-	-	-	-	-
	2. Appropriation to shareholders	-	-	-	-	-	-	-
IV.	Closing balance of current period	224,100,000.00	97,561,268.03	28,801,169.93	369,483,992.72	(429,136.12)	-	719,517,294.56

Financial Information

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and other related regulations (“PRC Accounting Standards”) issued by the Ministry of Finance of the People’s Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2011. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. TOTAL OPERATING INCOME

Operating income represents the Group’s principal operating income, including revenue received and receivable from Intelligent traffic, custom logistics and sales of equipment and service business. The turnover of the corresponding period last year was reclassified according to the requirements of the PRC Accounting Standards for preparation.

2. TOTAL OPERATING INCOME (Continued)

(1) Operating income and operating cost

Item	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited) (restated)
Principal operating income	308,611,488.88	302,819,999.50
Other operating income	2,949,111.82	–
Total operating income	311,560,600.70	302,819,999.50
Principal operating cost	187,406,911.45	216,189,000.96
Other operating cost	524,776.06	–
Total operating cost	187,931,687.51	216,189,000.96

(2) Principal operations (by product)

Name of Products	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited) (restated)	
	operating income	operating cost	operating income	operating cost
Intelligent traffic	234,275,037.83	161,164,290.38	221,952,614.88	173,256,452.32
Customs logistics	11,358,543.16	6,035,515.50	47,282,384.64	27,713,720.44
Sales of equipment	61,361,497.63	20,105,851.47	30,469,999.98	14,908,828.20
Service	1,616,410.26	101,254.10	3,115,000.00	310,000.00
Total	308,611,488.88	187,406,911.45	302,819,999.50	216,189,000.96

Financial Information

3. SEGMENTS INFORMATION

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

4. FINANCE COSTS

Item	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited) (restated)
Interest expenses	10,039,336.55	8,501,511.37
Less: interest income	2,816,083.81	2,080,596.02
Exchange (gains)/losses	(301,800.76)	(642.39)
Others	724,131.24	368,658.58
Total	7,645,583.22	6,788,931.54

Notes: Interest expenses are interest on bank borrowings wholly repayable within five years.

5. INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited) (restated)
Current income tax calculated based on tax law and related regulations	19,050,104.51	8,303,978.46
Deferred income tax adjustment	(2,198,388.25)	–
Total	16,851,716.26	8,303,978.46

On 31 October 2011, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its tax rate was 15% during the reporting period.

On 21 October 2008, Jiangsu Intellitrans Company Limited, a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. This company continued to obtain the High and New Technology Enterprise certificate on 30 September 2011, with an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its tax rate was 15% during the reporting period.

Financial Information

5. INCOME TAX EXPENSES (Continued)

On 22 December 2009, Jiangsu Raifu Intelligent Tech. Co., Ltd., a subsidiary of the Company, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局). Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its tax rate was 15% during the reporting period.

The other domestic subsidiaries of the Company were taxed at 25% enterprise income tax rate.

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period attributable to the shareholders of the Company of RMB73,378,048.07 (2011: RMB60,662,669.02) and weighted average number of issued ordinary shares of approximately 224,100,000 (2011: 224,100,000) during the period.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the periods ended 30 June 2012 and 2011.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Accounts receivable	301,221,260.37	339,502,633.05
Less: Provision for doubtful and bad debts for accounts receivables	16,697,050.49	18,426,134.13
Bills receivable	200,000.00	856,348.50
Prepayments	13,311,017.80	3,193,664.28
Other receivables	126,754,870.23	89,262,684.80
Less: Provision for doubtful and bad debts for other receivables	214,363.24	329,688.47
Total	424,575,734.67	414,059,508.03

The aging analysis of accounts receivable

Types	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	256,287,101.50	7,682,218.25	300,986,541.49	8,261,307.30
1 to 2 years	27,267,585.74	2,421,105.18	21,401,137.54	1,306,666.81
2 to 3 years	8,754,777.28	2,481,634.02	6,893,682.57	1,726,660.88
Over 3 years	8,911,795.85	4,112,093.04	10,221,271.45	7,131,499.14
Total	301,221,260.37	16,697,050.49	339,502,633.05	18,426,134.13

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.

