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If you have sold and or transferred all your shares in 南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*) (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).



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 AND CONNECTED TRANSACTIONS IN RELATION TO THE CREDITOR'S RIGHTS TRANSFER AGREEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



A notice convening the EGM of (南京三寶科技股份有限公司) Nanjing Sample Technology Company Limited* to be held at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC at 10:00 a.m. on 29 March 2021, is set out on pages EGM-1 to EGM-2 on this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of the H Shares only) or the Company's registered office at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC (for the holders of the Domestic Shares only), as soon as possible but in any event not less than 24 hours before the respective time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

This circular will remain on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> on the “Latest Company announcements” page for at least 7 days from the date of its posting.

* for identification purpose only

4 March 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	board of Directors
“Company” or the “Vendor I”	Nanjing Sample Technology Company Ltd.* (南京三寶科技股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and whose H Shares are listed on the main board of the Stock Exchange (Stock Code: 1708)
“Completion”	the completion of the Creditor’s Rights Agreement I and the Creditor’s Rights Agreement II.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Creditor’s Rights I”	the total net book value of the creditor’s rights set forth in the Creditor’s Rights Transfer Agreement I
“Creditor’s Rights II”	the total net book value of the creditor’s rights set forth in the Creditor’s Rights Transfer Agreement II
“Creditor’s Rights Transfer Agreement I”	a creditor’s rights transfer agreement entered into between the Company as vendor and Sample Group as purchaser on 28 January 2021
“Creditor’s Rights Transfer Agreement II”	a creditor’s rights transfer agreement entered into between Jiangsu Intellitrans, a wholly-owned subsidiary of the Company, as vendor and Sample Group as purchaser on 28 January 2021
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for in RMB, and all of such Shares are not listed on the Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be convened and held at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC at 10:00 a.m. on 29 March 2021
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	the overseas listed foreign invested share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the main board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hooray Capital”	Hooray Capital Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors (namely, Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Niu Zhongjie) is formed to, among other things, advise the Independent Shareholders in respect of the Creditor’s Rights Transfer Agreement I, the Creditor’s Rights Transfer Agreement II and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting (other than the Purchaser and Mr. Sha Min) in respect of the relevant resolutions to be submitted to the EGM in relation to the Creditor’s Rights Transfer Agreement I, the Creditor’s Rights Transfer Agreement II and the transactions contemplated thereunder
“Latest Practicable Date”	1 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Auditor”	Jiangsu Guode Certified Public Accountants Co., Ltd.* (江蘇國德會計事務所有限公司)

DEFINITIONS

“PRC Auditor’s Reports”	the two PRC auditor’s reports dated 31 December 2020 in respect of the net asset values of the accounts receivables under the Creditor’s Rights Transfer Agreement I and the Creditor’s Rights Transfer Agreement II as at 30 November 2020
“Purchaser” or “Sample Group”	Nanjing Sample Technology Group Co., Ltd. * (南京三寶科技集團有限公司), a company established in the PRC with limited liability, and directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for approximately 50.77% of the issued share capital of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor II” or “Jiangsu Intellitrans”	Jiangsu Intellitrans Company Limited, a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sha Min
Mr. Ma Fengkui
Mr. Zhang Junmin

Non-executive Director:

Mr. Chang Yong

Independent non-executive Directors:

Mr. Hu Hanhui
Mr. Gao Lihui
Mr. Niu Zhongjie

Registered Office:

No. 10 Maqun Avenue
Qixia District
Nanjing City
Jiangsu Province
PRC

Principal place of business in

Hong Kong:
Room 3112A, 31/F,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

4 March 2021

To Shareholders

**DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
THE CREDITOR'S RIGHTS TRANSFER AGREEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with further details of the discloseable and connected transactions in relation to the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder and the notice of the EGM.

* for identification purpose only

LETTER FROM THE BOARD

2. DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE CREDITOR'S RIGHTS TRANSFER AGREEMENTS

On 28 January 2021, Vendor I and Vendor II have respectively entered into the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II (collectively, the "**Creditor's Rights Transfer Agreements**") with the Purchaser. The aggregate consideration of the agreements is RMB505,658,190.23. Principal terms of the Creditor's Rights Transfer Agreements are set out as follows:

Creditor's Rights Transfer Agreement I

Date: 28 January 2021

Parties: Vendor I; and
the Purchaser.

Consideration and payment terms:

The consideration of the Creditor's Rights Transfer Agreement I is RMB153,311,928.00, which was arrived at arm's length negotiation between the parties to the Creditor's Rights Transfer Agreement I after taking into account the net book value of the creditor's rights set forth in the Creditor's Rights Transfer Agreement I (the "**Creditor's Rights I**") audited in accordance with the PRC accounting standards as at 30 November 2020.

The consideration will be paid by the Purchaser in the following manner:

The consideration of RMB153,311,928.00 will be paid by the Purchaser in cash to Vendor I within 15 working days after the effective date of the Creditor's Rights Transfer Agreement I.

LETTER FROM THE BOARD

Details of the Creditor's Rights I to be disposed:

Pursuant to the Creditor's Rights Transfer Agreement I, the Purchaser conditionally agreed to purchase, and Vendor I conditionally agreed to sell, a creditor's right in relation to the receivables of the Company's engineering project arising from the ordinary and usual course of business. Details of which are as follows:

Unit: RMB

No.	Name of client	Accounts receivable (Original value)	Provision for bad debts made as at 31 December 2017	Provision for bad debts made as at 31 December 2018	Provision for bad debts made as at 30 November 2020*	Audited net asset value as at 30 November 2020	Transfer price	Basic information of the project
1	Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司)	166,643,400.00	-	6,665,736.00	13,331,472.00	153,311,928.00	153,311,928.00	Uncollected receivables of equipment procurement contracts for the 20MW photovoltaic power generation project of Zhongji Guoneng Engineering Co., Ltd.-Feicheng Yingdian Energy Co., Ltd. Old Town Phase II and Daolong 20MW photovoltaic power generation project of Tai'an Langwa Energy Co., Ltd.

**Note:* Since all bad debt provisions are reviewed on an annual basis, which is in line with the Company's financial year end date of 31 December, the corresponding provision for bad debt made as at 31 December 2019 was the same as the provision for bad debt made as at 30 November 2020 and was not disclosed on the table.

Vendor I will not be obligated to make up for any shortfall:

Vendor I agreed that, the Purchaser will obtain the Creditor's Rights I upon the Creditor's Rights Transfer Agreement I becomes effective. Whether the Purchaser receives the payments upon the Creditor's Rights I in full or not, Vendor I will not be obligated to make up for any shortfall to the Purchaser.

Conditions precedent:

Completion of the Creditor's Rights Transfer Agreement I is subject to the obtaining of respective necessary approvals from relevant decision-making authorities, such as general meeting(s), shareholders' meeting(s) and/or board meeting(s) by the Company and the Purchaser in accordance with laws or the provisions of its articles of associations.

The completion of the Creditor's Rights Transfer Agreement I is not inter-conditional to the completion of the Creditor's Rights Transfer Agreement II.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company and the Purchaser held its respective board meeting to approve the transactions contemplated under the Creditor's Rights Transfer Agreement I. Other than the Shareholders' approval of the Company as required under the Listing Rules, all conditions precedent have been fulfilled.

Other terms:

Vendor I undertakes that, there are no defects in the title to the Creditor's Rights I, and any third party shall not claim any rights against the Purchaser in respect of the Creditor's Rights I. Otherwise, Vendor I shall compensate the Purchaser for all losses arising from this regard, including but not limited to attorneys' fees and litigation acceptance costs, etc.

Upon the Creditor's Rights I has been granted to the Purchaser in accordance with the law, the Purchaser shall exercise the relevant rights, such as creditor's rights on the debtor, as well as the hypothecs, liens, interest claims, default claims and damages for breach, subordinated to the Creditor's Rights I in accordance with the law.

Creditor's Rights Transfer Agreement II

Date: 28 January 2021

Parties: Vendor II; and
the Purchaser.

Consideration and payment terms:

The consideration of the Creditor's Rights Transfer Agreement II is RMB352,346,262.23, which was arrived at arm's length negotiation between the parties to the Creditor's Rights Transfer Agreement II after taking into account the net book value of the creditor's rights set forth in the Creditor's Rights Transfer Agreement II (the "**Creditors Rights II**") audited in accordance with the PRC Accounting Standards as at 30 November 2020.

The consideration will be paid by the Purchaser in the following manner:

The consideration of RMB352,346,262.23 will be paid by the Purchaser in cash to Vendor II within 15 working days after the effective date of the Creditor's Rights Transfer Agreement II.

