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南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY CO.,LTD.*

(a joint stock limited company incorporated in the People’s Republic of China with limited liability)
(Stock Code: 1708)

CONNECTED TRANSACTION

**DISPOSAL OF EQUITY INTERESTS IN XUZHOU JIULI AND
XUZHOU XINGSHANZI TO SAMPLE GROUP**

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 64.86% equity interests in Xuzhou Jiuli (the “**Company’s Xuzhou Jiuli Sale Shares**”) at a consideration of RMB60,144,200 (the “**Xuzhou Jiuli Agreement**”).

On 5 September 2019, Sample Group as purchaser entered into an equity transfer agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase, 46.24% equity interests in Xuzhou Xingshanzi (the “**Company’s Xuzhou Xingshanzi Sale Shares**”) at a consideration of RMB76,059,100 (the “**Xuzhou Xingshanzi Agreement**”).

As Sample Group directly holds 397,821,000 domestic shares, representing approximately 50.22% of the issue share capital of the Company, Sample Group is a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Xuzhou Jiuli Agreement is required to be aggregated with the transaction under the Xuzhou Xingshanzi Agreement (together, the “**Agreements**”). As the highest of all applicable percentage ratios in respect of the Disposal is less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders’ approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 5 September 2019, Sample Group as purchaser entered into the Xuzhou Jiuli Agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase the Company's Xuzhou Jiuli Sale Shares at the consideration of RMB60,144,200.

On 5 September 2019, Sample Group as purchaser entered into the Xuzhou Xingshanzi Agreement with the Company as vendor pursuant to which the Company agreed to sell, and the Sample Group agreed to purchase the Company's Xuzhou Xingshanzi Sale Shares at a consideration of RMB76,059,100.

XUZHOU JIULI AGREEMENT

The principal terms of the Xuzhou Jiuli Agreement are set out below.

Date: 5 September 2019

Parties:

(1) The Vendor: The Company.

(2) The Purchaser: Sample Group.

Equity to be disposed of:

Pursuant to the terms and conditions of the Xuzhou Jiuli Agreement, the Company as vendor agreed to sell, and Sample Group as purchaser agreed to purchase, the Company's Xuzhou Jiuli Sale Shares. The Company's Xuzhou Jiuli Sale Shares represent 64.86% equity interest of Xuzhou Jiuli. Xuzhou Jiuli has a principal business of the first and last stops of the bus line management service; transportation terminal construction, operation, maintenance and management.

Upon completion of the Xuzhou Jiuli Agreement, Xuzhou Jiuli will no longer be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of Xuzhou Jiuli will no longer be consolidated into the financial statements of the Company.

Consideration

The consideration for the disposal of the Company's Xuzhou Jiuli Sale Shares is RMB60,144,200 and RMB30,072,100 (50% of the consideration) shall be paid by the Purchaser to the Company within 10 working days from the date of entering into the Agreement, and the remaining RMB30,072,100 (50% of the consideration) shall be paid by the Purchaser before 31 December 2019.

Basis of consideration of the Xuzhou Jiuli Agreement

The consideration was arrived based on the net book value of Xuzhou Jiuli by making reference to the assets valuation report dated 4 June 2019 prepared by the independent valuer, Jiangsu Huaxin Assets Appraisal Co., Ltd. (江蘇華信資產評估有限公司). As at 30 April 2019, the market value of Xuzhou Jiuli was RMB92,729,200, representing an increase of RMB1,292,800 from its unaudited net book value of RMB 91,436,400. Accordingly, the market value of the Company's Xuzhou Jiuli Sale Shares was RMB60,144,200, representing 64.86% of the market value of Xuzhou Jiuli.

XUZHOU XINGSHANZI AGREEMENT

The principal terms of the Xuzhou Xingshanzi Agreement are set out below.

Date: 5 September 2019

Parties:

- (1) The Vendor: The Company.
- (2) The Purchaser: Sample Group.

Equity to be disposed of:

Pursuant to the terms and conditions of the Xuzhou Xingshanzi Agreement, the Company as vendor agreed to sell, and Sample Group as purchaser agreed to purchase, the Company's Xuzhou Xingshanzi Sale Shares. The Company's Xuzhou Xingshanzi Sale Shares represent 46.24% equity interest of Xuzhou Xingshanzi. Xuzhou Xingshanzi has a principal business of the first and last stops of the bus line management service; transportation terminal construction, operation, maintenance and management.

