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Consolidated income statement*For the year ended 31 December 2012*

ITEMS	Note	2012	2011
I. Total operating income	3	737,689,688.95	542,388,737.94
II. Total operating cost		569,556,451.04	414,709,367.41
Operating cost		453,605,654.15	327,803,324.95
Taxes and surcharges		18,738,322.80	14,157,351.73
Selling and distribution expenses		19,700,037.85	13,088,941.60
General and administrative expenses		56,672,710.29	39,152,681.18
Financial expenses	7	11,369,009.23	9,254,329.57
Asset impairment losses		9,470,716.72	11,252,738.38
Share of profit of associates and jointly controlled entities		4,324,931.80	11,584,523.96
Other investment income		10,225,428.74	10,104,366.18
III. Operating profit		182,683,598.45	149,368,260.67
Add: Non-operating income		24,559,920.80	22,236,679.74
Less: Non-operating expenses		403,687.36	165,264.92
IV. Total profit	6	206,839,831.89	171,439,675.49
Less: Income tax expenses	8	37,621,268.34	25,385,612.54
V. Net profit		169,218,563.55	146,054,062.95
Net profit attributable to the shareholders of the Company		167,927,630.71	146,054,062.95
Minority interests		1,290,932.84	—
VI. Other comprehensive income		(959.95)	(3,212,006.14)
VII. Total comprehensive income		169,217,603.60	142,842,056.81
Total comprehensive income attributable to the shareholders of the Company		167,926,670.76	142,842,056.81
Total comprehensive income attributable to minority shareholders		1,290,932.84	—
VIII. Earnings per share:			
(1) Basic earnings per share	9	0.749	0.652
(2) Diluted earnings per share		0.749	0.652
IX. Dividend	10	22,410,000.00	22,410,000.00

Consolidated Balance Sheet

At 31 December 2012

ASSETS	Note	2012	2011
Current assets:			
Cash at bank and on hand		449,609,726.85	457,625,077.68
Notes receivable	11	160,000.00	856,348.50
Accounts receivable	11	278,576,202.98	321,076,498.92
Prepayments	11	48,417,202.13	3,193,664.28
Other receivables	11	147,128,312.82	88,932,996.33
Inventories		267,316,724.10	277,749,254.36
Total current assets		1,191,208,168.88	1,149,433,840.07
Non-current assets:			
Long-term equity investments		101,386,244.94	194,007,290.40
Fixed assets		172,765,038.02	51,830,494.11
Construction in progress			4,680,462.89
Construction materials			19,289,440.00
Intangible assets			24,859,714.28
Long-term prepaid expenses			—
Deferred tax assets			4,248,176.20
Total non-current assets			298,915,577.88
TOTAL ASSETS			1,448,349,417.95
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		138,000,000.00	286,300,000.00
Notes payable		29,246,066.85	28,038,552.80
Accounts payable	12	269,751,512.77	255,291,518.57
Advances from customers	12	25,300,107.19	1,725,195.60
St. .27810 1,448,349,417.95, 1,448,349,417.95		29,246,066.85	

	<i>Note</i>	2012	2011
Total liabilities		<u>642,315,818.35</u>	<u>655,900,060.10</u>
Shareholders' equity:			
Share capital		224,100,000.00	224,100,000.00
Capital surplus		99,627,613.95	102,999,020.45
Surplus reserve		41,898,314.28	34,049,480.44
Undistributed profits		564,885,873.01	427,217,076.14
Difference on translation of foreign currency			