LETTER FROM THE BOARD

Details of the Creditor's Rights II to be disposed:

Pursuant to the Creditor's Rights Transfer Agreement II, the Purchaser conditionally agreed to purchase, and Vendor II conditionally agreed to sell, a total of 7 creditor's rights in relation to the receivables of Vendor II's engineering projects arising from the ordinary and usual course of business. Details of which are as follows:

Unit: RMB

No.	Name of client	Accounts receivable (Original value)	Provision for bad debts made as at 31 December 2017	Provision for bad debts made as at 31 December 2018	Provision for bad debts made as at 30 November 2020*	Audited net asset value as at 30 November 2020	Transfer price	Basic information of the project
1	Guangxi Longguang Guanghe Expressway Co., Ltd.* (廣西龍光廣賀高速公路有限公司)	6,920,805.80	380,014.08	1,492,877.29	1,720,000.00	5,200,805.80	5,200,805.80	Uncollected receivables of the Guangxi Lingfeng (Guangxi-Guangdong boundary) to Babu highway project contracted by Guangxi Longguang Guanghe Expressway Co., Ltd.
2	China Coal Construction Group Co., Ltd. (中煤建工集團有限公司)	86,300,401.86	-	-	3,452,016.07	82,848,385.78	82,848,385.78	Uncollected receivables of Qinhan Avenue Municipal Road engineering project contracted by China Coal Construction Group Co., Ltd.
3	Fujian Expressway Group Co., Ltd.* (福建省高速公路集團有限公司)	21,608,529.91	5,167,642.31	7,598,505.71	8,318,000.00	13,290,529.91	13,290,529.91	Uncollected payment receivables and project payments of the supply and installation contracts for traffic electrical and mechanical engineering monitoring, toll collection, communications, tunnel ventilation, lighting consumption, and electricity distribution system along the line from Haixi Expressway Network Changtaimeigong to Chenxiang Expressway contracted by Zhangzhou Xiacheng Expressway Co., Ltd.* (漳州廈成高速公路有限責任公司)
4	Sichuan Li Pan Expressway Co., Ltd. (四川麗攀高速公路有限公司)	10,364,760.54	43,470.79	423,676.68	1,030,000.00	9,334,760.54	9,334,760.54	Uncollected receivables of the engineering project of the JD1 Bid Section of the Panzhuhua Section in Lijiang-Panzhuhua Expressway contracted by Sichuan Li Pan Expressway Co., Ltd.

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No.	Name of client	Accounts receivable (Original value)	Provision for bad debts made as at 31 December 2017	Provision for bad debts made as at 31 December 2018	Provision for bad debts made as at 30 November 2020*	Audited net asset value as at 30 November 2020	Transfer price	Basic information of the project
5	Sichuan Guanggan Expressway Co., Ltd. (四川廣甘高速公路有限責任公司)	7,918,670.12	436,004.54	1,443,203.91	2,260,000.00	5,658,670.12	5,658,670.12	Uncollected receivables of full line toll connection, monitoring, communications and procurement and installation of tunnel electromechanical system of the JD6 Section of the Lanzhou-Haikou National Expressway Yaodu (Ganchuan boundary) to Guangyuan highway project contracted by Sichuan Guanggan Expressway Co., Ltd.
6	China Coal Construction Group Co., Ltd. (中煤建工集團有限公司)	239,478,611.59	-	-	9,579,144.46	229,899,467.13	229,899,467.13	Uncollected payment receivables and project payments of mechanical and electrical construction and equipment procurement of Shangqiu Municipal Road project contracted by China Coal Construction Group Co., Ltd.
7	Chengdu Longguang Erhuan Expressway Co., Ltd. (成都龍光二環高速公路有限公司)	6,643,642.95	-	265,745.72	530,000.00	6,113,642.95	6,113,642.95	Uncollected receivables of Electrical and Mechanical Works of the A5 Contract Section of the East Section of Chengdu Second Ring Expressway project contracted by Chengdu Longguang Erhuan Expressway Co., Ltd.
Total		<u>379,235,422.77</u>	<u>6,027,131.72</u>	<u>11,224,009.31</u>	<u>26,889,160.53</u>	<u>352,346,262.23</u>	<u>352,346,262.23</u>	

*Note: Since all bad debt provisions are reviewed on an annual basis, which is in line with the Company's financial year end date of 31 December, the corresponding provisions for bad debts made as at 31 December 2019 were the same as the provisions for bad debts made as at 30 November 2020 and were not disclosed on the table.

Vendor II will not be obligated to make up for any shortfall:

Vendor II agreed that, the Purchaser will obtain the Creditor's Rights II upon the Creditor's Rights Transfer Agreement II becomes effective. Whether the Purchaser receives the payments upon the Creditor's Rights II in full or not, Vendor II will not be obligated to make up for any shortfall to the Purchaser.

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Conditions precedent:

Completion of the Creditor's Rights Transfer Agreement II is subject to the obtaining of respective necessary approvals from relevant decision-making authorities, such as general meeting(s), shareholders' meeting(s) and/or board meeting(s) by Vendor I, Vendor II and the Purchaser in accordance with laws or the provisions of its articles of associations.

The completion of the Creditor's Rights Transfer Agreement II is not inter-conditional to the completion of the Creditor's Rights Transfer Agreement I.

As at the Latest Practicable Date, Vendor II and the Purchaser held its respective board meeting to approve the transactions contemplated under the Creditor's Rights Transfer Agreement II. Other than the Shareholders' approval of the Company as required under the Listing Rules, all conditions precedent have been fulfilled.

Other terms:

Vendor II undertakes that, there are no defects in the title to the Creditor's Rights II, and any third party shall not claim any rights against the Purchaser in respect of the Creditor's Rights II. Otherwise, Vendor II shall compensate the Purchaser for all losses arising from this regard, including but not limited to attorneys' fees and litigation acceptance costs, etc.

Upon the Creditor's Rights II have been granted to the Purchaser in accordance with the law, the Purchaser shall exercise the relevant rights, such as creditor's rights on the debtor, as well as the hypothecs, liens, interest claims, default claims and damages for breach, subordinated to the Creditor's Rights II in accordance with the law.

REASONS FOR AND BENEFITS OF THE ENTERING INTO CREDITOR'S RIGHTS TRANSFER AGREEMENTS:

The creditor's rights to be transferred in accordance with the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are mainly receivables of engineering projects. The Group has already used its best endeavors to request the project clients to repay the outstanding fees. However, the project clients expressed the prolonged effect of the COVID-19 pandemic outbreak has deteriorated their operations and their cash flows, as such, the Board anticipates that the relevant repayments will not be made in the near future. Upon Completion, the transactions will provide a cash inflow for the Group, which will be conducive to the revitalization of the Group's assets, optimization of asset structure, maintenance of liquidity and focus on the development of its principal business.

The Board has also considered the scenario that the Company assigns the creditor's rights to an independent third party. The Company had approached 5 banks for non-recourse factoring loans. However, due to the prevailing market conditions, after a preliminary assessment by the banks, the banks may not be willing to provide

LETTER FROM THE BOARD

such loans, even if they do, such loans would factor a discount to the net asset value of the creditor's rights and might impose other fees, charges and/or interests, which are worse off compared with the consideration the Purchaser offered. In addition, the Purchaser has a better understanding on the details of the receivables and the project clients, it will save time for due diligence and improve the certainties for the Company in obtaining the payment.

The Directors of the Company (excluding the independent non-executive Directors, who will reach an opinion on the terms of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II after taking account into the opinions of the independent financial adviser) are of the opinion that, the terms of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are fair and reasonable, the transactions contemplated thereunder are conducted on ordinary commercial terms and in the interests of the Company and the Shareholders as a whole.

Information on the parties of the Creditor's Rights Transfer Agreements:

Vendor I

The Company is a company established in the PRC, whose 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, customs logistics application areas.

Vendor II

Jiangsu Intellitrans is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the businesses of design, construction and maintenance of intelligent transportation system and computer networks engineering as well as the design, construction, supervision, testing and technical services of traffic engineering, construction of urban road lighting project, research and development and sales of electronic products and communication equipment (excluding satellite ground receiving facilities), security works and computer information system integration project, design and construction of intelligent building works, and self-management and agency of import and export business of various commodities and technologies (except for commodities and technologies that are restricted by the PRC or prohibited from import and export).

The Purchaser

Sample Group is an investment holding company. It directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for approximately 50.77% of the issued share capital of the Company. As such, Sample Group is the substantial and the single largest shareholder of the Company. As at the Latest Practicable Date, Sample Group is mainly engaged in investment and development of high-tech industry; project investment, advisory services, asset management; self-operation exports and export agency for various kinds of goods and

LETTER FROM THE BOARD

technology (excluding the state restricted company operation or prohibited import and export goods and technology); daily commodities, jewelry, ironmongery alternating current power, office equipment, office appliances, household appliances, building materials, sales of metal materials (except tungsten, antimony, tin, gold) ; housing leases, etc.

FINANCIAL IMPACT OF THE TRANSFER OF CREDITOR'S RIGHTS

As the considerations of the creditor's rights under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are respectively equal to its audited net asset values as at 30 November 2020, the transfer of creditor's rights will not have any financial impact on the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Purchaser directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for a total of approximately 50.77% of the issued share capital of the Company. As such, the Purchaser is the substantial and the single largest Shareholder. According to Chapter 14A of the Listing Rules, the Purchaser is a connected person of the Company. Therefore, the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder constitute connected transactions of the Company.

