



2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

This report is the first annual environmental, social and governance report issued by Nanjing Sample Technology Co., Ltd. (hereinafter referred to as "the Group" or "the Company"). The report covers the effectiveness of the Group's environmental, social and governance objectives in 2016 and provides information on the policies implemented and the conventional data.

Report Scope

In view of the fact that the operating activities of Hong Kong and overseas subsidiaries have little impact on the environmental, social and governance aspects of the Group, unless otherwise stated, this report covers only the Group's major subsidiaries in Jiangsu Province. The Group plans to gradually increase the scope of disclosure, and cover more subsidiaries and overseas subsidiaries.

Report Guidelines

This report is prepared in accordance with Environmental, Social and Governance Reporting Guidelines, Appendix 27 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (SEHK).

This report uses the same interpretation as the Group's 2016 Annual Report. Should the data disclosed be different from 2016 Annual Report, the annual report shall prevail.

Report Access

The report will be published on the website of SEHK and the Group's official website. This report is published in both Chinese and English. If there is any discrepancy between the two versions, the Chinese version shall prevail.

Report Feedback

If you have any questions or suggestion regarding this report, please contact the Securities Department of the Company:

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ABOUT SAMPLE TECHNOLOGY

Company Overview

Established in 2000 by the shares system reform, the Group was listed on SEHK on June 9, 2004. As one of the leading enterprises in IoT information service field, the Group has become one of the leading IoT intelligent system integration service provider with many years of technical reserves in the aspect of radio frequency identification (RFID) technology, video recognition technology, cloud storage and big data processing, etc., focusing on the intelligent transportation, smart logistics, intelligent city and other fields. The company is increasing the R&D efforts with the deployment in the city integrated management, comprehensive utilization of underground space and other aspects, and actively exploring the field of IoT intelligent applications.

Corporate Values and Culture

The Group upholds the core mission "To create quality life with wisdom" and the values of "Connectivity, openness and sharing", and takes the value creation for the society and users as our duty. We adhere to the people-oriented principle, and regard "Talent, connection, character" as the "Three treasures" of the company.



Enterprise spirits - talent, connection, character

Talent - business cannot prosper without talents;

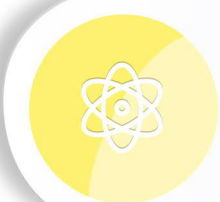
connection - nothing is possible without good connections;

character - men can't survive without good moral quality



Behavior culture - honesty, integrity, collaboration

The Group has been vigorously advocating positive energy, requiring employees to trust, help and complement each other to form good interpersonal relationships.



Core mission - to create quality life with wisdom

"To create quality life with wisdom" is the company's long-term goal.

The priority of all the R & D, production, marketing, investment and other links of the company is to serve the public and create excellence quality of life. We have always kept our business behavior consistent with the core mission. The target audience not only include users, but also our shareholders, partners, suppliers and employees, and ultimately the entire society.



Core values - customer first, honesty and integrity, innovation in work



SOCIAL RESPONSIBILITY SYSTEM CONSTRUCTION

Social Responsibility Management Policy

The Group pursues the corporate social responsibility policy of "Honest operation, continuous innovation, service the society and give back to society", actively undertakes the responsibility for the value chain partners, environment and society, and continuously returns value to the shareholders. We provide employees a broad stage of development, and strive to achieve win-win for our customers and partners.

Social Responsibility Management Departments

The Group has taken the initiative to promote the deepening development of corporate social responsibility management, set up a corporate social responsibility management team combined with our own management practice to be responsible for the decision-making and leadership of the corporate social responsibility strategy direction. The securities department of the company is the daily management department of social responsibility, responsible for reviewing and promoting the corporate social responsibility work plan, the preparation and reporting of organizational responsibility to ensure that the comprehensive fulfillment of social responsibility of the company in the whole process by all staff. The administration department of the company is the department to promote the environmental protection and energy conservation work, responsible for the thorough implementation of all the environmental protection and energy conservation systems and its progress.

In the year of 2016, the Group deepened the close combination of corporate social responsibility work and day-to-day operation and management, constructed a corporate social responsibility matrix management system through thorough consolidation of all the responsibilities from top to bottom in all aspects, and continued to integrate social responsibility into the normalization management scope of the company.

