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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)

DISCLOSEABLE TRANSACTIONS

- (1) IN RELATION TO DISPOSAL OF 60.33% EQUITY INTERESTS IN NANJING DONGBANG**
(2) POSSIBLE ACQUISITION OF PROJECT FUND

THE DISPOSAL

The Board hereby announces that on 19 March 2020 (after trading hours), the Company and China Overseas, Jiangsu Zhongyi and Nanjing Dongbang (an indirect subsidiary of the Company) entered into the Acquisition and Cooperation Agreement, pursuant to which, China Overseas conditionally agreed to purchase and the Company and Jiangsu Zhongyi conditionally agreed to sell approximately 60.33% and 39.45% equity interests in Nanjing Dongbang held by them respectively at a total consideration of RMB460,460,000, of which the transfer of the approximately 60.33% equity interest (of which RMB438,000,000 is paid-up capital) in Nanjing Dongbang held by the Company to China Overseas (the “Disposal”) is at a consideration of RMB438,027,500 and the transfer of the approximately 39.45% equity interest (of which RMB22,431,000 is paid-up capital and RMB264,000,000 is unpaid capital) in Nanjing Dongbang held by Jiangsu Zhongyi to China Overseas is at a consideration of RMB22,432,500.

THE POSSIBLE ACQUISITION

The Board further announces that on 19 March 2020 (after trading hours), the Company (as the transferee) and Nanjing Dongbang, an indirect subsidiary of the Company, (as the transferor) and the fund manager signed the Fund Transfer Agreement, pursuant to which, the Company agreed to purchase all units of the Xuyi Fund (the “Possible Acquisition”) at a consideration of RMB450,000,000. Pursuant to the Acquisition and Cooperation Agreement, the parties agreed to provide an option to China Overseas (the “Option”), which is exercisable by China Overseas within 90 days after the Acquisition and Cooperation Agreement comes into effect (the “Option Period”) to decide whether the Fund Transfer Agreement is lapsed. If China Overseas uses the Option to decide that the Fund Transfer Agreement is lapsed, it will mean that China Overseas will continue to hold the Xuyi Fund through Nanjing Dongbang. If China Overseas decides that the Fund Transfer Agreement is effective, it will mean that the Company shall purchase the Xuyi Fund held by Nanjing Dongbang and pay the consideration of RMB450,000,000 to Nanjing Dongbang pursuant to the Fund Transfer Agreement.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal contemplated under the Acquisition and Cooperation Agreement exceeds 5% but is lower than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Possible Acquisition contemplated under the Fund Transfer Agreement (if effective) exceeds 5% but is lower than 25%, the Possible Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Possible Acquisition is subject to China Overseas' exercising the Option to decide whether the Fund Transfer Agreement is lapsed, and as such the Possible Acquisition may or may not proceed. Therefore, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board hereby announces that on 19 March 2020 (after trading hours), the Company and China Overseas, Jiangsu Zhongyi and Nanjing Dongbang (an indirect subsidiary of the Company) entered into the Acquisition and Cooperation Agreement, pursuant to which, China Overseas conditionally agreed to purchase and the Company and Jiangsu Zhongyi conditionally agreed to sell approximately 60.33% and 39.45% equity interests in Nanjing Dongbang held by them respectively at a total consideration of RMB460,460,000, of which the transfer of the approximately 60.33% equity interest (of which RMB438,000,000 is paid-up capital) in Nanjing Dongbang held by the Company to China Overseas (the "Disposal") is at a consideration of RMB438,027,500 and the transfer of the approximately 39.45% equity interest (of which RMB22,431,000 is paid-up capital and RMB264,000,000 is unpaid capital) in Nanjing Dongbang held by Jiangsu Zhongyi to China Overseas is at a consideration of RMB22,432,500. Upon completion of the Disposal, the Company will cease to hold any equity interest in Nanjing Dongbang.

DETAILS OF THE ACQUISITION AND COOPERATION AGREEMENT

- Date : 19 March 2020 (after trading hours)
- Parties : (1) China Overseas (as the purchaser)
(2) The Company (as the seller)
(3) Jiangsu Zhongyi (as the seller)
(4) Nanjing Dongbang (as the target company)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, China Overseas and its ultimate beneficial owner are Independent Third Parties.

