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

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

POTENTIAL DISCLOSEABLE TRANSACTION
DISPOSAL OF EQUITY INTEREST IN
NANJING INFORMATIZATION INVESTMENT HOLDING CO., LTD. THROUGH
PUBLIC TENDER

POTENTIAL DISPOSAL

The Board announces that the Company proposes to dispose of its 15.1236% equity interest in Informatization Company through public tender at the QPRE. The successful bidder (as the final purchaser) is required to enter into the Asset Transaction Agreement with the Company in accordance with the regulations of the QPRE.

The Base Price of Transfer is RMB41,263,200 which is determined with reference to the valuation result of the total shareholders’ equity of Informatization Company as at 31 May 2021 as determined by an independent valuer using the asset based approach. The final consideration will depend on the final bid price provided that it will not be less than the Base Price of Transfer.

LISTING RULES IMPLICATIONS

Based on the Base Price of Transfer and the 2021 audited financial data of Informatization Company as the basis for calculation, the highest applicable percentage ratio in respect of the Potential Disposal is more than 5% but less than 25%. Accordingly, the Potential Disposal (if materialized) will constitute a discloseable transaction of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to reporting and announcement requirements. Upon completion of the Potential Disposal, the Company will no longer hold any equity interest in Informatization Company.

As at the date of this announcement, the Potential Disposal has not materialized, the identity of the final purchaser has not been determined, the Company has not signed the Asset Transaction Agreement. As the Potential Disposal may or may not materialize, the shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

The Board announces that the Company proposes to dispose of its 15.1236% equity interest in Informatization Company through public tender at the QPRE. The successful bidder (as the final purchaser) is required to enter into the Asset Transaction Agreement with the Company in accordance with the regulations of the QPRE.

MAJOR TERMS OF THE POTENTIAL DISPOSAL

A. Public Tender

The Company will undergo the process of public tender at the QPRE in accordance with the relevant regulations. Prospective bidders are subject to the qualification criteria as stipulated by the QPRE and are required to pay a deposit before the final day of the Public Tender.

B. Date and procedures of the Public Tender

The Company has submitted to the QPRE a public tender announcement setting out (including but not limited to (i) the Base Price of Transfer; (ii) major terms of the bidding; and (iii) description and qualification criteria of prospective bidders.

There are periods of 20 working days immediately after the date of the tender announcement. During the tender period, prospective bidders may indicate their interest and register themselves as bidders. If there are two or more prospective bidders, the final purchaser shall be determined according to the bidding procedures of the QPRE. Upon expiration of the announcement period, the QPRE will notify the Company of the identity of the final purchaser. Within 5 working days from the day following the notification, such final purchaser is required to enter into the Asset Transaction Agreement with the Company.

In the event the other shareholder(s) of Informatization Company exercises their right of first refusal on the same terms and becomes the final purchaser(s), the Company will enter into the Asset Transaction Agreement with the other shareholder(s) of Informatization Company.

As at the date of this announcement, material information of the Asset Transaction Agreement including the final purchaser, final consideration, payment method, delivery and completion timeline have not been determined. As at the date of this announcement, the Company has not signed any agreement in relation to the Potential Disposal.

C. Consideration and payment terms

The Base Price of Transfer is RMB41,263,200 which is determined with reference to the value of the total shareholders' equity of Informatization Company as at 31 May 2021 of RMB272,839,500 as determined by Huaxin Appraisal, an independent valuer, using the asset based approach.

Prospective bidders are required to pay a deposit in accordance with the regulations of the QPRE, which represents 10% of the Base Price of Transfer. If a prospective bidder successfully wins the bid, the deposit will be used to satisfy part of the consideration; if a prospective bidder fails to win the bid, the QPRE will return the deposit to the prospective bidder in accordance with the regulations of the QPRE.

The final consideration will depend on the final bid price provided that it is not less than the Base Price of Transfer. The final purchaser is required to pay the final consideration to an account designated by the QPRE within 5 working days from the following day after the Asset Transaction Agreement taking effect, which will be held in escrow. Upon fulfilment of certain conditions precedent, the QPRE will pay the final consideration to an account designated by the Company.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

Since the Company invested in Informatization Company, the operating conditions of Informatization Company have not met expectations and continued to incur losses for year 2019 and 2020. There is uncertainty about the future operating conditions of Informatization Company. The Potential Disposal is for the dealing of an item with potential loss. This transaction will provide cash inflow to the Company and enable it to focus on the development of the principal businesses, which will be beneficial to the overall development of the Company.

The Directors (including the independent non-executive Directors) are of the view that the major terms and conditions of the Potential Disposal and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is a company established in the PRC, whose H Shares are listed on the Stock Exchange. The Group is principally engaged in provision of integrated solutions based on Radio Frequency Identification Device (RFID) and visual identification technology for intelligent transportation and customs logistics sectors.

INFORMATION ON INFORMATIZATION COMPANY

Informatization Company is a limited liability company incorporated in the PRC which is mainly engaged in the investment in information technology project, construction project management and consulting services, asset management, equity investment, etc.