Meanwhile, the transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II shall be aggregated. As the applicable percentage ratios (as defined in the Listing Rules) after aggregated are more than 5% but less than 25%, the transactions constitute discloseable and connected transactions of the Company and subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14 and 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Sha Min ("**Mr. Sha**"), being the executive director of the Company, and Mr. Chang Yong ("**Mr. Chang**"), being the non-executive director of the Company, are respectively interested in 60.40% and 38.96% of equity interest in Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司) which in turn owns 49% equity interest in Sample Group. Therefore, Mr. Sha and Mr. Chang have abstained from voting at the board meeting on approving the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder. Save for Mr. Sha and Mr. Chang, none of the Directors is interested in those agreements.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the transactions shall abstain from voting at the EGM on the resolutions on approving the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder. As at the date of this announcement, the Purchaser is a substantial Shareholder and Mr. Sha Min is beneficially interested in 3,375,000 Domestic Shares. Accordingly, the Purchaser and

LETTER FROM THE BOARD

Mr. Sha Min shall abstain from voting at the EGM on the resolutions on approving the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder. To the best of the Directors' knowledge, there is no other Shareholder (save for the Purchaser, Mr. Sha Min and their respective associates) shall abstain from voting at the EGM.

3. EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II will be proposed by way of ordinary resolution for Shareholders' approval at the EGM.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form (for use at the EGM) in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong H share registrar and transfer office, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the Company's registered office, No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC (in case of holders of Domestic Shares) but in any event not less than 24 hours before the time appointed for the holding of the EGM.

Completion and return of the said proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all resolutions at the EGM will be voted by poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under the Listing Rules.

4. RECOMMENDATIONS

Having considered the above, the Directors consider that the discloseable and connected transactions in relation to the Creditor's Rights Transfer Agreements are in the interests of the Company and the Shareholders as a whole and accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,

By order of the Board

南京三寶科技股份有限公司

Nanjing Sample Technology Company Limited*

Sha Min

Chairman

* for identification purpose only.



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)

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the terms of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II and the transaction contemplated thereunder as set out in the Circular.

To the Independent Shareholders

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE CREDITOR'S RIGHTS
TRANSFER AGREEMENTS**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Nanjing Sample Technology Co., Ltd.* (the "**Company**") in respect of the resolution to approve the transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of Hooray Capital in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether (i) the terms of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are on normal commercial terms, in the ordinary and usual course of business of the Group and fair and reasonable and (ii) the transaction contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are in the interests of the Company and its Independent Shareholders as a whole, as set out in the "Letter from Hooray Capital" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Hooray Capital in relation thereto as stated in its letter, we consider that the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are in ordinary and usual course of business of the Group, the terms of the Creditor's Rights

**for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Transfer Agreement I and the Creditor's Rights Transfer Agreement II and the transaction contemplated thereunder to be on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II.

Yours faithfully,

The Independent Board Committee

Hu Hanhui
Independent
non-executive Director

Gao Lihui
Independent
non-executive Director

Niu Zhongjie
Independent
non-executive Director

Nanjing, the PRC, 4 March 2021

LETTER FROM HOORAY CAPITAL

Set out below is the text of a letter received from Hooray Capital regarding the transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II for the inclusion in this circular.



4 March 2021

To the Independent Board Committee and the Independent Shareholders,

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE CREDITOR'S RIGHTS TRANSFER AGREEMENTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of, inter alia, the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular dated 4 March 2021 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified herein.

On 28 January 2021 after trading hours, Vendor I entered into the Creditor's Rights Transfer Agreement I with the Purchaser, pursuant to which the Purchaser conditionally agreed to purchase, and Vendor I conditionally agreed to sell, a creditor's right at the cash consideration of RMB153,311,928.00. On the same date after trading hours, Vendor II entered into the Creditor's Rights Transfer Agreement II with the Purchaser, pursuant to which the Purchaser conditionally agreed to purchase, and Vendor II conditionally agreed to sell, 7 creditor's rights at the cash consideration of RMB352,346,262.23.

As at the Latest Practicable Date, the Purchaser directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for a total of approximately 50.77% of the issued share capital of the Company. As such, the Purchaser is the substantial and the single largest Shareholder. According to Chapter 14A of the Listing Rules, the Purchaser is a connected person of the Company. Therefore, the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder constitute connected transactions of the Company.

Meanwhile, the transactions contemplated under the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II shall be aggregated, and the aggregate consideration of the agreements is RMB505,658,190.23. As the applicable percentage ratios (as defined in the Listing Rules) after aggregated are more than 5% but

LETTER FROM HOORAY CAPITAL

less than 25%, the transactions constitute discloseable and connected transactions of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14 and Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Hu Hanhui, Mr. Niu Zhongjie and Mr. Gao Lihui, has been formed to advise the Independent Shareholders to make a recommendation: (i) as to whether the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business and in the interests of the Company and the Independent Shareholders as a whole; and (ii) give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM. We, Hooray Capital Limited, have been appointed to advise the Independent Board Committee in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected to the Company pursuant to Rule 13.84 of the Listing Rules. There was no engagement among the Group, the Purchaser and us in the last two years, and we are not aware of the existence of or change in any circumstances that would affect our independence. In addition, apart from the normal professional fee payable to us by the Company in connection with our appointment as the independent financial adviser, no other arrangement exists whereby we shall receive any other fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice on the terms of the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular as well as the information, facts and representations provided by, opinions expressed by, and statements made by the Directors, the Company and its management.

We have assumed that all representations and information that have been provided by the Directors, for which they are solely and wholly responsible, were reasonably made after due enquiry and careful consideration and are true and accurate at the time when they were made and continue to be so up to the date of the EGM. The Company will notify the Shareholders of any material changes to such information, facts, representations, opinions and statements as soon as possible. In addition, we have no reason to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or to believe that any material facts and information have been omitted or withheld.

LETTER FROM HOORAY CAPITAL

We consider that we have taken sufficient information in our opinion, among other things, the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II, announcements of the Company in relation to the profit warning and the transfer of creditor's rights dated 18 August 2020 and 28 January 2021 respectively, the PRC Auditor's Reports, the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**") and contracts, progress records and relevant information provided by the Company in relation to the Creditor's Rights I and the Creditor's Rights II. We have also conducted discussions with the management of the Company regarding the business and financial of the Group and researched and considered market data which we deemed relevant to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent in-depth investigation into the business, affairs, financial position or the future prospects of any members of the Group and the related subject of, and parties to, the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II, nor have we carried out any independent evaluation or appraisal of the assets and liabilities of the Group, the Creditor's Rights I and the Creditor's Rights II, and we have not been furnished with any such evaluation or appraisal, save and except, the PRC Auditor's Reports as mentioned above, the extract of which are contained in Appendix I to the Circular.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders which solely for their consideration of whether the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary course of business and in the interests of the Company and the Independent Shareholders as a whole. Save for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II, we have taken into consideration the following principal factors and reasons:

1. Information of the parties

Information of Vendor I

With reference to the letter from the Board in the Circular, the Company is a company established in the PRC, whose 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, customs logistics application areas.

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Information of Vendor II

With reference to the letter from the Board in the Circular, Jiangsu Intellitrans is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the businesses of design, construction and maintenance of intelligent transportation system and computer networks engineering as well as the design, construction, supervision, testing and technical services of traffic engineering, construction of urban road lighting project, research and development and sales of electronic products and communication equipment (excluding satellite ground receiving facilities), security works and computer information system integration project, design and construction of intelligent building works, and self-management and agency of import and export business of various commodities and technologies (except for commodities and technologies that are restricted by the PRC or prohibited from import and export).

Financial and business overview of the Group

Set out below is the summary of the audited consolidated financial information of the Group for the two years ended 31 December 2019 as extracted from the 2019 Annual Report and the unaudited consolidated financial information of the Company for the six months ended 30 June 2020 as extracted from the 2020 Interim Report:

	For the six months ended 30 June 2020	For the year ended 31 December	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Audited)	(Audited)
Total operating income	298,462,892.82	1,487,129,114.80	1,834,487,601.95
Gross profit	93,787,748.57	399,308,002.59	516,048,227.20
Financial expenses	25,477,374.66	67,838,828.28	57,991,496.21
Net profit	10,239,936.17	82,187,317.93	192,696,218.69
Profit attributable to owners of the Company	10,496,067.21	107,023,458.97	195,992,114.49
		As at 31	
	As at 30 June 2020	December 2019	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Audited)	(Audited)
Total assets	4,456,723,973.84	4,459,618,453.79	4,811,691,619.32
Cash at bank and on hand	154,157,620.78	163,444,153.79	532,958,036.92
Accounts receivable	979,073,295.69	1,114,075,029.94	837,139,367.60
Total liabilities	2,360,117,551.74	2,344,028,447.66	2,730,669,861.35
Net assets	2,096,606,422.10	2,115,590,006.13	2,080,991,757.97
Net assets attributable to the owners of the Company	2,050,074,546.52	2,039,315,195.16	2,005,738,036.44

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For the year ended 31 December 2019

As disclosed in the 2019 Annual Report, the revenue of the Group and the profit attributable to the owners of the Company amounted to approximately RMB1.49 billion and RMB107.02 million respectively for the year ended 31 December 2019, representing decreases of approximately 18.93% and 45.39% respectively as compared to those for the year ended 31 December 2018. The decrease in revenue was mainly caused by the decline in system integration and intelligent terminal sales resulting from the decrease in successful project bids in 2019 by the Company. The decrease in profit attributable to owners of the Company was mainly due to an decrease in income from principal businesses and an increase in financial expenses.