SOCIAL RESPONSIBILITY SYSTEM CONSTRUCTION

Social Responsibility Culture

The Group's social responsibility culture is in line with the corporate culture. And the company has continuously pursued the path of integration of social responsibility work, enterprise strategic development and corporate culture construction while developing the business of the Group. We have also incorporated the concept of social responsibility into the daily training so that the broad masses of base level employees can further perceive and recognize the corporate social responsibility concept and promote the thorough implementation of social responsibility work.

In 2016, when the preparation of social responsibility report was started, the Corporate Social Responsibility Management Team organized all functional departments to carefully study the social responsibility requirements, and carry out experience exchange activities, to facilitate the preparation of social responsibility report.

SOCIAL RESPONSIBILITY SYSTEM CONSTRUCTION

Stakeholders

The Group's corporate social responsibility policy reflects the company's positive response to the demands of stakeholders. In the actual operation, the company constantly improves the communication mechanism, creates opportunities for communication, and responds to the issues of concern to all parties with practical action to promote their engagement, so as to further achieve comprehensive and sustainable development for the Group and stakeholders.

Related Parties	Communication Mechanism	Issues of Concern
Customer	Daily communication, feedback, satisfaction survey	Product quality, business processes, technological innovation, service quality
Shareholders and investors	Shareholders' meeting, periodic report, corporate website, teleconferencing	Corporate operations, information disclosure, corporate governance, return on investment
Partners	Daily communication, forums, special meetings, corporate website, WeChat platform	Mutual benefit and joint development
Staff	Internal OA, 263 platform, WeChat public platform, staff congress, regular investigation, communication forum, special e-mail, reporting channel	Salary and benefits, protection of rights and interests, education and training, health and safety, career development
Government	Work conference report, project cooperation, visit and exchange	Integrity and law-abiding, paying taxes according to law, project's social performance, employment guarantee, development of the Internet of Things industry
Supplier	Quality certification, compliance with agreement, inspection and testing, capability building	Long-term cooperation, supplier certification, honoring contract and keeping promises, fair procurement, quality management, capability improvement
Environment	Environmental management, standardized emission, clean production, energy saving transformation	"Three wastes" treatment, energy saving and emission reduction, green low carbon
Community	Public welfare contribution, volunteer activities	Fund sponsorship, manpower support

ENVIRONMENTAL ASPECT REPORT

The Group is a low energy consumption and environment friendly high-tech enterprise. We attach great importance to environmental protection issues during the production and operation. Aiming at reducing pollutant emissions, lowering energy consumption and reducing greenhouse gas emissions, we take the protection of environment and the benefit of mankind as our own duty, protecting the original ecological environment, providing social services, protecting the Earth and conserving the Earth's resources.

According to the Environmental Protection Law of the People's Republic of China and the relevant environmental protection laws and regulations of national, provincial and municipal, the Group has formulated the Environmental Protection and Energy Conservation Manual to make unified management on pollutant control measures and construction projects of environmental protection facilities, etc. This has laid a solid foundation for environmental protection and pollutant prevention and control, and achieved the common development of economic and environmental benefits.

ASPECT A1: EMISSIONS

The Group is engaged in the industrial form different from the traditional manufacturing industry, mainly obtaining value and profits through knowledge innovation and intellectual work. There is no industrial waste water, no exhaust emissions, so there is no environmental pollution.

Since the establishment, the company has never had any environmental violations, or any environmental punishment record.



1. Wastewater

The company's wastewater is mainly the domestic sewage of the employees, compliant with Grade I standard of Integrated Wastewater Discharge Standard (GB8978-1996). The domestic sewage is used for garden irrigation after the treatment by the self-built sewage treatment device in the park.



2. Noise

The company's main noise equipment is air conditioning unit, compliant with the daytime class C standard of Noise Emission Standard for Industrial Enterprises at Boundary (GB12348-2008). The equipment also adopts low noise model and utilizes building for sound insulation and natural attenuation.



3. Exhaust gas

The company has no production link, hence not involving emissions of air pollutants.