Consolidated statement of changes in equity

For the year ended 31 December 2012

2012

Attributable to the shareholders of the Company

ITEMS	Attributable to the shareholders 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	-	(3,371,406.50)	7,848,833.84	137,668,796.87	(959.95)	29,290,932.84	171,436,197.10
(I) Net profits	-	-	-	167,927,630.71	-	1,290,932.84	169,218,563.55
(II) Other comprehensive income	-	-	-	-	(959.95)	-	(959.95)
(III) Shareholders contribution and capital reduction	-	-	-	-	-	28,000,000.00	28,000,000.00
1. Capital contribution by shareholders	-	-	-	-	-	28,000,000.00	28,000,000.00
(IV) Profit appropriation	-	-	7,848,833.84	(30,258,833.84)	-	-	(22,410,000.00)
1. Appropriation to surplus reserves	-	-	7,848,833.84	(7,848,833.84)	-	-	-
2. Appropriation to shareholders	-	-	-	(22,410,000.00)	-	-	(22,410,000.00)
(V) Others	-	(3,371,406.50)	-	-	-	-	(3,371,406.50)
IV. Closing balance of current period	224,100,000.00	99,627,613.95	41,898,314.28	564,885,873.01	(3,644,102.21)	37,017,855.92	963,885,554.95

Consolidated statement of changes in equity

For the year ended 31 December 2012

ITEMS	2011						Total shareholders' equity
	Attributable to the shareholders of the Company						
	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	-	5,437,752.42	5,248,310.51	118,395,752.44	(3,212,006.14)	7,726,923.08	133,596,732.31
(I) Net profits	-	-	-	146,054,062.95	-	-	146,054,062.95
(II) Other comprehensive income	-	-	-	-	(3,212,006.14)	-	(3,212,006.14)
(III) Shareholders contribution and capital reduction	-	-	-	-	-	7,726,923.08	7,726,923.08

Notes

For the year ended 31 December 2012

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*) (the “Company”, together with its subsidiaries, the “Group”) was established in the People’s Republic of China (the “PRC”) and was approved to be reorganised into a joint stock limited company on 28 December 2000.

The 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 22 November 2010, the Company’s H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the “Main Board”).

The addresses of the registered office and principal place of business of the Company are located at Building No.1, Ruan Jian Chuang Ye Zhong Xin, High Technology Development Region Qixia District, Nanjing City and No. 10 Maqun Avenue, Maqun Technology Park, Qixia District, Nanjing City respectively.

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design, installation; electronic products, computer development, manufacture, production for product sales, system integration; computer technology consulting and information services; research and development of ITS-based basic information collection technology and equipment. The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and health safety and other application areas.

The reporting currency of the Company is Renminbi (“RMB”). The reporting currency for the overseas businesses is the currency of the place in which they operate.

The currency used by the Group in the preparation of the financial statements is RMB.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the PRC Accounting Standards, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2010 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”); and the accounting policies and estimates of Notes II (Significant Accounting Policies, Accounting Estimates and Prior Period Errors).

3. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from Intelligent traffic monitoring, custom logistics monitoring and sales of equipment and service business.

(1) Operating income and operating cost

Item	2012	2011
Principal operating income	730,973,118.53	537,533,918.69
Other operating income	6,716,570.42	4,854,819.25

5. GROSS PROFIT

	2012	2011
Operating income	737,689,688.95	542,388,737.94
Operating cost	453,605,654.15	327,803,324.95
Gross profit	<u>284,084,034.80</u>	<u>214,585,412.99</u>

6. TOTAL PROFIT

Total profit is arrived at after charging/(crediting):

	2012	2011
Auditor's remuneration	750,000	750,000
Staff costs including directors' emoluments	32,757,000	24,871,000
Retirement benefits scheme contributions	7,123,000	4,209,000
	<u>39,880,000</u>	<u>29,080,000</u>
Depreciation of fixed assets	10,376,000	5,285,000
Amortisation of intangible assets	2,108,000	1,946,000
Provision for decline in value of inventories	377,000	236,000
Carrying amount of inventories sold	432,481,000	313,401,000
Amount of inventories recognised as expenses	<u>432,858,000</u>	<u>313,637,000</u>
Provision for bad debt for trade receivables	3,272,000	11,017,000
Amortisation of land use rights	385,000	190,000
Exchange losses	93,000	(576,000)
Government grant	12,335,000	(12,916,000)