For the financial position of the Group, as at 31 December 2019, the Group's total assets and total liabilities were approximately RMB4.46 billion and RMB2.34 billion, respectively. The net assets attributable to the owners of the Company was approximately RMB2.04 billion. In particular, the cash at bank and on hand of the Company dropped sharply by approximately 69.33%, from approximately RMB532.96 million to approximately RMB163.44 million, as at 31 December 2019 as compared to the cash level as at 31 December 2018 mainly due to, inter alia, the Group's acquisition of Nanjing Dongbang Equipment Co., Ltd.* (南京動邦裝備有限公司).

For the six months ended 30 June 2020

As disclosed in the 2020 Interim Report and the announcement of the Company in relation to the profit warning in the relevant period, the revenue of the Group and profit attributable to the owners of the Company amounted to approximately RMB298.46 million and RMB10.50 million respectively for the six months ended 30 June 2020, representing decreases of approximately 63.47% and 88.81% respectively as compared to those for the six months ended 30 June 2019. The decrease in revenue and profit attributable to owners of the Company was mainly due to the delay in resumption of some projects resulted by the cities lockdown and quarantine for inbound persons as influenced by the novel coronavirus epidemic and the decrease in revenue of system integration and intelligent terminal sales resulting from the decrease in successful project bids in the relevant period by the Company.

For the financial position of the Group, as at 30 June 2020, the Group's total assets and total liabilities were approximately RMB4.46 billion and RMB2.36 billion, respectively. The net assets attributable to the owners of the Company of approximately RMB2.05 billion.

Information of the Purchaser

Sample Group is an investment holding company. It directly holds 397,821,000 Domestic Shares and indirectly holds 4,310,000 H Shares of the Company, accounting for approximately 50.77% of the issued share capital of the Company. As such, Sample Group is the substantial and the single largest shareholder of the Company. As at the Latest Practicable Date, Sample Group is mainly engaged in investment and development of high-tech industry; project investment, advisory services, asset

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management; self-operation exports and export agency for various kinds of goods and technology (excluding the state restricted company operation or prohibited import and export goods and technology); daily commodities, jewelry, ironmongery alternating current power, office equipment, office appliances, household appliances, building materials, sales of metal materials (except tungsten, antimony, tin, gold); housing leases, etc.

2. Principal terms of the creditor's rights transfer agreements

On 28 January 2021, Vendor I and Vendor II have respectively entered into the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II with the Purchaser. Principal terms of the two creditor's rights transfer agreements are set out as follows:

Principal terms of the Creditor's Rights Transfer Agreement I

Date: 28 January 2021

Parties: Vendor I; and
the Purchaser.

Consideration and payment terms:

The consideration of the Creditor's Rights Transfer Agreement I is RMB153,311,928.00, which was arrived at arm's length negotiation between the parties to the Creditor's Rights Transfer Agreement I after taking into account the net book value of the Creditor's Rights I audited in accordance with the PRC accounting standards as at 30 November 2020 which was confirmed by the PRC Auditor.

The consideration will be paid by the Purchaser in the following manner:

The consideration of RMB153,311,928.00 will be paid by the Purchaser in cash to Vendor I within 15 working days after the effective date of the Creditor's Rights Transfer Agreement I.

Details of the creditor's right to be disposed:

Details of the Creditor's Rights I are set out on page 6 of the Circular.

Vendor I will not be obligated to make up for any shortfall:

Vendor I agreed that, upon the Creditor's Rights Transfer Agreement I becomes effective, Vendor I will not be obligated to make up for any shortfall to the Purchaser regardless the Purchaser receives the payments upon the Creditor's Rights I in full or not.

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Conditions precedent:

Completion of the Creditor's Rights Transfer Agreement I is subject to the obtaining of respective necessary approvals from relevant decision-making authorities, such as general meeting(s), shareholders' meeting(s) and/or board meeting(s) by the Company and the Purchaser in accordance with laws or the provisions of its articles of associations.

The completion of the Creditor's Rights Transfer Agreement I is not inter-conditional to the completion of the Creditor's Rights Transfer Agreement II.

As at the Latest Practicable Date, the Company and the Purchaser held its respective board meeting to approve the transactions contemplated under the Creditor's Rights Transfer Agreement I. Other than the Shareholders' approval of the Company as required under the Listing Rules, all conditions precedent have been fulfilled.

Other terms

Vendor I undertakes that, there are no defects in the title to the Creditor's Rights I, and any third party shall not claim any rights against the Purchaser in respect of the Creditor's Rights I. Otherwise, Vendor I shall compensate the Purchaser for all losses arising from this regard, including but not limited to attorneys' fees and litigation acceptance costs, etc.

Upon the Creditor's Rights I has been granted to the Purchaser in accordance with the law, the Purchaser shall exercise the relevant rights, such as the creditor's right on the debtor, as well as the hypothecs, liens, interest claims, default claims and damages for breach, subordinated to the Creditor's Rights I in accordance with the law.

Principal terms of the Creditor's Rights Transfer Agreement II

Date: 28 January 2021

Parties: Vendor II; and

the Purchaser.

Consideration and payment terms:

The consideration of the Creditor's Rights Transfer Agreement II is RMB352,346,262.23, which was arrived at arm's length negotiation between the parties to the Creditor's Rights Transfer Agreement II after taking into account the net book value of the Creditor's Rights II audited in accordance with the PRC accounting standards as at 30 November 2020 which was confirmed by the PRC Auditor.

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The consideration will be paid by the Purchaser in the following manner:

The consideration of RMB352,346,262.23 will be paid by the Purchaser in cash to Vendor II within 15 working days after the effective date of the Creditor's Rights Transfer Agreement II.

Details of the creditor's rights to be disposed:

Details of the Creditor's Rights II are set out on pages 8 and 9 of the Circular.

Vendor II will not be obligated to make up for any shortfall:

Vendor II agreed that, upon the Creditor's Rights Transfer Agreement II becomes effective Vendor II will not be obligated to make up for any shortfall to the Purchaser regardless the Purchaser receives the payments upon the Creditor's Right II in full or not.

Conditions precedent:

Completion of the Creditor's Rights Transfer Agreement II is subject to the obtaining of respective necessary approvals from relevant decision-making authorities, such as general meeting(s), shareholders' meeting(s) and/or board meeting(s) by Vendor I, Vendor II and the Purchaser in accordance with laws or the provisions of its articles of associations.

The completion of the Creditor's Rights Transfer Agreement II is not inter-conditional to the completion of the Creditor's Rights Transfer Agreement I.

As at the Latest Practicable Date, Vendor II and the Purchaser held its respective board meeting to approve the transactions contemplated under the Creditor's Rights Transfer Agreement II. Other than the Shareholders' approval of the Company as required under the Listing Rules, all conditions precedent have been fulfilled.

Other terms

Vendor II undertakes that, there are no defects in the title to the Creditor's Rights II, and any third party shall not claim any rights against the Purchaser in respect of the Creditor's Rights II. Otherwise, Vendor II shall compensate the Purchaser for all losses arising from this regard, including but not limited to attorneys' fees and litigation acceptance costs, etc.

Upon the Creditor's Rights II have been granted to the Purchaser in accordance with the law, the Purchaser shall exercise the relevant rights, such as the creditor's right on the debtor, as well as the hypothecs, liens, interest claims, default claims and damages for breach, subordinated to the Creditor's Rights II in accordance with the law.

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3. Commercial approaches

In assessing the fairness and reasonableness of the basis of the considerations of the Creditor's Rights I and the Creditor's Rights II (the "**Considerations**"), which have been determined based on the net asset value of the Creditor's Rights I and the Creditor's Rights II after bad debt provisions were made, we have conducted our own search, on a best effort basis, to review comparable transactions in close proximity to the transfer of creditor's rights. Our selection criteria are as follows:

- *The transactions were made by the companies listing on the HKEX with independent third parties;*
- *The transactions became effective within 1 year from the Latest Practicable Date;*
- *The transactions were in relation to transfers of accounts receivables; and*
- *Sufficient financial information, inter alia, the basis of consideration and the net asset value of accounts receivables, are available on the relevant public documents.*

Abstracts of the comparable transactions are set out in the table below:

Company Name	Stock Code	Date of Transaction	Principal Basis of Consideration
Alpha Professional Holdings Limited	948	24 June 2020	<ul style="list-style-type: none">● Assets value of the receivables● The possibility of the collection of the receivables● The credit worthiness of the customers
Jiangxi Bank Co., Ltd* (江西銀行股份有限公司)	1916	27 September 2020	<ul style="list-style-type: none">● Assets value of the receivables● The possibility of the collection of the receivables● The age of the assets
Xinte Energy Co., Ltd	1799	4 December 2020	<ul style="list-style-type: none">● Assets value of the receivables● The possibility of the collection of the receivables

Based on the results above, the determining factors mainly include assets value of the receivables and the possibility of the collection of the receivables, which per se reflects in the net asset value after bad debt provisions were made. Therefore, the basis of Considerations is in line with the basis of the considerations adopted in the above comparable transactions. Furthermore, the above has demonstrated that transfer of receivables based on asset value is a conventional fund-raising scheme adopted by corporations.