4. Solid waste

The solid waste generated by the Company is domestic garbage with zero emissions. The company has commissioned municipal sanitation for the collection and transportation of the domestic waste.

ASPECT A2: USE OF RESOURCE

The Group's energy use mainly includes electricity, water resources and so on. The company strictly enforces the Energy Conservation Law of the People's Republic of China and other energy-saving policies, regulations and standards issued by the national, local and industry competent authorities, and continuously improve energy efficiency, reduce energy consumption and eliminate energy and resource waste.

The office buildings, machinery and equipment, infrastructure and domestic water of the Group account for the majority of energy use, and the company is committed to looking for more new ways to reduce energy consumption. In 2016, the Group carried out the energy-saving reconstruction for the network equipment of the office park to build the green base station. The central air-conditioning unit was inspected and maintained to reduce the electric power consumption. Energy-saving and intelligent building lighting system was used to optimize the power supply. Signs were posted to remind employees to save water and make rational use of electricity to achieve low-carbon office park area.

ASPECT A3: ENVIRONMENT AND NATURAL RESOURCES

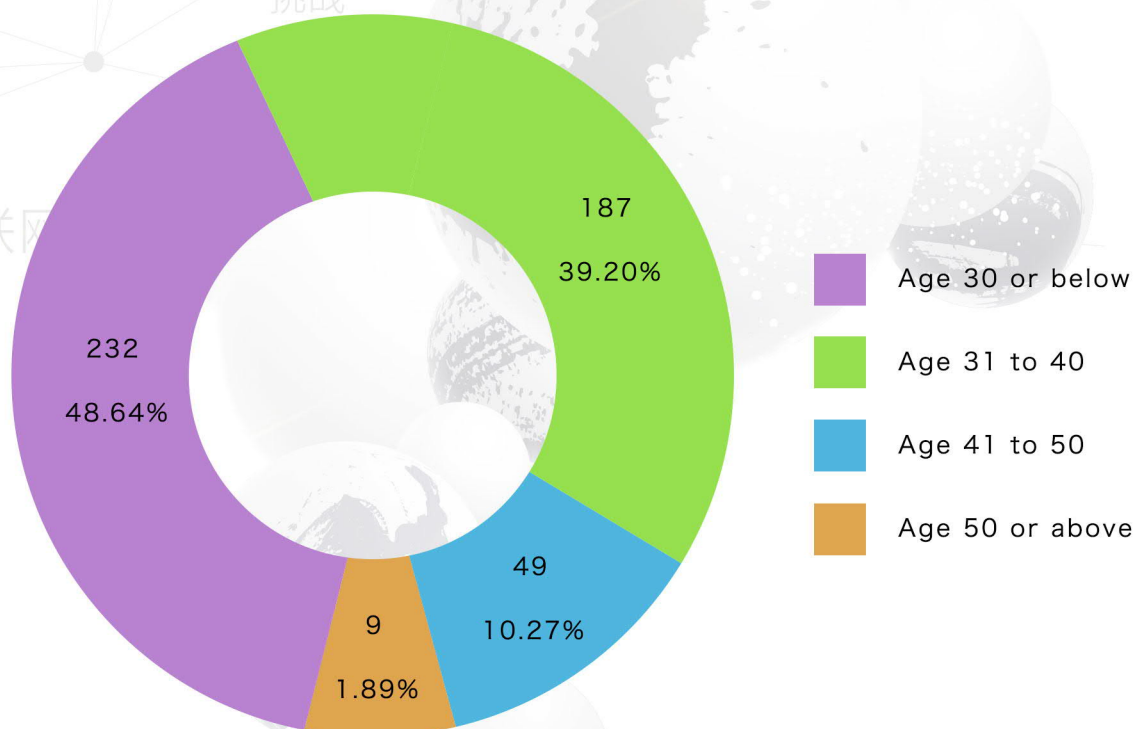
The environmental problems of deterioration of air quality and frequent occurrence of haze events have gradually affected everyone's life, followed by the public support for the concept of environmental protection. In addition to energy saving and environmental protection in the operation, the Group also focuses on energy conservation and emission reduction in the product development, R&D testing and other aspects, and encourages employees to express their opinions and ideas on environmental issues through the company's public mailbox. At the same time, the corporate social responsibility management team distributes the green logo in the office park to remind employees of recycling, energy saving, water conservation and natural environment protection.