7. FINANCIAL EXPENSES

Item	2012	2011
Interest expenses	16,879,928.45	15,524,237.60
Less: interest income	6,603,457.34	6,153,467.71
Exchange gain and loss	92,892.59	(575,686.96)
Others	999,645.53	459,246.64
Total	<u>11,369,009.23</u>	<u>9,254,329.57</u>

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

8. INCOME TAX EXPENSES

Items	2012	2011
Current income tax calculated based on tax law and related regulations	40,288,024.44	26,901,485.40
Adjustment to deferred income tax	(2,666,756.10)	(1,515,872.86)
Total	<u>37,621,268.34</u>	<u>25,385,612.54</u>

On 31 October 2011, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology 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, the enterprise income tax rate for the Company is 15% in 2012.

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 effective tax rate is 15% during the reporting period.

On 22 December 2009, Jiangsu Raifu Intelligent Tech. Co., Ltd. (the "Raifu Company"), 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. After the High and New Technology review on 5 November 2012, the Company continued to be the High and New Technology Enterprise. 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 effective tax rate is 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.

9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year attributable to the shareholders of the Company of RMB167,927,630.71 (2011: RMB146,054,062.95) and weighted average number of issued ordinary shares of approximately 224,100,000 (2011: 224,100,000) during the year.

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2012 and 2011.

10. DIVIDENDS

Items	2012	2011
Final dividend proposed of RMB0.2 per share	<u>44,820,000.00</u>	<u>22,410,000.00</u>

The directors recommend the payment of a final dividend of RMB0.2 per share (2011: 0.12012 per share) for the year ended 31 December 2012.

Final dividend proposed

11. TRADE AND OTHER RECEIVABLES

	2012	2011
Accounts receivable	300,274,605.67	339,502,633.05
Less: Provision for doubtful and bad debts for accounts receivables	21,698,402.69	18,426,134.13
Notes receivable	160,000.00	856,348.50
Prepayments	48,417,202.13	3,193,664.28
Other receivables	150,587,250.24	89,262,684.80
Less: Provision for doubtful and bad debts for other receivables	3,458,937.42	329,688.47
Total	<u>474,281,717.93</u>	<u>414,059,508.03</u>

The aging analysis of accounts receivable

Types	2012		2011	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	187,709,825.96	5,131,178.99	300,986,541.49	8,261,307.30
1 to 2 years	99,715,135.37	7,569,296.27	21,401,137.54	1,306,666.81
2 to 3 years	4,895,229.51	1,417,629.70	6,893,682.57	1,726,660.88
Over 3 years	7,954,414.83	7,580,297.73	10,221,271.45	7,131,499.14
Total	<u>300,274,605.67</u>	<u>21,698,402.69</u>	<u>339,502,633.05</u>	<u>18,426,134.13</u>

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.

12. TRADE AND OTHER PAYABLES

	2012	2011
Accounts payables	269,751,512.77	255,291,518.57
Advances from customers	25,300,107.19	1,725,195.60
Other payables	28,046,279.25	27,683,268.40
Total	<u>323,097,899.21</u>	<u>284,699,982.57</u>

Age analysis of trade payables

	2012	2011
Within 1 year	210,953,841.34	203,929,817.08
1 to 2 years	25,286,216.42	30,274,406.49
Over 2 years	33,511,455.01	21,087,295.00
Total	<u>269,751,512.77</u>	<u>255,291,518.57</u>

13. NET CURRENT ASSETS

	2012	2011
Current assets	1,191,208,168.88	1,149,433,840.07
Less: current liabilities	542,777,496.58	654,297,556.68
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Net current assets	<u>648,430,672.30</u>	<u>495,136,283.39</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2012	2011
Total assets	1,606,201,373.30	1,448,349,417.95
Less: current liabilities	542,777,496.58	654,297,556.68
	<hr/>	<hr/>
Total assets less current liabilities	<u>1,063,423,876.72</u>	<u>794,051,861.27</u>