Consideration

The consideration for the disposal of the Company's Xuzhou Xingshanzi Sale Shares is RMB76,059,100 and RMB38,029,550 (50% of the consideration) shall be paid by the Purchaser to the Company within 10 working days from the date of entering into the Agreement, and the remaining RMB38,029,550 (50% of the consideration) shall be paid by the Purchaser before 31 December 2019.

Basis of consideration of the Xuzhou Xingshanzi Agreement

The consideration was arrived based on the net book value of Xuzhou Xingshanzi by making reference to the assets valuation report dated 4 June 2019 prepared by the independent valuer, Jiangsu Huaxin Assets Appraisal Co., Ltd. (江蘇華信資產評估有限公司). As at 30 April 2019, the market value of Xuzhou Xingshanzi was RMB164,487,600, representing an increase of RMB1,985,700 from its unaudited net book value of RMB162,501,900. Accordingly, the market value of the Company's Xuzhou Xingshanzi Sale Shares was RMB76,059,100, representing 46.24% of the market value of Xuzhou Xingshanzi.

INFORMATION OF XUZHOU JIULI

Before the disposal of the equity interests in Xuzhou Jiuli by the Company, Xuzhou Jiuli was owned as to 65.86% equity interest by the Company.

Xuzhou Jiuli is a company with a principal business of the first and last stops of the bus line management service; transportation terminal construction, operation, maintenance and management.

Set out below is a summary of the audited net loss of Xuzhou Jiuli for each of the two years ended 31 December 2017 and 2018 prepared in accordance with the China Accounting Standards for Business Enterprises (“CASBE”):

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Net loss	-80,992.24	-14,162.69

According to the audited financial statements of Xuzhou Jiuli for the year ended 31 December 2018 prepared in accordance with the CASBE, the audited net asset value of Xuzhou Jiuli as at 31 December 2018 was RMB91,439,145.07.

After taking into account the consideration of the Company’s Xuzhou Jiuli Sale Shares, the net asset value of Xuzhou Jiuli as at the date of the Xuzhou Jiuli Agreement and the related transaction costs, it is estimated that an unaudited gain of approximately RMB771,300 will be recorded in respect of such disposal.

INFORMATION OF XUZHOU XINGSHANZI

Before the disposal of the equity interests in Xuzhou Xingshanzi by the Company, Xuzhou Xingshanzi was owned as to 47.24% equity interest by the Company.

Xuzhou Xingshanzi is a company with a principal business of the first and last stops of the bus line management service; transportation terminal construction, operation, maintenance and management.

Set out below is a summary of the audited net loss of Xuzhou Xingshanzi for each of the two years ended 31 December 2017 and 2018 prepared in accordance with the CASBE:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Net loss	-163,152.17	-37,394.26

According to the audited financial statements of Xuzhou Xingshanzi for the year ended 31 December 2018 prepared in accordance with the CASBE, the audited net asset value of Xuzhou Xingshanzi as at 31 December 2018 was RMB162,507,053.57.

After taking into account the consideration of the Company's Xuzhou Xingshanzi Sale Shares, the net asset value of Xuzhou Xingshanzi as at the date of the Xuzhou Xingshanzi Agreement and the related transaction costs, it is estimated that an unaudited gain of approximately RMB821,500 will be recorded in respect of such disposal.

Shareholding structure of Xuzhou Jiuli and Xuzhou Xingshanzi in the past 12 months

Xuzhou Jiuli was incorporated on 11 November 2016, and it was initially owned by the Company as to 65.86%. On 7 July 2017, the Company transferred its 44.87% equity interest in Xuzhou Jiuli to Nanjing Jiangong Group Co., Limited* (南京建工集團有限公司) (“**Nanjing Jiangong**”) with a consideration of RMB41,073,000. However, Due to the flaws in the process of equity transfer, it has not been approved by Xuzhou Municipal Government. Accordingly, on 28 April 2019, the Company acquired back 44.87% equity interest in Xuzhou Jiuli from Nanjing Jiangong with a consideration of RMB41,073,000. Therefore, 44.87% equity interest in Xuzhou Jiuli is held by the Company for less than 12 months prior to the date of the Xuzhou Jiuli Agreement. The original cost of such 44.87% equity interest in Xuzhou Jiuli was RMB41,073,000.