EMPLOYMENT AND LABOUR PRACTICES

Employees are the source of power of enterprise development. The Group has always upheld the people-oriented principle, regarding employees as valuable asset, and attaching great importance to the protection of the interests of employees. The company has improved the basic social security and remuneration and benefit system, and formulated legal, fair, reasonable and effective human resources management system.

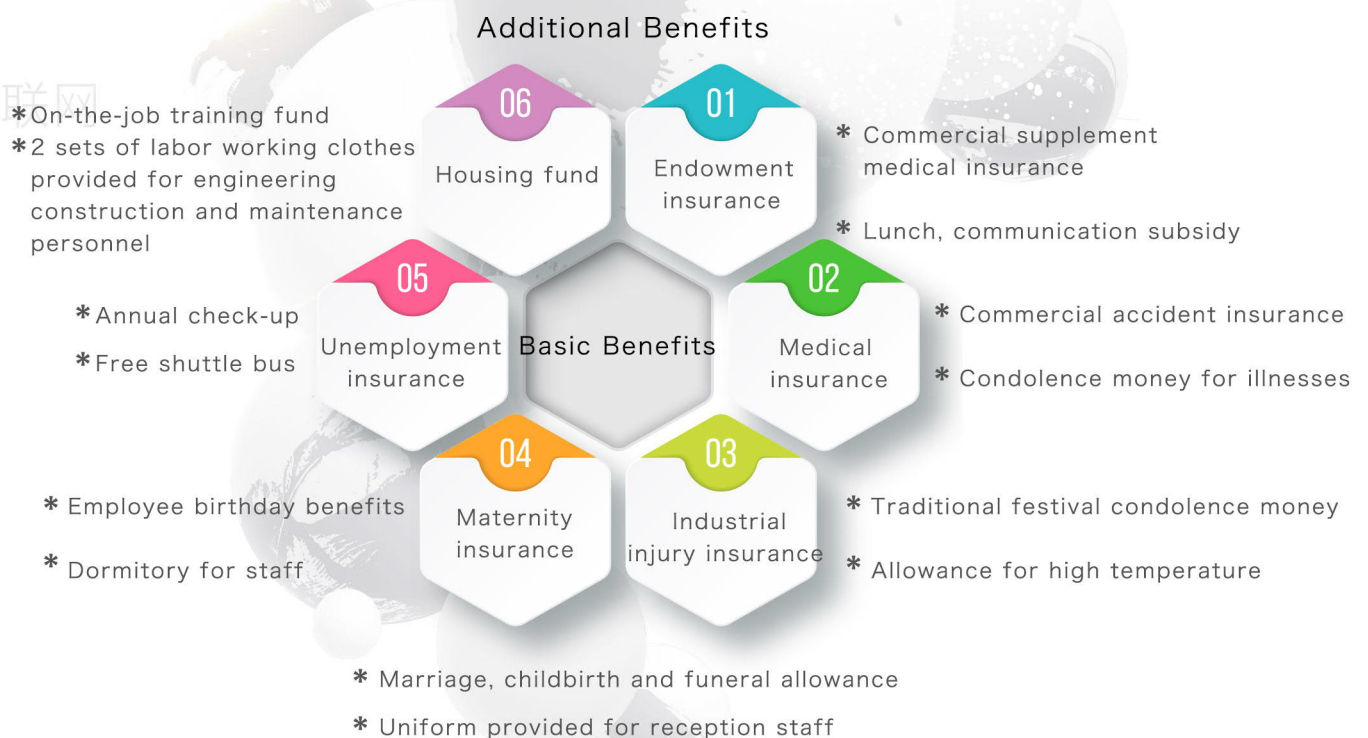
ASPECT B1: EMPLOYMENT

As of the end of 2016, there were 477 employees in the Group, among whom were mainly young employees. Therefore, the company can maintain strong momentum of development and innovation. The company has a number of high-end technical personnel, accounting for about 66% of the total number of employees. Thanks to the stable operating policies and user-friendly management, the company has always maintained a low staff turnover rate, and recruits new employees according to the development needs of the business in the meantime.