15. CONTINGENT LIABILITIES

The guarantee agreement dated 23 May 2011 entered into by the Company, as guarantor, in favour of Bank of Jiangsu Company Ltd., (江蘇銀行股份有限公司) (the “Bank”) for the provision of guarantee on the repayment in full the principal amount, interests, fees and expenses of a loan facility granted by the Bank to Zhong Jian Zhi Kang Supply Chain Management Company Limited* (中健之康供應鏈服務有限責任公司) for an amount of RMB200,000,000. The guarantee of the Company was subsequently released on 15 June 2012. Save as disclosed, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2012 was approximately RMB737,689,689, representing an increase of approximately 36% over last year. The increase was mainly due to the fact that the Group was benefited from the strategic development opportunities by the policies of National Twelfth Five-Year Development Plan, the stable growth of intelligent traffic monitoring business as well as the active expansion of information service business by the Company during the Period.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2012 was approximately 38.5%, representing a decrease of approximately 1.1% over last year. The decrease was mainly due to the increase of raw material cost.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2012 was approximately RMB19,700,038, representing an increase of approximately 50.5% over last year. The increase was mainly attributable to the active exploration of new market by the Group and the increase of salaries during the Period.

General and Administrative Expenses

General and administrative expenses of the Group for the year ended 31 December 2012 was approximately RMB56,672,710, representing an increase of approximately 44.7% over last year. The increase was mainly attributable to the further introduction of talents and the increase in investment on research and development during the Period.

Net Profit attributable to shareholders of the Company

For the year ended 31 December 2012, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB167,927,631, representing an increase of 15% over last year. The increase was mainly attributable to stable growth of intelligent traffic monitoring business and the active expansion of the information service business.

Construction in progress

At 31 December 2012, the Group's construction in progress amounted to RMB105,149,762 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the company is constructing a research and development office building.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2012, the equity of the Company's shareholders was approximately RMB926,867,699. Current assets were approximately RMB1,191,208,169, comprising cash and bank balances of approximately RMB449,609,727. Non-current liabilities were approximately RMB99,538,322. Current liabilities were approximately RMB542,777,497, mainly comprising trade and other payables and advances from customers, short-term bank loans and tax payable. As at 31 December 2012, net assets per share of the Group was approximately RMB4.3 (31 December 2011: RMB3.54). The short-term bank loans of the Group were RMB138,000,000.

PLEDGE OF ASSETS

As at 31 December 2012, bank deposits of RMB60,385,498 were pledged to the bank for projects in progress (2011: RMB42,575,000).

GEARING RATIO

For the year ended 31 December 2012, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2011: 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 DISPOSAL AND SIGNIFICANT INVESTMENT

On 24 May 2012, the Company entered into the Equity Transfer Agreement with Nanjing Sample Digital Technology Co., Ltd. in relation to the acquisition of 13.83% equity interest in Nanjing City Information Investment Holding Co., Ltd. at the total consideration of RMB24,400,000.

On 29 November 2012, the Company entered into the Share Transfer Agreement with Shanghai Yang Yue Investment Partnership Corporation (limited partnership) in relation to the disposal of 31% equity interest in Zhong Jian Zhi Kang Supply Chain Service Company Limited at the total consideration of RMB129,200,000.

Save as disclosed, the Group did not have any other material acquisition and disposal and material investment during the period under review.