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Having considered the above, we are of the opinion that the transfer of the Creditor's Rights I and the Creditor's Rights II is in the ordinary course of business of the Group, the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are on normal commercial terms and the basis of Considerations is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole from a comparable perspective.

4. Evaluation of the net asset value of the creditor's rights

The Company had made bad debt provisions of the accounts receivables under the Creditor's Rights I and the Creditor's Rights II pursuant to PRC accounting standards. As a result, the net asset values of the accounts receivables under the Creditor's Rights I and the Creditor's Rights II after bad debt provisions made were RMB153,311,928.00 and RMB352,346,262.23 respectively as at 30 November 2020.

The PRC Auditor was appointed by the Company to audit the Creditor's Rights I and the Creditor's Rights II and had issued PRC Auditor's Reports, which are two auditor's reports (Su Guo De Zhuan Shen Zi (蘇國德專審字) [2020] No. 2018 and No. 2019) dated 31 December 2020. According to the PRC Auditor's Reports, the carrying balances of the Creditor's Rights I and the Creditor's Rights II were RMB166,643,400.00 and RMB379,235,422.77 as at 30 November 2020 respectively. Bad debt provisions were made based on the receivable aging, and the net asset values after bad debt provisions made were RMB153,311,928.00 and RMB352,346,262.23 respectively.

The considerations of the Creditor's Rights I and the Creditor's Rights II are RMB153,311,928.00 and RMB352,346,262.23 respectively, which match the corresponding audited net asset values and have been arrived at arm's length negotiation between Vendor I and the Purchaser as well as between Vendor II and the Purchaser.

We have reviewed the qualifications of the PRC Auditor. Based on the business license and the qualification certificate authorized by the Department of Finance of Jiangsu Province (江蘇省財政廳) in the PRC Auditor's Reports, the PRC Auditor is authorized to, inter alia, audit corporate financial statements and issue audit reports. The details of qualification are also available on the website of the Department of Finance of Jiangsu Province at <http://czt.jiangsu.gov.cn>.

We have performed due diligence on the audited results of the Creditor's Rights I and the Creditor's Rights II regarding, among other things, the basis of the relevant accounting treatments adopted by the Company and the relevant accounting regulations in PRC accounting standards. According to the 2019 Annual Report, the rates applied to the bad debt provisions of engineering from non-related party and sales receivables are based on the accounts receivable aging. We have learned from the past annual reports of the Company

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that the relevant accounting treatments have not changed for the past 7 years. Details of which are as follows:

Aging	Provision Proportion
Within 1 year	4.00%
1 to 2 years	8.00%
2 to 3 years	30.00%
Over 3 years	100.00%

In assessing the appropriateness of the accounting treatments, we have reviewed the PRC accounting regulations for enterprises (the “**Accounting Regulations**”) issued by the Ministry of Finance of the People’s Republic of China (中國人民共和國財政部) which is available on its website at http://kjs.mof.gov.cn/kuaijifagui/200806/t20080618_46254.htm. Based on the Accounting Regulations article 53, companies are allowed to decide the rate of bad debt provision upon own management judgement, set a 100% provision on receivables aged over 3 years, and they are required to clearly state the accounts receivable aging and the method for calculating the bad debt provision. As a result, it is in our opinion that the accounting treatments of the Creditor’s Rights I and the Creditor’s Rights II are appropriate and in line with the prevailing relevant accounting regulations.

We have also cross-checked the bad debt provisions by conducting our own calculations based on the abovementioned accounting treatments adopted by the Company and the aging of relevant receivables stated in the PRC Auditor’s Reports. As such, the formula of the sum of the bad debt provisions is as follows:

$$A \times B + A1 \times B1 + A2 \times B2$$

A, A1, A2 = amount of the corresponding receivable aging

B, B1, B2 = corresponding provision proportion adopted by the Company set out in the table above

Details of the bad debt provisions of the Creditor’s Rights I and the Creditor’s Rights II are set out as follows:

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Creditor's Rights Transfer Agreement I

Unit: million RMB

Name of client	Bad debt provision as at 30 November 2020				Overall bad debt provision (Overall provision rate)
	Aging: within 1 year	Aging: 1-2 years	Aging: 2-3 years	Aging: Over 3 years	
Zhongji Guoneng Engineering Co.,Ltd		13.33			13.33 (8%)

Based on the said formula, the total bad debt provision of the Creditor's Rights Transfer Agreement I as at 30 November 2020 was approximately RMB13.33 million, which matches the audited result stated in the section "Details of the Creditor's Rights I to be disposed" in the Circular.

In addition, we have also reviewed the audited bad debt provision of the Creditor's Rights I as at 31 December 2019, 31 December 2018 and 31 December 2017 stated in the same section. Moreover, it is learnt from the management of the Company that all bad debt provisions are reviewed annually after the financial year end date of 31 December. As a result, we are of the opinion that such provision was in line with the aforementioned accounting treatments of the Company and concur the provision made as at 31 December 2019 was the same as at 30 November 2020.

Creditor's Rights Transfer Agreement II

Unit: million RMB

Name of client	Bad debt provision as at 30 November 2020				Overall bad debt provisions (Overall provision rate)
	Aging: Within 1 year	Aging: 1-2 years	Aging: 2-3 years	Aging: Over 3 years	
Guangxi Longguang Guanghe Expressway Co., Ltd.*		0.45		1.27	1.72 (24.9%)
China Coal Construction Group Co., Ltd. (Qinhan Avenue Municipal Road engineering project)	3.45				3.45 (4%)

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Name of client	Bad debt provision as at 30 November 2020				Overall bad debt provisions (Overall provision rate)
	Aging: Within 1 year	Aging: 1-2 years	Aging: 2-3 years	Aging: Over 3 years	
Fujian Expressway Group Co., Ltd.*	0.055	0.99	0.23	7.04	8.32 (38.5%)
Sichuan Li Pan Expressway Co., Ltd.	0.034	0.67	0.33		1.03 (10%)
Sichuan Guanggan Expressway Co., Ltd.		0.30	0.92	1.04	2.26 (28.5%)
China Coal Construction Group Co., Ltd. (Shangqiu Municipal Road project)	9.58				9.58 (4%)
Chengdu Longguang Erhuan Expressway Co., Ltd.		0.53			0.53 (8%)
Total	13.12	2.94	1.48	9.35	26.89 (7.09%)

Based on the said formula, the total bad debt provisions of the Creditor's Rights Transfer Agreement II as at 30 November 2020 was approximately RMB26.89 million, which matches the audited result stated in the section "Details of the Creditor's Rights II to be disposed" in the Circular.

Similar to the Creditor's Rights I, we have also reviewed the audited bad debt provisions of the Creditor's Rights II as at 31 December 2019, 31 December 2018 and 31 December 2017 stated in the same section and have learnt from the management of the Company that all bad debt provisions are reviewed annually after the financial year end date of 31 December. As a result, we are of the opinion that such provisions were in line with aforementioned accounting treatments of the Company and concur the provisions made as at 31 December 2019 were the same as at 30 November 2020.

Having considered the above, we concur the accounting treatments adopted in the PRC Auditor's Reports, inter alia, the rates and formula of bad debt provisions, are in line with the accounting practice of the Company in arriving the net asset values of the Creditor's Rights I and the Creditor's Rights II after bad debt provisions were made. As a result, the Consideration is fair and reasonable as far as the Independent Shareholders are concerned as a whole from the accounting perspective.

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5. Evaluation from cost of funding perspective

We reckon that despite the provisions were made in accordance with PRC accounting standards, it does not affect the legal rights for the Company to collect the receivables in full pursuant to the terms and conditions of each contract. Alternatively, we view that the transfer of creditor's rights for a cash inflow is de facto non-recourse receivable factoring, and we evaluate the fairness of the transfer of the Creditor's Rights I and the Creditor's Rights II under a similar background.

In a factoring scenario, the transactions contemplated equal to a borrower borrows RMB505,658,190.23 (the sum received under the transfer of the Creditor's Rights I and the Creditor's Rights II in this case) and repays RMB545,878,822.77 (the aggregate carrying balance of the Creditor's Rights I and the Creditor's Rights II in this case) after certain period of time. The difference of RMB40,220,632.54 between the numbers above would be regarded as the imputed interest payment and thus the total imputed interest rate would be approximately 7.95% of the sum borrowed of RMB505,658,190.23.