The Group respects the labour and intellectual contribution of its employees and provides competitive remuneration for the talents. The company has formulated the "Remuneration Management Policy" and implemented post salary system, i.e. "Salary determined by post", to reflect the skills and performance-oriented principle. Specifically: The post salary is determined according to its relative value for the company. The grade of post salary is determined as per the individual job skills / ability. And the performance bonus is determined in accordance with the post performance level.

Combined with the local economic development level, the operating conditions and value orientation of the company and other factors, the level of salary and pay structure are adjusted. The remuneration is linked to the employee performance, academic qualifications, workload, post and duties, etc. In addition, on the basis of pay satisfaction, more additional benefits are provided to the employees.



ASPECT B2: HEALTH AND SAFETY

The Group strictly abides by the relevant laws and regulations such as the Labor Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, etc., and is committed to providing employees with a healthy, safe and comfortable working environment. In the year 2016, the Group's safety production targets were successfully completed, achieving the results of 3 Zeros and 2 100%s, i.e., 0 accident death, 0 occupational disease patient, 0 work-related injury; 100% safety training of new recruits, and 100% safety education and training of all employees.

Safe Production System

The Group deeply understands that the safe operation and development of the enterprise requires a sound safety responsibility system. Therefore, the Company has formulated a series of safety systems to standardize the production and has obtained the safety production license.

Occupational Safety Protection and Training

The Group not only provides employees with the necessary labor protection, but also conducts special safety education and training to enhance the safety awareness and the necessary skills of employees. In 2016, the company organized 3 safety trainings, with the training time up to 11 hours, and the coverage of personnel involved in safety training up to 100%.

All regions of the company are equipped with fire emergency system. The administrative department makes monthly fire system inspection and maintenance, and invites the fire department to carry out fire drill training from time to time.

Regular Staff Physical Examination

The Group attaches great importance to the health of employees, and conducts staff physical check-up once every two years. The employee physical check-up coverage achieves 100%.

ASPECT B3: DEVELOPMENT AND TRAINING

The employee training of the Group is based on the principle of "User-oriented, diverse and flexible", to carry out all-round, multi-level and all types of training for all levels, so as to provide adequate human resources guarantee for the operation and development of the Company.

The company's training system is divided into orientation training, skills training, management training and further studies of personal qualifications, etc. In the daily business activities, outsource expert lectures, mentors training apprentice, weekly sharing, video learning, reading activities and other training methods are very common in the company.

Number of staff training



Number of participants



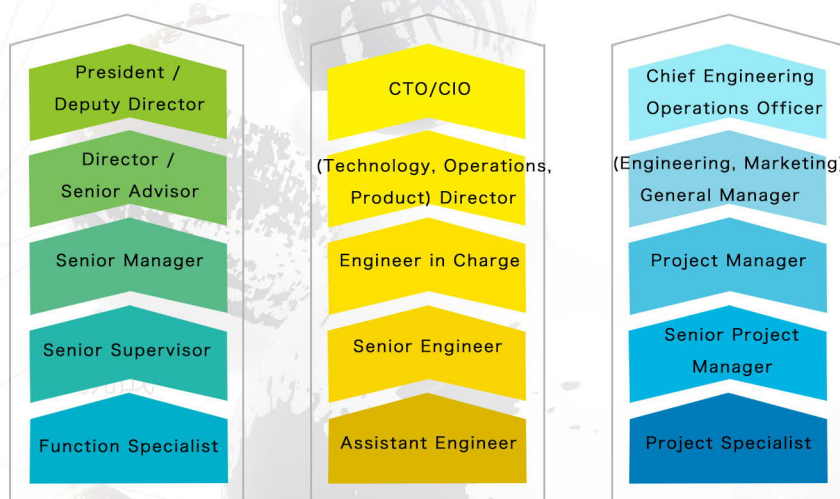
2016 Percentage of trainees (%)



Per capita training time (hours / person)



To build the core workforce, the Group implements the career management concept and strives to broaden the career development path of employees. According to the different positions, the Group has established a promotion evaluation system and set up three different promotion channels including functional management, technical innovation and integrated production.