SUBJECT MATTER

The Company and Jiangsu Zhongyi conditionally agreed to sell and China Overseas conditionally agreed to purchase approximately 60.33% and 39.45% equity interests in Nanjing Dongbang held by the Company and Jiangsu Zhongyi respectively at a total consideration of RMB460,460,000. Upon completion of the registration with the Administration for Industry and Commerce for the change in shareholdings, China Overseas will become a major shareholder of Nanjing Dongbang and indirectly become the responsible entity for the investment, construction and operation of the pipe tunnel project of Xuzhou and shall be responsible for the investment, finance, construction and operation of the project.

CONSIDERATION AND PRICING BASIS

The consideration is RMB460,460,000. The consideration was determined after arm's length negotiation among the parties and by making reference to (i) the amount of paid-up capital of Nanjing Dongbang contributed by the Company and Jiangsu Zhongyi; and (ii) the unaudited total assets of RMB460,465,821.33 of Nanjing Dongbang as at 31 December 2019.

PAYMENT OF CONSIDERATION

For the Disposal, China Overseas shall make a first payment totaling RMB10,460,000 to the Company and Jiangsu Zhongyi (the "First Payment"), of which 60% (being RMB6,276,000) shall be paid within 3 days after signing of the Acquisition and Cooperation Agreement. The remaining 40% of the First Payment (being RMB4,184,000) shall be paid within 3 days after satisfaction of the payment conditions. The payment conditions are: (i) Nanjing Dongbang's completion of the change registration with the Administration for Industry and Commerce for the disposal of equity interests; and (ii) finalization of the debt financing for the Xuzhou pipe tunnel project (project loan) with the assistance of the Company and Nanjing Dongbang. The First Payment will be split and paid to the Company and Jiangsu Zhongyi according to the proportion of their paid-up capital contributions in the Disposal of approximately 95.13% and 4.87% respectively. Therefore, the Company will receive RMB9,950,000 in the First Payment.

The remaining consideration of RMB450,000,000 (the "Remaining Acquisition Consideration") shall be paid within 10 days after a written notice is given by China Overseas to the Company and Jiangsu Zhongyi during the Option Period informing the lapsing of the Fund Transfer Agreement mentioned below. The Remaining Acquisition Consideration will be split and paid to the Company and Jiangsu Zhongyi according to the proportion of their paid-up capital contributions in the Disposal of approximately 95.13% and 4.87% respectively. Therefore, the Company will receive RMB428,077,500.

THE POSSIBLE ACQUISITION

The Board further announces that on 19 March 2020 (after trading hours), the Company (as the transferee) and Nanjing Dongbang, an indirect subsidiary of the Company, (as the transferor) and the fund manager signed the Fund Transfer Agreement, pursuant to which, the Company agreed to purchase all units of the Jianan Xuyi Equity Fund No.1 (the “Xuyi Fund”) (the “Possible Acquisition”) at a consideration of RMB450,000,000 (the “Fund Acquisition Consideration”).

Pursuant to the Acquisition and Cooperation Agreement, the parties agreed to provide an option (the “Option”) to China Overseas, which is exercisable by China Overseas within 90 days after the Acquisition and Cooperation Agreement comes into effect (the “Option Period”) to decide whether the Fund Transfer Agreement is lapsed. If China Overseas decides that the Fund Transfer Agreement is lapsed, it will mean that China Overseas opts to continue to hold the Xuyi Fund through Nanjing Dongbang, and the assessed value as evaluated by a valuer approved by all parties shall be taken as the basis. If the assessed value is lower than RMB450,000,000, it will be taken as RMB450,000,000. If the assessed value is higher than RMB450,000,000, China Overseas shall pay the Company and Jiangsu Zhongyi the difference. If China Overseas decides that the Fund Transfer Agreement is effective, it will mean that the Company shall purchase the Xuyi Fund held by Nanjing Dongbang and pay the consideration of RMB450,000,000 to Nanjing Dongbang.

In addition, pursuant to the Acquisition and Cooperation Agreement, the parties agreed that prior to China Overseas’ exercising the Option and completing payment of the corresponding consideration of the Disposal, the rights of disposal and returns of the units of Xuyi Fund belong to the Company whereas China Overseas and Nanjing Dongbang have no rights to dispose the units of Xuyi Fund without the written consent of the Company.