Xuzhou Xingshanzi was incorporated on 14 November 2016, and it was initially owned by the Company as to 47.24%. On 7 July 2017, the Company transferred its 46.24% equity interest in Xuzhou Xingshanzi to Nanjing Jiangong with a consideration of RMB75,237,624. However, Due to the flaws in the process of equity transfer, it has not been approved by Xuzhou Municipal Government. Accordingly, on 28 April 2019, the Company acquired back 46.24% equity interest in Xuzhou Xingshanzi from Nanjing Jiangong with a consideration of RMB75,237,624. Therefore, 46.24% equity interest in Xuzhou Xingshanzi is held by the Company for less than 12 months prior to the date of the Xuzhou Xingshanzi Agreement. The original cost of such 46.24% equity interest in Xuzhou Xingshanzi was RMB75,237,624.

INFORMATION OF SAMPLE GROUP

Sample Group is an investment holding company. It owns directly 397,821,000 domestic shares of the Company, representing approximately 50.22% of the issue share capital of the Company. As such, Sample Group is the substantial and the single largest shareholder of the Company.

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of video identification and radio frequency identification technologies based full solutions to intelligent transportation, customs logistics application areas.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the projects engaged by Xuzhou Jiuli and Xuzhou Xingshanzi require substantial amount of banking facilities and borrowings, the banks would require the shareholders of Xuzhou Jiuli and Xuzhou Xingshanzi to provide security and guarantee. Therefore, the Disposal enables the Group to reduce its cash flow and capital pressure from providing security and guarantees to the banks and would allow both Xuzhou Jiuli and Xuzhou Xingshanzi to have sufficient funding from the banks. The proceeds arising from the Disposal will be used as general working capital of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the Agreements has been negotiated on an arm's length basis and on normal commercial terms, in the ordinary course of business, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As Sample Group directly holds 397,821,000 domestic shares, representing approximately 50.22% of the issue share capital of the Company, Sample Group is a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Agreements are required to be aggregated. As the highest of all applicable percentage ratios in respect of the Disposal is less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Other than Mr. Sha Min and Mr. Chang Yong, the directors, none of the Directors has a material interest in the Agreements. Accordingly, Mr. Sha Min and Mr. Chang Yong have abstained from voting in the Board's meeting to approve the Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreements”	the Xuzhou Jiuli Agreement and the Xuzhou Xingshanzi Agreement entered into between the Sample Group as purchaser and Company as vendor in relation to the Disposal
“Board”	the board of Directors
“Company”	Nanjing Sample Technology Co.,Ltd. (南京三寶科技股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1708)

“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Company’s Xuzhou Jiuli Sale Shares and the Company’s Xuzhou Xingshanzi Sale Shares by the Company to Sample Group pursuant to the Agreements
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sample Group”	南京三寶科技集團有限公司 (Nanjing Sample Technology Group Company Limited*), a company established in the PRC with limited liability, and owns directly 397,821,000 domestic shares of the Company, representing approximately 50.22% of the issue share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Xuzhou Jiuli”	徐州市九里公交首末站項目管理有限公司 (Xuzhou Jiuli Bus Terminal Station Project Management Co., Ltd.*), a company established in the PRC with limited liability on 11 November 2016, and is owned as to 65.86% equity interest by the Company before the Disposal

“Xuzhou Xingshanzi”

徐州市杏山子公交首末站项目管理有限公司 (Xuzhou Xingshanzi Bus Terminal Station Project Management Co., Ltd.*), a company established in the PRC with limited liability on 14 November 2016, and is owned as to 47.24% equity interest by the Company before the Disposal

“%”

per cent.

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

Nanjing, the PRC, 5 September 2019

As at the date of this announcement, the executive directors are Mr. Sha Min (Chairman), Mr. Zhu Xiang and Ms. Yu Hui, the non-executive director is Mr. Chang Yong; and the independent non-executive directors are Mr. Gao Lihui, Mr. Niu Zhongjie and Mr. Hu Hanhui.

* *for identification purpose only*