Function management channel Technical innovation channel Integrated production channel

The Group is in the technology-intensive industry, and high-quality talents are the most important strategic resources. The company has developed a series of incentive systems in the staff management, compensation and benefits:

"Instant incentive" - instant cash bonus from time to time to the employees with outstanding contributions or excellent job performance

"Annual assessment" is adopted to recognize the outstanding teams and excellent individuals who have made special contribution to the company. The award setting includes professional manager, sales star, benchmarking project award, technical innovation award, business support award, best growth award and other forms. The company constantly calls on all employees to learn from the example for their spirits of unity and cooperation, striving to forge ahead and selfless dedication.

ASPECT B4: LABOUR STANDARDS

Labor Legal Compliance

The Group has thoroughly implemented the Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China and the relevant national and local employment policies and regulations to safeguard the legitimate rights and interests of employees. In the recruitment, we follow the principles of openness, fairness and impartiality, and prohibit forced recruitment. After the staff entry, we prohibit forced labour; follow the voluntary principle when overtime is required, and pay overtime wages according to the laws and regulations. The company strictly abides by the law on the protection of minors, follows the Prohibition of Using Child Labour, and promises not to employ child labour.

In respect of employment, remuneration, training, promotion, dismissal or retirement, any discrimination on gender, ethnicity, religion, political or other opinion is strictly prohibited in the company.

Protection of Basic Rights and Interests of Employees

The Group strictly complies with the relevant laws and regulations, signs the labour contract with the employees at the time of entry, with the signing rate of 100%. The Group also pays their social insurance and housing provident fund subsidies on time and in full.

The company has thoroughly implemented the relevant provisions of the Labour Law and the Employee Paid Annual Leave Ordinance, and implemented the employee leave system according to law, which has ensured the normal holiday benefits of the employees.

ASPECT B5: SUPPLY CHAIN MANAGEMENT

The Group has established the supply chain standardized management system according to the requirements of ISO9001 supply chain management quality standard. The material supply management processes of the company mainly includes the procurement plan management, supplier management, purchase contract and order management, incoming material acceptance and procurement payment management, etc. The Group firmly believes that the relationship with suppliers should be mutual support and common development. The company works closely with suppliers and maintains active communication, promotes relations with suppliers and deepens the understanding of suppliers, which has played a positive role for promoting the cooperation and development in the future. In 2016, the Group continued to improve the supervision and management of the supply chain system, monitored product quality, ensured service satisfaction and enhanced the business ethics.



ASPECT B6: PRODUCT RESPONSIBILITY

The Group has insisted on carrying out quality management activities with customer satisfaction as the center, and "Providing users with quality products and services" as the guiding ideology of quality work. The company introduced the market mechanism very early, and adhered to the service-oriented and service-driven sales based on the operation of the market, to provide users with the full range of solutions through high-quality professional products and services, and gained good reputation among customers.

Quality Management System

The Group started ISO9001 (2000 version) quality standards since August 2001. In July 2002, we passed the ISO9001-2000 quality management system certification. While thoroughly implementing the quality standards, we actively learn from the domestic and foreign advanced management experience, establish and improve the company's quality management system, and make strict quality control of the whole process of product design, development, production, installation and service.

Customer Satisfaction

The Group focuses on customer satisfaction and after-sales service, and collects customer comments and feedback from a variety of channels and ways such as visit by phone, field research, questionnaires and so on. We continue to carry out customer satisfaction survey activities, and the final results show that the customer satisfaction for the service, training and other projects provided by the Group has reached 100%. The company has actively responded to customers' requests, and established all-round communication channels including hotline, e-mail, correspondence and customer center, and strengthened the training on the ability of customer service staff to handle complaints, so as to ensure timely communication with the customers and help them to solve the problems.

Protection of Intellectual Property Rights

The Group continuously improves the daily management mechanism of intellectual property rights such as trademarks, patents and know-how, the protection of corporate identity and the confidentiality of trade secrets. The company sets a full-time intellectual property specialist to be responsible for the verification, application and protection of project intellectual property. The company continues to thoroughly implement the Intellectual Property Management Practices in Enterprises, and continuously enhances the awareness of intellectual property rights, resource allocation optimization and other aspects of management process.

