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UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Company Limited (the “Company”)

Consolidated Balance Sheet

At 30 June 2012

ASSETS	<i>Note</i>	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
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		329,362,420.47	255,291,518.57
Receipts in advance		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		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		—	—

	<i>Note</i>	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

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.

(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	<u>311,560,600.70</u>	<u>302,819,999.50</u>
Principal operating cost	187,406,911.45	216,189,000.96
Other operating cost	524,776.06	–
Total operating cost	<u>187,931,687.51</u>	<u>216,189,000.96</u>

(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	<u>308,611,488.88</u>	<u>187,406,911.45</u>	<u>302,819,999.50</u>	<u>216,189,000.96</u>

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 (江蘇省技術、江蘇省財政、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 Company is entitled to a 15% corporate income tax rate.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Liquidity and Financial Resources

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 announcement, the Company has entered into an Equity Transfer Agreement with 南京三 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 in the CoCMhe igita with ement-44.9069

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* (中健康供服務有限責任公司), 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.

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 fourth 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 multiple RFID applications. (Source: www.smc.com.cn)

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, Hebei 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.

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.

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