According to the 2020 Interim Report, the secured bank borrowings of the Group were repayable within 3 years and the annual interest rates were between 4.9% and 5.35%. However, the Group would still be required to top up any differences between the amount received from liquidating the assets and the amount borrowed, if defaulted. Under the transfer of the Creditor's Rights I and the Creditor's Rights II to the Purchaser, Vendor I and Vendor II would not be liable to top up any differences between the actual amount received and the carrying balance of receivables under the Creditor's Rights I and the Creditor's Rights II, hence, such transfer of creditor's rights is on a non-recourse basis. However, we continue to reference to the high end of the interest rate that the Group was paying at 5.35% per annum for prudent sake.

Based on the annual interest rate that the Group was paying at 5.35% per annum, the said 7.95% would be equal to a borrowing period of approximately 1.49 years. With this time frame serves as a benchmark, the Company would be in a better financing situation under the transfer of the Creditor's Rights I and the Creditor's Rights II if the aggregate carrying balance under the Creditor's Rights I and the Creditor's Rights II of RMB 545,878,822.77 be fully repaid after 1.49 years from their respective debtors, or be in a worst-off situation if it is less than 1.49 years.

In this regard, we understand from the management of the Group and pursuant to the terms of each of the contracts of the projects under the Creditor's Rights I and the Creditor's Rights II that the uncollected receivables upon the Creditor's Rights I and the Creditor's Rights II do not have definitive repayment schedules specified in the contracts. Given the fact that the rights to request for payments are subject to the actual progress of the relevant engineering projects and the repayments depend on the funding schedule of the government, as the case may be, the management of the Group cannot ascertain the repayment timeframe of the receivables in question. Based on the above, we consider the transfer of the Creditor's Rights I and the Creditor's Rights II to the Purchaser would be in a better financing situation for the Group. In addition, the Group could revitalize and optimize the asset structure of the Group by depositing potentially bad debts for an acceptable cash amount.

LETTER FROM HOORAY CAPITAL

Having considered (i) the discount arising from the bad debt provisions borne by the Group of RMB40,220,632.53 only represents 1.49 years of interest payment from a factoring scenario based on the prevailing interest rate paid by the Group; (ii) the management of the Group cannot ascertain the repayment timeframe of the receivables in question; (iii) the transfer of the Creditor's Rights I and the Creditor's Rights II would be in a better financing situation of the Group compared with receivable factoring and could revitalize and optimize the asset structure of the Group, we are of the opinion that the terms under the transfer of the Creditor's Rights Agreement I and the Creditor's Rights Agreement II are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole from the financing cost analysis perspective.

6. Reasons for and benefits of the transfer of creditor's rights

With reference to the letter from the Board in the Circular, the Board is of the opinion that there are uncertainties in collecting the payments of receivables of such engineering projects, and thus the entering into the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II is considered to be in the interests of the Company due to the provision of a cash inflow for the Group, which will be conducive to the revitalization of the Group's assets, optimization of asset structure, maintenance of liquidity and focus on the development of its principal business.

As mentioned in the 2020 Interim Report and the 2019 Annual Report, the Company largely reduced its cash level from approximately RMB532.96 million to RMB163.44 million, which was mainly due to, inter alia, the Group's acquisition of Nanjing Dongbang Equipment Co., Ltd.* (南京動邦裝備有限公司) in the year ended 31 December 2019. The level of accounts receivables is much higher than that of cash at bank and on hand. As of 30 June 2020, the accounts receivable was approximately RMB979.07 million while the cash at bank and on hand was approximately RMB154.16 million. As a result, we concur that the Considerations of approximately RMB505.66 million will be conducive to optimize the asset structure of the Company by transforming the accounts receivables into a cash inflow.

As mentioned in the section "5. Evaluation from cost of funding perspective" in this letter, and we have discussed with the management of the Group and noted that the Company has already used its best endeavors, inter alia, via phone calls and visits, to request the project clients to repay the outstanding fees. However, the project clients expressed the prolonged effect of the COVID-19 pandemic outbreak has deteriorated their operations and their cash flows. Also, other than the clients which are per se project companies dedicated to single project, the Company has decided not to engage in new businesses with the clients in relation to the Creditor's Rights I and the Creditor's Rights II until their credibility is improved. Such internal credit policy is in line with the decision to transfer the Creditor's Rights I and the Creditor's Rights II that after considering both recoverability of the specific project receivables and the credit worthiness of corresponding clients, the management of the Company believes the transfer of the Creditor's Rights I and the Creditor's Rights II is beneficial to the Company.

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With reference to the letter from the Board in the Circular, we have learned that the Board has also considered the scenario that the Company assigns the Creditor's Rights I and the Creditor's Rights II to an independent third party. In fact, the Company had approached 5 banks for non-recourse factoring loans. However, due to the prevailing market conditions, the banks may not be willing to provide such loans, even if they do, they would factor a discount to the net asset value of the Creditor's Rights I and the Creditor's Rights II and might impose other fees, charges and/or interests and thus the preliminary assessment on such offer is worse off compared with the considerations offered by the Purchaser. In contrast, given the Purchaser already has a better understanding on the details of the receivables and the project clients, it will save time for due diligence and improve the certainties for the Company in collecting payment.

As such, taking into account (i) the transfer of the Creditor's Rights I and the Creditor's Rights II could revitalize and optimize the asset structure of the Group; (ii) the Group has used its best endeavors to request for the repayments upon the Creditor's Rights I and the Creditor's Rights II; (iii) the Group has decided not to engage in new businesses until the relevant clients have improved their credibility; and (iv) the higher costs of transferring to independent third parties, we are of the view that the background of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

7. Possible financial effects of the transfer of creditor's rights

Set out below is the summary of financial effects upon completion of the transfer of the Creditor's Rights I and the Creditor's Rights II. It should be noted that the analyses below are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon the Completion.

Earnings:

With reference to the letter from the Board in the Circular, it is not expected to have any financial impact on the Company due to the fact that the Considerations are equal to the audited net asset values as at 30 November 2020.

Total assets value:

As stated in the sections "Financial and business overview of the Group" and "Reasons for and benefits of the transfer of creditor's rights" above, the total asset value, cash at bank and on hand and accounts receivable of the Company as at 30 June 2020 were approximately RMB4.46 billion, RMB154.16 million and RMB979.07 million, respectively.

Upon completion, it is presumed that the asset structure will be improved that the total asset value of the Company will remain at the same level, but cash at bank and on hand be will be approximately RMB659.82 million, as calculated by adding up the

LETTER FROM HOORAY CAPITAL

Considerations and the cash at bank and on hand as at 30 June 2020; and accounts receivable will be approximately RMB473.42 million, as calculated by subtracting the Considerations from accounts receivable.

We are of the view that the transfer of the Creditor's Rights I and the Creditor's Rights II will have an overall positive financial effect on the Group and be in the interest of the Group and its Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that:

- (i) the terms of the Creditor's Rights Transfer Agreement I and the Creditor's Rights Transfer Agreement II are on normal commercial terms and are fair and reasonable;
- (ii) the transfer of receivables based on asset value is an adopted commercial practice and is in line with comparables;
- (iii) the net asset values of the Creditor's Rights I and the Creditor's Rights II after bad debt provisions made are fair and reasonable;
- (iv) the transfer of creditor's rights is fair and reasonable from a financing cost analysis perspective to ascertain the cash inflow timeframe;
- (v) the cash at bank and on hand of the Company dropped largely by approximately 69.33% on a year-over-year basis as at 31 December 2019 and remained at the similar cash level since then; and
- (vi) the transfer of the Creditor's Rights I and the Creditor's Rights II could revitalize and optimize the asset structure of the Group;

As such we consider the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM to approve the Creditor's Rights Transfer Agreement I, the Creditor's Rights Transfer Agreement II and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

LETTER FROM HOORAY CAPITAL

Yours faithfully,
for and on behalf of
HOORAY CAPITAL LIMITED
Simon Ng
Director

Mr. Simon Ng is a licensed person under the SFO to engage in, among others, Type 6 (advising on corporate finance) regulated activity and has over 20 years of experience in investment banking and corporate finance.

EXTRACT OF THE PRC AUDITOR'S REPORTS
ON THE ACCOUNTS RECEIVABLE I AND THE ACCOUNTS RECEIVABLES II
 SU GUO DE ZHUAN SHEN ZI* (蘇國德專審字) [2020] NO.2018 AND NO.2019

The following contents are extracted from the two PRC auditor's reports dated 31 December 2020 in respect of the accounts receivables of two target companies prepared by Jiangsu Guode Certified Public Accountants Co., Ltd.* (江蘇國德會計師事務所有限公司) (the "PRC Auditor").