In 2016, the Group passed the intellectual property management system certification and obtained the certificate.

ASPECT B7: ANTI-CORRUPTION

The Group upholds the philosophy of integrity, honesty and advocacy for anti-corruption in the enterprise governance, pursues the professional ethics and vocational skills required for an international first-class professional company, and stresses the need to make comprehensive discipline inspection and supervision, and integrates the discipline inspection and supervision deeply into the production and management process. The acts of violating discipline, regulation or law such as using position to seek personal gain, bribery, extortion, fraud and money laundering etc. are absolutely prohibited. The Group also incorporates the appropriate terms in the third-party supplier agreement to clarify the company's requirements for anti-corruption.

In 2016, the Group constructed a long-term mechanism for the risk prevention and control of "Dare not, cannot and would not corrupt", and implemented the "Zero tolerance" ruling. The reporting e-mail box and reporting hotline are set so that the employees can directly report the problems. We continue to optimize the reporting mechanism, standardize the process management and improve the public transparency to create an honest and upright social work environment.

Since the establishment, the Group has strictly abided by the Criminal Law of the People's Republic of China. No corruption litigation cases occurred in the company and its employees.

The Group has always attached great importance to the corporate image and social responsibility in pursuit of giving back and making contribution to the society. In the future, the Group will develop new plans on the direction and input of community support, making it an important aspect for the company to fulfill its social responsibilities.

ASPECT B8: COMMUNITY INVESTMENT

After more than 10 years of development, the Group has grown into a caring enterprise with the sense of social responsibility. We actively promote the socialist values, support the development of public welfare charity and help the disadvantaged groups to jointly create the great Chinese dream.

In 2016, the Group advocated the employee donation activities and donated more than ten cases of clothing for the children in the mountain area of Aba Prefecture in Sichuan Province. We launched the "inspirational sunshine scholarship fund" and donated a number of computers to the sunshine hope primary school teachers. The charitable donations amounted to more than 200,000 yuan in cash.

The Group actively responds to the initiative of the Municipal United Front Work Department and the Municipal Federation of Industry and Commerce, and is actively engaged in the "Concerted efforts of ten thousand private enterprises supporting ten thousand households project" activities. In July 2016, the company won the outstanding contribution award of the "Concerted efforts of ten thousand private enterprises supporting ten thousand households project".

Reviewing the year 2016, the Group actively assumed the responsibility of corporate citizenship in the corporate governance, employee development, products and services, environmental protection and all the other work in the course of steady implementation of the "IoT + Mobile Internet" strategic deployment of the company. There is still room for improvement in the fulfillment of corporate responsibility of the company. And we will make continual improvement in the following aspects in the future.

Firstly, the company will continue to establish a comprehensive risk control system, starting from the internal key processes, to make comprehensive and in-depth identification of all the social, environmental and governance risks in the operation level of the company. For the potential problems that may occur in the future, we shall make positive and adequate analysis, develop the corresponding plans, and take the initiative to respond to the our customers, suppliers, employees and the other friends in all walks of life who care and support the development of the company.

Secondly, the company will actively participate in the corporate social responsibility activities, and infiltrate the corporate social responsibility concept and knowledge to every corner of the company, so that this concept will become conscious consensus of every department and every employee in work, to constantly promote the development of a harmonious society.

At the same time, through the strengthening of corporate social responsibility audit and management, we will thoroughly implement the concept of social responsibility throughout the life cycle of product and service and joint hands with the suppliers and customers to create an industry chain with shared responsibility and a healthy and sustainable ecosystem.

Looking ahead, the company will continue to carry out compliance management and honest operation, and play our own advantages in customer first, environment friendly, care for employees and other aspects. We will make continual improvement in the R&D innovation, quality, service satisfaction and so on, and actively participate in social education, culture, community construction, poverty alleviation and other social welfare activities, and promote the long-term development of corporate social responsibility to make due contributions for the construction of a harmonious society.



南京三寶科技股份有限公司
Nanjing Sample Technology Co., Ltd.
(股份代號：1708)