DETAILS OF THE FUND TRANSFER AGREEMENT

Date : 19 March 2020 (after trading hours)

Parties : (1) the Company (as the transferee)
(2) Nanjing Dongbang (as the transferor)
(3) Jianan Investment (as the fund manager)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Jianan Investment and its ultimate beneficial owner are Independent Third Parties.

SUBJECT MATTER

The transferor agreed to transfer all units of the Xuyi Fund held by it to the transferee and the transferee agreed to acquire such units at a consideration of RMB450,000,000.

FUND ACQUISITION CONSIDERATION AND PRICING BASIS

The Fund Acquisition Consideration is RMB450,000,000. The consideration was determined after arm’s length negotiation among the parties and by making reference to the acquisition cost of the Fund.

PAYMENT OF CONSIDERATION

The progress of paying the Fund Acquisition Consideration by the Company will match/correspond to the progress of paying the Remaining Acquisition Consideration (i.e. RMB450,000,000) by China Overseas to the Company and Jiangsu Zhongyi in respect of the Disposal. Pursuant to the Acquisition and Cooperation Agreement, the parties agreed that in the event that China Overseas has not paid the consideration for the Disposal to the Company and Jiangsu Zhongyi timely, the obligation of the Company to pay the Fund Acquisition Consideration will be extended and there will be no default liability in respect of the delay in paying the Fund Acquisition Consideration to Nanjing Dongbang.

REASONS FOR DISPOSAL OF NANJING DONGBANG AND FUND ACQUISITION

Nanjing Dongbang holds 63% equity interest in Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd.* (徐州廣弘城東綜合管廊建設有限公司)(the “ Project Company”). The Project Company has successfully bid the Xuzhou City Chengdong Avenue Comprehensive Pipe Tunnel Engineering PPP Project. Xuzhou City Transportation Bureau has issued the “Letter in relation to speeding up the progress of financing cooperation for the Xuzhou City Chengdong Avenue Comprehensive Pipe Tunnel Engineering PPP Project”, requiring the Project Company to push ahead with the construction of the project as soon as possible. Given that the investment scale of the project is substantial, the amount of capital required will be high. As the current domestic monetary policy is tightened and private enterprises are generally experiencing tight liquidity and have difficulty in obtaining finance, the total credit facilities of the Company have also been tightened substantially since 4th quarter of 2019 which affected the fund utilisation arrangement for the projects of the Company and the Company expects that it may be unable to obtain sufficient finance to support the operation of the project. Therefore, the disposal of Nanjing Dongbang by the Company will help alleviate the funding pressure from the required investment in the construction of the project, which will be beneficial to the overall development of the Company. As China Overseas’ acquisition of the equity interest in Nanjing Dongbang is mainly for its intention of participating in the Xuzhou City Chengdong Avenue Comprehensive Pipe Tunnel Engineering PPP Project successfully bid by Xuzhou Guanghong, the Company provides the Option for buying back the Xuyi Fund. The Company considers that the fund acquisition will provide the returns of the fund to the Company and at the same time may obtain the relevant technical services and electrical and mechanical installation business from the Xuyi Port industrial park PPP project, which will also help increase the business revenue of the Company, therefore, the Directors consider that the Acquisition and Cooperation Agreement and the Fund Transfer Agreement are agreed after arm’s length negotiations among the parties, and is on normal commercial terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Company is a company incorporated in the PRC, and its H Shares are listed on the Stock Exchange. The Group is principally engaged in the provision of video identification and radio frequency identification technologies based full solutions to intelligent transportation and customs logistics application areas.

Nanjing Dongbang

Nanjing Dongbang is a company incorporated in the PRC with registered capital of RMB726,000,000 and a paid-up capital of RMB462,000,000, which is principally engaged in the research and development, manufacturing and sale of electromechanical equipment and general equipment, and investment in intelligent city. As at the date of this announcement, the Company holds approximately 60.33% equity interest in Nanjing Dongbang.