I. ITEMS OF THE PRC AUDITOR'S REPORTS

THE ACCOUNTS RECEIVABLE I

The PRC special project audit of the PRC auditor's reports for Nanjing Sample Technology Co., Ltd* (南京三寶科技股份有限公司) included an item as follows (the "Accounts Receivable I"):

No.	Name of client	Name of project
1	Zhongji Guoneng Engineering Co., Ltd.* (中機國能工程有限公司)	Zhongji Guoneng Engineering Co., Ltd. (2018) project

THE ACCOUNTS RECEIVABLES II

The PRC special project audit of the PRC auditor's reports for Jiangsu Intellitrans Company Limited* (江蘇智運科技發展有限公司) included 7 items as follows (the "Accounts Receivables II"):

No.	Name of client	Name of project
1	Guangxi Longguang Guanghe Expressway Co., Ltd.* (廣西龍光廣賀高速公路有限公司)	Guangxi Lingfeng (Guangxi-Guangdong boundary) to Babu highway project
2	China Coal Construction Group Co., Ltd.* (中煤建工集團有限公司)	Qinhan Avenue Municipal Road engineering project
3	Fujian Expressway Group Co., Ltd.* (福建省高速公路集團有限公司)	Haixi Expressway Network Changtaimeigong to Chenxiang Expressway electrical and mechanical engineering project
4	Sichuan Li Pan Expressway Co., Ltd.* (四川麗攀高速公路有限公司)	JD1 Bid Section of the Panzhihua Section in Lijiang-Panzhihua Expressway engineering project

No.	Name of client	Name of project
5	Sichuan Guanggan Expressway Co., Ltd.* (四川廣甘高速公路有限責任公司)	JD6 Section of the Lanzhou– Haikou National Expressway Yaodu (Ganchuan boundary) to Guangyuan highway project
6	China Coal Construction Group Co., Ltd.* (中煤建工集團有限公司)	Shangqiu Municipal Road mechanical and electrical construction and equipment procurement project
7	Chengdu Longguang Erhuan Expressway Co., Ltd.* (成都龍光二環高速公路有限公司)	A5 Contract Section of the East Section of Chengdu Second Ring Expressway project

II. TARGET COMPANIES

Nanjing Sample Technology Co., Ltd* and Jiangsu Intellitrans Company Limited*.

III. PURPOSE OF THE PRC AUDITOR'S REPORTS

The PRC Auditor was appointed to conduct special project audits in relation to the net asset values of the items included in the Accounts Receivable I and the Accounts Receivables II as at 30 November 2020.

IV. REPORTING DATE OF THE PRC AUDITOR'S REPORTS

31 December 2020

V. AUDITED RESULTS

THE ACCOUNTS RECEIVABLE I

The audited net asset value of the accounts receivable of Nanjing Sample Technology Co., Ltd* in relation to the Zhongji Guoneng Engineering Co., Ltd.* was RMB153,311,928.00 as at 30 November 2020.

1. Table of net asset values of relevant accounts receivable:

Unit: RMB

No.	Name of client	Carrying balance of accounts receivable as at 30 November 2020	Provision for bad debts as at 30 November 2020	Net asset values of accounts receivables as at 30 November 2020
1	Zhongji Guoneng Engineering Co., Ltd.*	166,643,400.00	13,331,472.00	153,311,928.00
	Total	166,643,400.00	13,331,472.00	153,311,928.00

2. Details of relevant accounts receivable aging:

Unit: RMB

No.	Name of client	Carrying balance of accounts receivable as at 30 November 2020	Aging					
			Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
1	Zhongji Guoneng Engineering Co., Ltd.*	166,643,400.00		166,643,400.00				
	Total			166,643,400.00				

THE ACCOUNTS RECEIVABLES II

The audited net asset values of the accounts receivables of Jiangsu Intellitrans Company Limited* in relation to the Guangxi Longguang Guanghe Expressway Co., Ltd.*, China Coal Construction Group Co., Ltd.* (Qinhan Avenue Municipal Road engineering project), Fujian Expressway Group Co., Ltd.*, Sichuan Li Pan Expressway Co., Ltd.*, Sichuan Guanggan Expressway Co., Ltd.*, China Coal Construction Group Co., Ltd.* (Shangqiu Municipal Road project) and Chengdu Longguang Erhuan Expressway Co., Ltd.* were RMB5,200,805.80, RMB82,848,385.78, RMB13,290,529.91, RMB9,334,760.54, RMB5,658,670.12, RMB229,899,467.13 and RMB6,113,642.95, respectively as at 30 November 2020.

1. Table of net asset values of relevant accounts receivables:

Unit: RMB

No.	Name of client	Carrying balance of accounts receivable as at 30 November 2020	Provision for bad debts as at 30 November 2020	Net asset values of accounts receivables as at 30 November 2020
1	Guangxi Longguang Guanghe Expressway Co., Ltd.*	6,920,805.80	1,720,000.00	5,200,805.80
2	China Coal Construction Group Co., Ltd.* (Qinhan Avenue Municipal Road engineering project)	86,300,401.86	3,452,016.07	82,848,385.78
3	Fujian Expressway Group Co., Ltd.*	21,608,529.91	8,318,000.00	13,290,529.91

No.	Name of client	Carrying balance of accounts receivable as at 30 November 2020	Provision for bad debts as at 30 November 2020	Net asset values of accounts receivables as at 30 November 2020
4	Sichuan Li Pan Expressway Co., Ltd.*	10,364,760.54	1,030,000.00	9,334,760.54
5	Sichuan Guanggan Expressway Co., Ltd.*	7,918,670.12	2,260,000.00	5,658,670.12
6	China Coal Construction Group Co., Ltd.* (Shangqiu Municipal Road project)	239,478,611.59	9,579,144.46	229,899,467.13
7	Chengdu Longguang Erhuan Expressway Co., Ltd.*	6,643,642.95	530,000.00	6,113,642.95
	Total	379,235,422.77	26,889,160.53	352,346,262.23

2. Details of relevant accounts receivable aging:

Unit: RMB

No.	Name of client	Carrying balance of accounts receivable as at 30 November 2020	Aging					Over 5 years
			Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	
1	Guangxi Longguang Guanghe Expressway Co., Ltd.*	6,920,805.80		5,654,092.20			1,266,713.60	
2	China Coal Construction Group Co., Ltd.* (Qinhan Avenue Municipal Road engineering project)	86,300,401.86	86,300,401.86					
3	Fujian Expressway Group Co., Ltd.*	21,608,529.91	1,371,915.09	12,432,622.38	763,903.94		7,040,088.50	
4	Sichuan Li Pan Expressway Co., Ltd.*	10,364,760.54	859,613.26	8,418,377.44	1,086,769.84			
5	Sichuan Guanggan Expressway Co., Ltd.*	7,918,670.12		3,818,468.12	3,054,061.76		1,046,140.24	
6	China Coal Construction Group Co., Ltd.* (Shangqiu Municipal Road project)	239,478,611.59	239,478,611.59					
7	Chengdu Longguang Erhuan Expressway Co., Ltd.*	6,643,642.95		6,643,642.95				
	Total	379,235,422.77	328,010,541.80	36,967,203.09	4,904,735.54		9,352,942.34	

* For identification purpose

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Long Positions in the Shares

Name of Directors	Number of Shares	Nature of Interest	Approximate Percentage of the registered capital of the Company (%)
Mr. Sha Min (Note 1)	3,375,000	Beneficial owner	0.43%
	Domestic Shares		
	397,821,000	Interest of controlled corporation	50.77%
Mr. Chang Yong (Note 2)	Domestic Shares		
	4,310,000		
	H Shares		
	397,821,000	Interest of controlled corporation	50.77%
	Domestic Shares		
	4,310,000		
	H Shares		

Notes:

- (1) Mr. Sha Min (“**Mr. Sha**”) directly holds 3,375,000 Domestic Shares and is indirectly interested in 60.40% of equity interest of Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司) (“**Jiangsu Sample**”) which in turn owns 49% of equity interest in Sample Group which in turn, directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares. Under the SFO, Mr. Sha is deemed to be interested in all 401,196,000 Domestic Shares and 4,310,000 H Shares. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 401,196,000 Domestic Shares and 4,310,000 H Shares in which Mr. Sha is interested.

Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares, representing 50.77% of the issued share capital of the Company and Sample Group is owned as to 49% by Jiangsu Sample which in turn is held as to 60.04% by Tibet Zhuo Xin Venture Capital Management Co., Ltd.* (西藏卓鑫創業投資管理有限責任公司) (“**Tibet Zhuo Xin**”). Tibet Zhuo Xin is owned as to 90% by Shanghai Jiaxin Enterprise Management Center (limited partnership)* (上海佳鑫企業管理中心有限合夥) (“**Shanghai Jiaxin**”) which in turn is beneficially owned as to 99% and 1% by Mr. Sha and his spouse, Du Yu (杜予). Under the SFO, Mr. Sha is deemed to be interested in the entire equity interest in each of Sample Group, Jiangsu Sample, Tibet Zhuo Xin and Shanghai Jiaxin.