As at the date of this announcement, the registered capital of Informatization Company is RMB211,590,000 which is fully paid up. The shareholding structure is as follows:

Name of shareholder	Contributed capital (RMB'000)	% of shareholding
Nanjing Zijin Investment Group Co., Ltd.* (南京紫金投資集團有限責任公司)	84,590	39.9783%
Nanjing High-tech Venture Capital Co., Ltd.* (南京市高新技術風險投資股份有限公司)	33,000	15.5962%
The Company	32,000	15.1236%
Nanjing Urban Construction Investment Holding (Group) Co., Ltd.* (南京市城市建設投資控股(集團)有限責任公司)	25,000	11.8153%
Nanjing Transportation Industry Group Co., Ltd.* (南京交通產業集團有限責任公司)	24,000	11.3427%
Nanjing Radio and Television Group Co., Ltd.* (南京廣播電視集團有限責任公司)	13,000	6.1440%

Set out below are certain audited financial information of Informatization Company for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 prepared in accordance with the Chinese Accounting Standards:

	For the year ended 31 December 2019 <i>(approximately RMB'000)</i>	For the year ended 31 December 2020 <i>(approximately RMB'000)</i>	For the year ended 31 December 2021 <i>(approximately RMB'000)</i>
Profit/(Loss) before tax	-62,427	-61,445	3,169
Profit/(Loss) after tax	-67,912	-67,357	7,471

The audited net asset value attributable to the parent company of Informatization Company as at 31 May 2021 (being the reference date of the Valuation Report) was RMB173,284,267.16. According to the Valuation Report, the assessed of the total shareholders' equity of Informatization as at 31 May 2021 amounted to RMB272,839,500.

Upon completion of the Potential Disposal (if materialized), the Company will no longer hold any equity interest in Informatization Company.

FINANCIAL IMPACT OF THE POTENTIAL DISPOSAL AND USE OF PROCEEDS

As at the date of this announcement, the final consideration has not been determined. Based on the Base Price of Transfer as basis for calculation and the current preliminary estimates, the Company expects to record a loss before tax on the Potential Disposal (if materialized) of approximately RMB1,048,700. The loss is calculated by reference to the difference between the Base Price of Transfer and the assessed value of the Sale Shares listed as financial assets in the book of the Company as at 31 December 2021 of RMB42,311,900.

The actual gain/loss on the Potential Disposal can only be ascertained after the final consideration is determined and will be subject to audit by the Company's auditor. The Company intends to use proceeds from the Potential Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

Based on the Base Price of Transfer and the 2021 audited financial data of Informatization Company as the basis for calculation, the highest applicable percentage ratio in respect of the Potential Disposal is more than 5% but less than 25%. Accordingly, the Potential Disposal (if materialized) will constitute a discloseable transaction of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to reporting and announcement requirements.

After the final consideration and final purchaser have been confirmed, or in the event the Potential Disposal falls into another category of notifiable transaction (other than a discloseable transaction) under Chapter 14 of the Listing Rules, the Company will make further announcement(s) and comply with the relevant requirements under the Listing Rules.

As at the date of this announcement, the Potential Disposal has not materialized, the identity of the final purchaser has not been determined, the Company has not signed the Asset Transaction Agreement. As the Potential Disposal may or may not materialize, the shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

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

“%”	per cent.
“Asset Transaction Agreement”	an asset transaction agreement to be entered into between the Company and the final purchaser in relation to the Potential Disposal

“Base Price of Transfer”	the base price for the Potential Disposal, being RMB41,263,200, subject to the filing of the valuation result confirmed by the competent authority
“Board”	the board of Directors
“Company”	Nanjing Sample Technology Co., Ltd.* (南京三寶科技股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1708)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Huaxin Appraisal”	Jiangsu Huaxin Assets Appraisal Co., Ltd.* (江蘇華信資產評估有限公司), an independent valuer established in PRC with asset valuation qualifications
“Informatization Company”	Nanjing Informatization Investment Holding Co., Ltd.* (南京市信息化投資控股有限公司), a limited liability company incorporated in the PRC and the Company holds its 15.1236% equity interest prior to the Potential Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Potential Disposal”	the potential disposal of the Sale Shares by the Company through the Public Tender
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region
“Public Tender”	the public tender process conducted through the QPRE in respect of the Potential Disposal
“QPRE”	Qingdao Property Rights Exchange* (青島產權交易所有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	15.1236% equity interest in Informatization Company which the Company proposes to sell

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report dated 10 December 2021 prepared by Huaxin Appraisal in respect of Informatization Company
“working day(s)”	working days in the PRC, except Saturdays, Sundays and statutory holidays in the PRC

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

Nanjing, the PRC, 23 May 2022

As at the date of this announcement, 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. Gao Lihui, Mr. Niu Zhongjie and Mr. Hu Hanhui.

* *for identification purpose only*