As disclosed in the announcement of the Company dated 18 September 2019, the Company entered into equity transfer agreements with Qiushan Machinery Manufacturing Jiangsu Co., Ltd.* (秋山機械製造江蘇有限公司) (“Qiushan Machinery”) and Shanghai Yanchuang Investment Management Co., Ltd.* (上海燕創投資管理有限公司) (“Shanghai Yanchuang”) respectively to acquire 42% equity interests in Nanjing Dongbang (which included paid-up capital of RMB21,000,000 and unpaid capital of RMB231,000,000) held by Qiushan Machinery at a consideration of RMB21,000,000, and to acquire 10% equity interests in Nanjing Dongbang (which included paid-up capital of RMB5,000,000 and unpaid capital of RMB55,000,000) held by Shanghai Yanchuang at a consideration of RMB5,000,000. Such acquisition of 52% equity interests in Nanjing Dongbang (the “Previous Acquisition”) constituted a discloseable transaction of the Company and the reporting and announcement requirements under Chapter 14 of the Listing Rules were complied with. Subsequently, the Company fully paid the unpaid capital of its shareholding in Nanjing Dongbang totalling RMB286,000,000. On 28 November 2019, the Company contributed additional capital of RMB126,000,000 to Nanjing Dongbang (the “Capital Increase”). After the Capital Increase, the Company holds approximately 60.33% equity interest in Nanjing Dongbang (of which RMB438,000,000 is paid-up capital). As the highest applicable percentage ratio in respect of the Previous Acquisition and the Capital Increase, when aggregated, exceeds 5% but is lower than 25%, it still constituted a discloseable transaction of the Company.

Set out below are the key financial figures of Nanjing Dongbang for the year ended 31 December 2018 and 31 December 2019 prepared under the China Accounting Standards for Business Enterprises:

| | For the year ended 31 December 2018 <i>RMB</i> (Audited) | For the year ended 31 December 2019 <i>RMB</i> (unaudited) |
|-----------------|---|---|
| Loss before tax | -3,207.95 | -7,857.65 |
| Loss after tax | -3,207.95 | -7,857.65 |

As at 31 December 2019, the unaudited total assets and net assets of Nanjing Dongbang were RMB460,465,821.33 and RMB459,463,921.33 respectively.

After taking into account of the consideration received from the Disposal and the capital contributed by the Company in Nanjing Dongbang, it is estimated that an unaudited gain of approximately RMB27,500 will be recorded in respect of the Disposal.

China Overseas

China Overseas is a limited company incorporated in the PRC and a subsidiary of China Overseas Holding Group Co., Ltd. (中國海外控股集團有限公司). It holds various professional qualifications such as Grade I Qualification in General Contracting for Building Construction, Grade I Qualification in General Construction Contracting for Municipal Engineering, Grade I Qualification in Professional Contracting for Steel Structure Engineering, Grade I Qualification in Professional Contracting for Building Renovation and Decoration Engineering, Grade II Qualification in General Contracting for Water Resources and Hydropower Construction, Grade II Qualification in Professional Contracting for Bridge Construction and , Grade II Qualification in Professional Contracting for Tunnel Construction, and engages in engineering and construction sectors such as roads, fire prevention, electronic intelligence, curtain wall, electrical and mechanical equipment installation, ancient building, environmental protection, port and coast, mines, city and road lighting, power engineering and landscaping.

Jiangsu Zhongyi

Jiangsu Zhongyi is a limited company incorporated in the PRC. It is principally engaged in construction, electrical and mechanical installation and smart city planning and design, consultancy, etc. As at the date of this announcement, Jiangsu Zhongyi holds approximately 39.67% equity interest in Nanjing Dongbang.

Jianan Investment

Jianan Investment is a limited company incorporated in the PRC. It is principally engaged in trade sector investment, industrial investment, entrusted management of private equity investment funds, asset management (not including projects which require prior approval), venture capital, construction project investment, etc. Jianan Investment owns 89.93% of Xuyi County Sizhou Port Co., Ltd.* (盱眙縣泗州港務有限公司) which is a project company mainly for investment, construction, operation and maintenance of Xuyi Port, industrial park and the construction of the north section of Xuyi of Line 235 and Raocheng Section of Xuyi of 331 Provincial Highway.