- (2) Mr. Chang Yong (“**Mr. Chang**”) is indirectly interested in 38.96% of equity interest of Jiangsu Sample which in turn owns 49% equity interest in Sample Group which in turn directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares. Under the SFO, Mr. Chang is deemed to be interested in 397,821,000 Domestic Shares and 4,310,000 H Shares.

Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares, representing 50.77% of the issued share capital of the Company and Sample Group is owned as to 49% by Jiangsu Sample which in turn is held as to 38.96% by Tibet Zhuo Cai Venture Capital Management Co., Ltd.* (西藏卓財創業投資管理有限責任公司) (“**Tibet Zhuo Cai**”). Tibet Zhuo Cai is owned as to 90% by Shanghai Lianqi Enterprise Management Center (limited partnership)* (上海聯啟企業管理中心有限合夥) (“**Shanghai Lianqi**”) which in turn is beneficially owned as to 99% by Mr. Chang. Under the SFO, Mr. Chang is deemed to be interested in the entire equity interest in each of Sample Group and Jiangsu Sample.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at Latest Practicable Date, the following shareholders (other than the Directors, supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Long position in the Shares

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the registered capital of the Company (%)
Sample Group (Note 1)	397,821,000 Domestic Shares	Beneficial owner	50.77%
	4,310,000 H Shares	Interest of controlled corporation	
Qingdao West Coast Development Group Co., Ltd* (青島西海岸發展(集團)有限公司) (“West Coast Group”) (Note 1)	397,821,000 Domestic Shares	Interest of controlled corporation	50.77%
	4,310,000 H Shares		
State-owned Assets Supervision and Administration Commission of Qingdao Municipal People’s Government (“SASAC of Qingdao”) (Note 1)	397,821,000 Domestic Shares	Interest of controlled corporation	50.77%
	4,310,000 H Shares		
Jiangsu Sample (Note 2)	397,821,000 Domestic Shares	Interest of controlled corporation	50.77%
	4,310,000 H Shares		
西藏卓鑫創業投資管理有限責任公司 (Note 2)	397,821,000 Domestic Shares	Interest of controlled corporation	50.77%
	4,310,000 H Shares		

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the registered capital of the Company (%)
西藏卓財創業投資管理 有限責任公司 (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
上海佳鑫企業管理中心 (有限合夥) (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
上海聯啟企業管理中心 (有限合夥) (Note 2)	397,821,000 Domestic Shares 4,310,000 H Shares	Interest of controlled corporation	50.77%
Active Gold Holding Limited (Note 3)	123,862,500 Domestic Shares	Beneficial owner	15.64%
Jian Ying Sample High Growth Investment Fund (Note 3)	123,862,500 Domestic Shares	Interest of controlled corporation	15.64%

Notes:

- (1) Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares. Hence, Sample Group is the substantial and the single largest shareholder of the Company. On 18 August 2020, West Coast Group completed the industry and commercial registration procedures in respect of the capital injection in Sample Group. Sample Group is owned as to 51% equity interests by West Coast Group which is 100% owned by SASAC of Qingdao.
- (2) Sample Group directly owns 397,821,000 Domestic Shares and indirectly owns 4,310,000 H Shares. Hence, Sample Group is the substantial and the single largest shareholder of the Company. Sample Group is owned as to 49% by Jiangsu Sample which in turn is held by Tibet Zhuo Xin and Tibet Zhuo Cai as to 60.40% and 38.96% equity interests respectively. Tibet Zhuo Xin is in turn held by Shanghai Jiaxin and Nanjing Juge Enterprise Management Center (limited partnership)* (南京聚格企業管理中心(有限合夥)) (“**Nanjing Juge**”) as to 90% and 10% equity interests respectively. Mr. Sha, the Chairman of the Company and his spouse, Du Yu (杜予), respectively held 99% and 1% in each of Shanghai Jiaxin and Nanjing Juge. On the other hand, Tibet Zhuo Cai is in turn held by Shanghai Lianqi and Nanjing Runge Enterprise Management Center (limited partnership)* (南京潤格企業管理中心(有限合夥)) (“**Nanjing Runge**”) as to 90% and 10% equity interests respectively. Mr. Chang, the Vice Chairman of the Company, held 99% in each of Shanghai Lianqi and Nanjing Runge.
- (3) Active Gold Holding Limited is wholly owned by Jian Ying Sample High Growth Investment Fund.

4. DIRECTORSHIP AND EMPLOYMENT OF THE COMPANY'S DIRECTORS WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, Mr. Sha Min, being the Chairman and executive director of the Company, is currently the Chairman of Sample Group. Mr. Ma Fengkui, being the executive director of the Company, is currently the Chairman of Jiangsu Yudao Data Technology Co., Ltd.* (江蘇馭道數據科技有限公司), a director of Jiangsu Cross-border e-Commerce Services Co., Ltd.* (江蘇跨境電子商務服務有限公司) and a supervisor of Xinyirun Supply Chain Management (Shanghai) Co., Ltd.* (鑫一潤供應鏈管理(上海)有限公司), all of them are subsidiaries of Sample Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors of the Company and their respective close associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. INTEREST IN CONTRACT OR ARRANGEMENT

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, supervisors of the Company had any direct or indirect interest in any contract, transaction or assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up.

There is no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant to the business of the Group.

7. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

8. MATERIAL ADVERSE CHANGE

As far as the Directors are aware, as disclosed in the the Company's interim report 2020 and the announcement on profit warning dated 18 August 2020, the Group is expected to record a decrease in net profit for the year ended 31 December 2020 due to the delay in resumption of some projects resulted by the cities lockdown and quarantine for inbound persons as influenced by the novel coronavirus (COVID-19) epidemic and the decrease in revenue of system integration and intelligent terminal sales during the relevant period resulted by the decrease in projects successfully bid. Save as disclosed, as at the Latest

Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited accounts of the Company were made up.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Hooray Capital Limited	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Jiangsu Guode Certified Public Accountants Co., Ltd.* (江蘇國德會計師事務所有限公司)	certified public accountants qualified by Department of Finance of Jiangsu Province to perform auditing in accordance to PRC accounting standards

Hooray Capital Limited and Jiangsu Guode Certified Public Accountants Co., Ltd.* (江蘇國德會計師事務所有限公司) are referred to as the “Experts” hereinafter.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, the date to which the latest published audited accounts of the Group was made up.

Each of the Experts has given and has not withdrawn its written consent dated the date of this circular to the issue of this circular with the inclusion of its letter(s) or report(s) in the form and context in which they are included.

10. DOCUMENTS FOR INSPECTION

A copy of the following documents will be available for inspection at the office of the Company at 3112A, 31/F, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

- (a) the letter from the Board, the text of which is set out in “Letter from the Board” in this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in “Letter from the Independent Board Committee” in this circular;

- (c) the letter from the Independent Financial Adviser, the text of which is set out in “Letter from Hooray Capital” in this circular;
- (d) the Creditor’s Rights Transfer Agreement I;
- (e) the Creditor’s Rights Transfer Agreement II;
- (f) the PRC Auditor’s Reports;
- (g) the written consents referred to in the paragraph headed “Experts and Consents” in this Appendix; and
- (h) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of Nanjing Sample Technology Company Limited (the “**Company**”) shall be held at No.10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC on Monday, 29 March 2021 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass the following ordinary resolution:

“THAT:

- (i) the creditor’s rights transfer agreement dated 28 January 2021 (the “Creditor’s Rights Transfer Agreement I”) entered into between the Company and Nanjing Sample Technology Group Company Limited (“Sample Group”) and the creditor’s rights transfer agreement dated 28 January 2021 (the “Creditor’s Rights Transfer Agreement II”) entered into between the Jiangsu Intellitrans Company Limited, a wholly owned subsidiary of the Company and Sample Group (a copy of each is produced to the EGM respectively marked “A” and “B” and initialed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed; and

NOTICE OF EGM

- (ii) the authorisation to any one of the directors of the Company (the “Director(s)”), or any other person authorised by the board of Director(s) (the “Board”) from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Creditor’s Rights Transfer Agreement I, the Creditor’s Rights Transfer Agreement II and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Creditor’s Rights Transfer Agreement I, the Creditor’s Rights Transfer Agreement II or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

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

Nanjing, the PRC
4 March 2021

* *for identification purpose only*

Notes:

1. Any member of the Company (“**Member**”) entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of Members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
2. To be valid, a proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority must be delivered to the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong (in case of holders of H Shares) or to the Company’s registered office at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC (in case of holders of Domestic Shares) not less than 24 hours before the time appointed for the holding of the EGM or 24 hours before the time appointed for taking the poll. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from 19 March 2021 (Friday) to 29 March 2021 (Monday) (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to attend the above meeting, Instruments of transfer accompanied by the relevant share certificates must be lodged for registration with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 18 March 2021. Shareholders whose names appear on the register of members of the Company at the close of trading on 19 March 2021 (Friday) will be entitled to attend and vote at the EGM convened by the above notice.
4. Members or their proxies shall present identity proof (and form of proxy in case of proxies) upon attending the EGM.

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Ma Fengkui and Mr. Zhang Junmin, 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.