Financial Information

9. TRADE AND OTHER PAYABLES

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Accounts payables	329,362,420.47	255,291,518.57
Receipts in advance	22,620,293.83	1,725,195.60
Other payables	30,203,257.15	27,683,268.40
Total	382,185,971.45	284,699,982.57

Age analysis of accounts payables

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Within 1 year	282,354,941.97	203,929,817.08
1 to 2 years	30,464,184.16	30,274,406.49
Over 2 years	16,543,294.34	21,087,295.00
Total	329,362,420.47	255,291,518.57

FINANCIAL REVIEW

Total operating income

For the six months ended 30 June 2012 (the "Review Period"), the total operating income of the Group amounted to RMB311,560,600.70, representing an increase of approximately 2.89% over that of the corresponding period of last year. It was mainly attributed to the active industrial development of IOT and other business segments by the Group during the period under review.

Gross profit margin

The gross profit margin for the Review Period increased from approximately 29% to 40% as compared with the corresponding period of last year. The increase was mainly due to the Group has stronger bargaining power and the purchasing costs decreased.

Selling expenses

Selling expenses for the six months ended 30 June 2012 was RMB8,839,122.10, representing an increase of approximately 43.47% as compared with the corresponding period of last year. The increase was mainly due to the increases in salary cost and the marketing expenses.

Administrative expenses

The administrative expenses recorded an increase of approximately 53.67% from RMB17,787,537.86 in the corresponding period of last year to RMB27,334,735.75 for the Review Period. The increase was mainly attributable to the increase in salary cost and investment in research and development projects.

Inventories

At 30 June 2012, the inventories of the Group was RMB 428,979,603.01, representing an increase of approximately 54.45% over the same period last year. The increase in inventories was due to more projects were under construction during the period under review.

Construction in progress

At 30 June 2012, the Group's construction in progress amounted to RMB 84,404,805.81 which recorded a substantial increase as compared with RMB4,680,462.89 for the same period last year. The increase was mainly due to the company is constructing a research and development office building.

Management Discussion and Analysis

Receipts in advance

At 30 June 2012, receipts in advance of the Group amounted to RMB 22,620,293.83 which recorded a substantial increase as compared with RMB 1,725,195.60 for the same period last year. The increase in receipts in advance was due to the increase in projects which were signed during the period under review.

Special payables

At 30 June 2012, the Group recorded aspecial payables of RMB 19,930,000.00 which was the government grants for the research and development of two special projects of the Company.

Liquidity and Financial Resources

The Group adopted stringent financial management policies and maintained a healthy financial condition. The net current assets as at 30 June 2012 was RMB549,602,998.67 (At 31 December 2011: RMB495,136,283.39).

As at 30 June 2012, the bank balances and cash of the Group amounted to RMB379,968,744.48 (At 31 December 2011: RMB457,625,077.68).

Capital Structure

As at 30 June 2012, the total bank borrowings of the Group was RMB246,300,000 (At 31 December 2011: RMB286,300,000).

Pledge of Assets of the Group

As at 30 June 2012, the bank deposits of RMB41,820,531.96 (At 31 December 2011: RMB42,575,137.14) are pledged for projects bidding/projects in progress and banking facilities.

Employees

As at 30 June 2012, the Group has an aggregate of 378 employees (At 30 June 2011: 354 employees). During the Review Period, the staff costs (including Directors' remuneration) was RMB17,050,577.89 (corresponding period of 2011: RMB11,822,000).

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

Gearing Ratio

The gearing ratio (being bank loans less cash and cash equivalents divided by equity) of the Group as at 30 June 2012 was zero (At 31 December 2011: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

Risk in Foreign Exchange

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

Significant Investment Held

The Group did not have significant investment held as at 30 June 2012.

Future Plans Relating to Material Investment or Capital Asset

As at the date of this report, the Company has entered into an Equity Transfer Agreement with 南京三寶數碼科技有限公司 (Nanjing Sample Digital Technology Co., Ltd.) ("Nanjing Sample Digital") on 24 May 2012 for the acquisition of 13.83% equity interest in 南京市信息化投資控股有限公司 (Nanjing City Information Investment Holding Co., Ltd.) at a total consideration of RMB24,400,000. Nanjing Sample Digital is a wholly-owned subsidiary of 南京三寶科技集團有限公司 (Nanjing Sample Technology Group Co., Ltd.) which is a substantial shareholder of the Company. Therefore, it constituted a connected transaction. Save as disclosed, the Group did not have any other future plan of material investment or capital asset.