INFORMATION ON THE SUBSIDIARY AND FUND HELD BY NANJING DONGBANG

Xuzhou Guanghong

Xuzhou Guanghong is a company incorporated in the PRC with registered capital of RMB166,040,000 and a paid-up capital of RMB16,604,000 , and is held as to 63% by Nanjing Dongbang as at the date of this announcement. Xuzhou Guanghong is principally engaged in businesses such as the operation and maintenance of city tunnel network facilities, municipal infrastructure construction, installation of electric equipment, lighting project and construction of firefighting engineering.

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 |
|-----------------|--|--|
| | <i>RMB</i> (Audited) | <i>RMB</i> (unaudited) |
| Loss before tax | -50,126.31 | -120,428.75 |
| Loss after tax | -50,126.31 | -120,428.75 |

As at 31 December 2019, the unaudited total assets and net assets of Xuzhou Guanghong were RMB16,825,244.94 and RMB16,433,444.94 respectively.

Xuyi Fund

Xuyi Fund was established on 8 November 2017 and operates as a close-end fund for a term of 6 years. Its paid-up capital is RMB450,000,000 and its capital was specifically invested in the equity interest of Xuyi County Sizhou Port Co., Ltd., a Xuyi Port industrial park PPP project company, while its idle fund will be invested in low risk products with stable income such as public offered money market funds, principal guaranteed wealth management products and trust products through Jiangsu Bank.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal contemplated under the Acquisition and Cooperation Agreement exceeds 5% but is lower than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Possible Acquisition contemplated under the Fund Transfer Agreement (if effective) exceeds 5% but is lower than 25%, the Possible Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE POSSIBLE ACQUISITION IS SUBJECT TO CHINA OVERSEAS' EXERCISING THE OPTION TO DECIDE WHETHER THE FUND TRANSFER AGREEMENT IS LAPSED, AND AS SUCH THE POSSIBLE ACQUISITION MAY OR MAY NOT PROCEED. THEREFORE, SHAREHOLDERS AND POTENTIAL INVESTORS ARE REMINDED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

| | |
|---|--|
| “Acquisition and Cooperation Agreement” | the equity interest acquisition and project cooperation agreement dated 19 March 2020 and entered into between the Company, China Overseas, Jiangsu Zhongyi and Nanjing Dongbang |
| “Board” | the Board of Directors |
| “China Overseas” | China Overseas Development and Construction Group Co., Ltd. * (中海外開發建設集團有限公司), a company incorporated in the PRC with limited liability |
| “Company” | Nanjing Sample Technology Co., Ltd.* (南京三寶科技股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Stock Exchange (Stock Code: 1708) |
| “Director(s)” | the director(s) of the Company |

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|--------------------------------|---|
| “Fund Transfer Agreement” | the fund unit transfer agreement dated 19 March 2020 and entered into between the Company, Nanjing Dongbang and the fund manager |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for in Hong Kong dollars |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules) |
| “Jianan Investment” | Jiangsu Jianan Investment Development Co., Ltd. * (江蘇迦南投資發展有限公司), a company incorporated in the PRC with limited liability |
| “Jiangsu Zhongyi” | Jiangsu Zhongyi Smart City Construction Co., Ltd. * (江蘇中詣智慧城市建設有限公司), a company incorporated in the PRC with limited liability |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Nanjing Dongbang” | Nanjing Dongbang Equipment Co., Ltd.* (南京動邦裝備有限公司), a company incorporated in the PRC with limited liability. As at the date of this announcement, the Company holds approximately 60.33% of its equity interests |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |

| | |
|--------------------|---|
| “Shareholder(s)” | registered holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary” | has the meaning ascribed to it in the Listing Rules |
| “Xuzhou Guanghong” | Xuzhou Guanghong Chengdong Comprehensive Pipe Tunnel Construction Co., Ltd.* (徐州廣弘城東綜合管廊建設有限公司), a company incorporated in the PRC with limited liability. As at the date of this announcement, Nanjing Dongbang holds its 63% equity interests |
| “%” | per cent. |

By order of the Board
Nanjing Sample Technology Co., Limited*
Sha Min
Chairman

Nanjing, the PRC
19 March 2020

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

* *For identification purposes only*