CAPITAL COMMITMENT

As at 31 December 2012, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

The guarantee agreement dated 23 May 2011 entered into by the Company, as guarantor, in favour of Bank of Jiangsu Company Ltd. 江苏银行股份有限公司 担保 冥 江苏 公司 债券 网 上 纳 颈 驼 碱 麈 八 鞞 漆 师 譚 蛾 濃 隰 廬 蓬 韡 藿 蚰 耗

EMPLOYEES AND REMUNERATION POLICTIES

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During the period under review, the Group, as a specialized company in the industry, participated in the planning of phase II of Jin Guan and in the organization of seminar for IOT and logistic system of the General Administration of Customs to discuss typical applications of customs IOT and issues such as standards, security, application pilot points and multi-lateral cooperation of customs IOT, which were common concerns. At the same time, it actively participated in studies of customs IOT of the General Administration of Customs and formulation of industrial standards and technical regulations. During the period under review, it proposed the idea of cloud regulation of assets and created a brand new business mode. In the security aspect, it promoted cooperation with E-ports in joint developing CA readers and security channel and marketing thereof, thereby forming resource barriers at the stage of planning and design. In the technology aspect, it had intensive cooperation with China Telecom, where it leveraged on the advantage of Mega Eyes system in the visual monitoring market to jointly build a complete monitoring system of radiofrequency positioning + Mega Eyes + cloud computing. In the business aspect, it met customs' demand for regulatory traceability, formulated standards for assets monitoring credit assessment and actively advanced pilot applications.

Product supply

With opportunities emerged in continued development of IOT, the Group actively participated in project planning of IOT application during the period under review. It took part in IOT application pilot project of the Shanghai Customs regarding public and personal export regulation, the lici 75giste

During the period under review, the Group continued to develop the Cloud Biaoju Project by drawing talents into the team thereof, which formed a team with high execution and cohesive ability; explored new business mode and completed the Cloud Biaoju platform and mobile clients online works which can provide stable and reliable operational service capacity; completed a series of finished products of intelligent terminal equipment and enhanced their performance, and established strategic cooperation with suppliers to obtain bulk supply capacity; and set up several pilot points to raise awareness of the Cloud Biaoju brand to form a sound foundation thereof.

Research and Development

During the period under review, the Group increased its investment in science and technology innovation, improved and pushed forward steadily for building the system of technology innovation and promoted the innovation, integration, commercialization of the software R&D platform. During the period under review, the Group undertook and researched and developed series of industrial projects concerning IOT, including expansion and maintenance of cloud computing centres, PaaS (Platform-as-a-Service) platform, R&D of the Cloud Biaoju R&D Project based on the PaaS platform, R&D of car networking unit, commercialization of electronic lock, R&D of products in cloud storage, vehicle identification system for multi-lanes, small UHF RFID readers, research of special chips, etc. During the period under review, the Group strengthened cooperation with the US company Insync in applying iApp platform to massive concurrent data collection, filtering, processing and others in industrial IOT and solved key issues between IOT massive data generation and mass data storage with iApp platform and established high-speed data collection and processing solutions.

BUSINESS PROSPECTS

SALES AND MARKETING

Strategic business

In 2013, the Group will focus on building of intelligent city to satisfy delivery needs of direct customers with high quality and efficiency; actively use end-user resources to help in forming a unified service platform through data storage and analysis; explore opportunities for new business mode and facilitate establishment of service modes of traceability certification, order integration, supply chain finance and others.

In 2013, the Group will closely monitor progress of the “phase II of Jin Guan” project. It will, through promoting and planning of the customs monitoring platform products, actively strive for approval by the General Administration of Customs on logistics information service model, including assets cloud regulation, and promote model application and service commencement of the assets cloud regulation. In 2013, the Group will give priority to marketing, strengthen business expansion, build an effective business expansion team and a national marketing system. It will comprehensively introduce a brand new mechanism to focus on projects and region selection, early entry, collaborative innovation and operational participation. It will be guided by standardized marketing, centred at core provinces and core cities and focus on targeted regions and areas with higher comprehensive competitiveness to implement its overall marketing strategies comprehensively at an early stage. It will attach importance to strategic cooperation in the industry to gain market share in a quick manner and expand channels of obtaining projects for higher profit margin thereof.

Information services

In 2013, the Group will provide information services to direct customers and end-users in the industrial chain to enhance life quality so as to incessantly satisfy customers’ demand, to increase their satisfaction and to create value for them.