Contingent Liabilities

On 15 June 2012, the Company released from a guarantee in favour of Bank of Jiangsu Company Limited (江蘇銀行股份有限公司) for Zhong Jian Zhi Kang Supply Chain Management Company Limited* (中健之康供應鏈服務有限責任公司), a joint venture company which is 50% owned by the Company, to obtain loan facilities for an amount of RMB200,000,000 from the Bank. Save as disclosed, as at 30 June 2012, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

INTEGRATED BUSINESSES

As for the customs logistic monitoring business, the General Administration of Customs firstly proposed a plan for monitoring system and visualized logistic monitoring in the in the second phase of the planning and construction of Gold Gate Customs at the beginning of 2012. During the period under review, the Group successfully obtained a contract from Nanjing Customs for the Phase 1 construction of integrated intelligent center, mainly including 3D GIS map for Customs district, visualized management of customs checkpoint, visualized management of ships, 3D monitor for pile-up of containers and large display integrated system, which are expected to be completed in the second half of the year. Meanwhile, the Group also completed the systemic software construction project for the integrated intelligent center of Xin Sheng Wei and the work was highly recognized by Nanjing Customs. Currently, the project has been upgraded to a Customs district project of Nanjing Customs. During the period under review, the Group actively progressed every major project, of which final inspection of Dalian logistics monitoring platform has been completed and the development of intranet systems for Nanjing Stations has also completed, which were in the period of operation promotion.

As for expressway monitoring business, during the period under review, by virtue of its own competitive advantages, the Group won various project contracts, including electrical and mechanical engineering projects for Ningde–Wuyishen Expressway (Nanping section), Hunan – Ji Huai Expressway, and Longquan – Qingyuan Expressway (along the boundaries of Zhejiang province and Fujian province). During the period under review, the Group actively constructed many major projects, of which the electrical and mechanical engineering project of Sichuan Guangyuan-Nanchong project were basically completed, subject to trial operation; the construction of the southern part of Tianjin Haibin Thoroughfare has been completed, subject to inspection; and the final inspection of Hebei Cangzhou Coastal Expressway has been completed.

PRODUCT SUPPLY

During the period under review, “Reader RFS-2334”, our key product in intelligent traffic sector passed the examination on the model of radio transmission equipment by the State Radio Testing Center, representing that the Group’s RFID equipment has obtained a third-party verification and the performance of our products has been updated. Besides, “Reader RFS-261X series”, the forth generation integrated products developed by the Group, was granted “2012 Gold Ants Award”, the highest award of State Golden Card Project engineering. The product is featured with small size and light weight and is convenient to install. It can be widely used in areas like motor vehicle access management, Electronic Toll Collections (ETC), personnel access

management, electronic anti-counterfeit, logistics monitoring, warehousing, asset management and autonomous production management. During the period under review, the Group focused on the innovation of transaction model of IOT intelligent equipment and actively commenced the cooperation between supermarket label project and RFID world network to jointly innovate the transaction model of IOT equipment, finish system construction and prepare nearly 100 types of electronic commercial labels.

During the period under review, the Group actively engaged in a series of IOT application projects, including the pilot project of applying IOT technology on exported goods management by Shanghai Customs, the pilot project of applying ITO technology on the monitoring management for tax allowance by Nanjing Customs, planning of administration project on dreg vehicles in Nanjing and the study of applying e-payment on traceable system. Besides, during the period under review, the Group strived to follow up the food traceability system for the meats and vegetables sold in Nanjing. The construction of data center, management and control center and wireless network system for farmer's market have been completed and the slaughterhouse system has started operation.

INFORMATION SERVICE

During the period under review, Zhong Jian Zhi Kang Supply Chain Service Company Limited* (中健之康供應鏈有限責任公司) continued to implement the resources consolidation strategy based on the integrated development of northern part of Suzhou to consolidate result of synergic procurement project, of which the company grasped the opportunity arising from delivery and procurement business and tried to start transition of business segments through synergic procurement platform. As for the on-site sales and quick dispensing terminal business, the Group sought a new cooperative model through the business segments that synergic procurement members engaged in and started a trial synergic marketing based on market integration in eastern part of Suzhou. Meanwhile, the Group continued to execute the "Displayed Online Exhibition Platform" project and promoted its online ordering and online showcasing business.