In 2013, the Group will aim to establish a new win-win eco of medicine circulation by establishing a medicine transaction platform with principal business of transactional information services and transaction execution services and by establishing an innovative new retail mode with principal business of medicine retail to individuals. It will take advantage of governmental demand in food production safety, circulation, sales monitoring and subsidies, build a food real-time transaction information system based on a core product of tracing terminal equipment and supported by the background data access service to provide a foundation and basis for developing massive data services such as order integration. It will provide the governmental authorities with food tracing monitoring and real-time price monitoring services. It will provide consumers with food safety information and payment services.

Technology products

In 2013, the Group will focus on building and servicing an intelligent city to incessantly deepen and broaden the area of IOT core technology and strengthen establishment of core service platforms to provide strong technical support to different clients in resources accumulation.

In 2013, the Group will actively explore and develop the IOT industry. It will foster technological product innovation by laboratory market mechanism dynamics to develop the new generation electronic business online financing service platform and support logistic tracing, electronic transaction and order integration business by real-time analysis of online transactions by massive data technology. It will highly integrate information flow, logistics and cash flow to provide consumers with traceable-data-based commodity credit services, financial institutions with actual-transactions-based corporate credit information service and companies with online-pledge-based express financial services.

In 2013, the Group will integrate its own IOT products based on existing sales channels and actively cooperate with other system integrators in the industry to promote IOT technology products to raise awareness of the Company in the industry. It will improve the system of IOT products for urban intelligent transportation management in China and cooperate with domestic and foreign leading technology enterprises in the industry to build innovative IOT application products. It will integrate related technological products and industrial R&D equipment to build special terminal equipment which highlights the Company's core technological competitiveness, so as to satisfy industrial needs for application technological products and provide strong technical support to building intelligent cities.

Proposed Issue of A Shares

On 18 October 2011, the Company announced that the Company will apply with to the relevant regulatory departments in PRC in accordance with the PRC laws and regulations, and subject to other regulatory requirements, for the issue of not more than 73,900,000 A shares of RMB1.00 per share to the natural persons, legal persons and other institutional investors (other than those who were prohibited from subscribing for A shares pursuant to the relevant PRC laws, regulations and other regulatory requirements) with A share accounts at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and will apply to the Shenzhen Stock Exchange for the listing of and dealing in those A shares. The proposed issue of A shares has been approved at the extraordinary general meeting of the Company ("EGM") and at the class meeting for holders of H shares and domestic shares held on 30 December 2011, with effect for 12 months starting from 30 December 2011. At the extraordinary general meeting and class meetings for holders of H shares and domestic shares held on 28 December 2012, the extension of the validity period of the shareholders' approval and the authorisation to the board of directors for proposed Issue of A Shares was approved, with the validity period extended for 12 months. As at the date of this announcement, the Company had formally submitted the application to the China Securities Regulatory Commission ("CSRC") for the approval of the proposed issue of A shares, and has completed the written reply for a feedback relating to the application. Further announcement will be made by the Company as necessary or appropriate to notify the shareholders and potential investors of the Company in respect of the progress of the issue of A shares.

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 were expired on 31 December 2012 and the further renewal of a term of 3 years shall be subject to the approval at the forthcoming annual d Clearing Corporation Limitedoearh0 -2.6667 .132243 TSautiaghts t

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 rules governing the listing of securities on the Stock Exchange (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. 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. Shum Shing Kei (the Chairman of the audit committee), Mr. Xu Suming and Mr. Li Haifeng. 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.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness of compliance

compliance

DETAILS

compliance

DIRECTORS’ SECURITIES TRANSACTIONS

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Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2013 AGM, the register of members of the Company will be closed from 20 April 2013 to 20 May 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2013 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 April 2013.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 27 May 2013 to 3 June 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 24 May 2013.

PUBLICATION OF ANNUAL REPORT

The 2012 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.sampletech.com.cn> in due course.

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

Nanjing, the PRC
15 March 2013

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

* For identification purpose only