Management Discussion and Analysis

During the period under review, the Group actively participated in the supporting technology integration and application demonstration project for the Nanjing 2014 Summer Youth Olympic Games (“Nanjing Youth Olympics”) and was responsible for the R&D on “Critical Technology R&D and Application Demonstration of Intelligent Traffic System of Nanjing City”. Such demonstration project is regarded as a National Technology Support Project for the “Twelfth-Five-Year-Plan”, showing the supporting and leading function of technology in optimization of city functions and large event management and providing a strong technical support and creating an environment for Nanjing Youth Olympics. As for intelligent transportation science and technology business, the Group launched various public service platforms for the public, including a web portal, “Traffic Online” and an end mobile software, “Zhi Xing 365”, providing comprehensive intelligent traffic information enquiry services through the Internet, TV and mobile phone.

During the period under review, the Group further carried out R&D on a series of IOT business projects, including the development project of the application of CCS (based on PaaS (Platform-as-a-Service) platform), R&D on cloud storage, visual-based multi-lane vehicle identification system product and electronic lock product.

PROSPECT

For the second half of the year, the Group will lead and coordinate the planning and construction of IOT examination center, start the development of customs IOT application platform and commence the construction of intelligent control center of Nanjing checkpoint. As for expressway monitoring business, the Group will establish a marketing system based on major projects. By virtue of the completed projects, the Group will further increase its market share and expand its market coverage radiating from core business regions, such as Guangdong, Inner Mongolia, Heibei and Sichun.

For the second half of the year, the Group will further develop the professional label applying to various industries and facilitate the technological innovation on reader, focus on the improvement of information service platform, promptly understand the feedback of related information and complete the function upgrade process and application optimization. Meanwhile, the Group will continue to set up supply chain services network and through integrating synergic procurement and logistic and applying RFID technology to third-party logistics, it will further increase the delivery efficiency in logistic and create room for sustainable development.

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 30 June 2012, 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 the 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 the 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 30 June 2012, 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.

Other Information

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%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua")	15,000,000 Domestic Shares	Beneficial owner/corporate	6.69%
Active Gold Holding Limited	49,545,000 Domestic Shares	Beneficial owner/corporate	22.11%
Atlantis Capital Holdings Limited (Note 2)	28,889,000 H Shares	Interest of controlled corporation	12.89%
Liu Yang (Note 2)	28,889,000 H Shares	Interest of controlled corporation	12.89%
Golden Meditech Holdings 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%
JP Morgan Chase & Co.	7,000,000 H Shares	Interest of controlled corporation/ Custodian corporation/approved lending agent	3.12%
Norges Bank	7,000,000 H Shares	Beneficial owner	3.12%

Note:

- (1) Sample Group directly holds 60,770,000 Domestic Shares. Sample Group is also interested in 100% 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 3.58% held by Ms. Liao Qiong, 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 67.95% of equity interest of Sample Group.
- (2) Atlantis Capital Holdings Limited is 100% owned by Ms. Liu Yang. Both Atlantis Capital Holdings Limited and Ms. Liu Yang owned the 28,889,000 Shares in a capacity of interest under controlled corporation.
- (3) 12,097,000 H Shares were held by GM Investment Company Limited, which is a wholly-owned subsidiary of Golden Meditech Holdings Limited (formerly known as Golden Meditech Company Limited). By virtue of GM Investment Company Limited's interests in the Company, Golden Meditech Company Holdings Limited is deemed to be interested in the same 12,097,000 H Shares under the SFO.

SHARE OPTION SCHEME

On 18 October 2011, the Board passed the resolution to terminate the execution of the share option scheme of the Company which was approved by the shareholders of the Company by way of resolution on 24 April 2004. The resolution was passed at the general meeting on 30 December 2011.

The Company has not granted any option under the share option scheme since the adoption of the scheme.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The code of conduct for securities transactions by Directors adopted by the Company is on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any circumstances that the Directors did not comply with the required standards of dealings and the code of conduct for securities transactions by Directors throughout the six months ended 30 June 2012.

Other Information

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 duty of the audit committee is to supervise the financial reporting process and internal control of the Company.

The audit committee comprises of three independent non-executive Directors, namely Mr. Shum Shing Kei (the chairman of the audit committee), Mr. Li Haifeng and Mr. Xu Suming. The audit committee of the Company has reviewed the unaudited results of the Group for the Review Period and has provided advice and comments thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2012, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

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

17 August 2012
Nanjing, the PRC

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Guo Ya Jun; the non-executive Director is Mr. Ma Jun and the independent non-executive Directors are Mr. Xu Suming, Mr. Li Haifeng and Mr. Shum Shing Kei.

* For identification purpose only