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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)**

### **CONTINUING CONNECTED TRANSACTIONS PROPERTY LEASING FRAMEWORK AGREEMENT**

#### **PROPERTY LEASING FRAMEWORK AGREEMENT**

On 31 December 2018 (after trading hours), the Company (as the lessor) and Sample Group (as the lessee) entered into the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules), and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Sample Group directly holds 397,821,000 Domestic Shares of the Company, representing approximately 50.22% of the issued share capital of the Company, and is therefore a controlling shareholder and connected person of the Company. As such, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Property Leasing Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The board (the “Board”) of directors of Nanjing Sample Technology Co., Ltd. (the “Company”) announces that on 31 December 2018 (after trading hours), the Company (as the lessor) and Nanjing Sample Technology Group Company Limited\* (南京三寶科技集團有限公司) (“Sample Group”) (as the lessee) entered into the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

## **PROPERTY LEASING FRAMEWORK AGREEMENT**

The principal terms of the Property Leasing Framework Agreement are set out below:

Date:	31 December 2018
Parties:	(i) the Company (as the lessor)  (ii) Sample Group (a connected person of the Company) (as the lessee)
Subject Matter:	Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)), and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.
Term:	Three years commencing from 1 January 2019 and ending on 31 December 2021 (the “Term”).
Individual Lease Contracts:	In compliance with the terms and conditions of the Property Leasing Framework Agreement, the Company shall enter into separate lease contracts to set out the specific terms of the leasing of properties (the “Individual Lease Contracts”) with Sample Group and/or its associates. The terms and conditions of the Individual Lease Contracts shall be determined by the parties through arm’s length negotiations in accordance with the terms of the Property Leasing Framework Agreement and based on the principles of fairness and reasonableness.  The term of each of the Individual Lease Contracts shall not exceed the Term.

Pricing Policy and Payment Terms: The rent and the other terms shall be fair and reasonable and in compliance with the normal commercial terms. In general, the rent shall be determined based on the actual conditions of the properties with reference to the market prices and the comparable prices in similar areas. In particular, the rent shall not be lower than the amount of rent payable by an independent third party for similar properties. The payment and settlement terms shall be no less favourable to those of similar property leases offered by an independent third party.

## **ANNUAL CAPS AND BASIS OF ANNUAL CAPS**

The Company sets the following annual caps for the continuing connected transactions regarding the leasing of properties for the three years ending 31 December 2021:

	<b>Years ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(RMB millions)</i>
Rent to be paid to the Group by Sample Group and its associates	8	8	8

The annual caps of the transactions contemplated under the Property Leasing Framework Agreement are determined by the parties in accordance with the estimated transaction amounts and taking into account the followings: (1) the demand on property leasing of the parties and its expected increase; and (2) the estimation of the market rents of the properties under the Property Leasing Framework Agreement within the Term.

## **INFORMATION ON THE GROUP**

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 SAMPLE GROUP**

Sample Group is a limited company established in Nanjing, the PRC with registered capital of RMB1,633,000,000, and is an investment holding company. As at the date of this announcement, Sample Group directly holds 397,821,000 Domestic Shares of the Company, representing approximately 50.22% of the issued share capital of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASING FRAMEWORK AGREEMENT**

The Company is of the view that entering into the transactions contemplated under the above framework agreement is in the interests of the Company as a whole, and is able to ensure the stable development of the Company's property leasing business and to satisfy the needs for the Company's business development from time to time in future, which helps the Company reduce its administrative costs.

### **BOARD OPINION**

As Mr. Sha Min ("Mr. Sha") and Mr. Chang Yong ("Mr. Chang") 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 the entire equity interest in Sample Group, a controlling shareholder of the Company. Each of Mr. Sha and Mr. Chang is considered to have a material interest in the Property Leasing Framework Agreement, they are required to abstain and had abstained from voting on the relevant Board resolutions relating to the Property Leasing Framework Agreement. Save for Mr. Sha and Mr. Chang, no director is required to abstain from voting on the Board resolutions approving the Property Leasing Framework Agreement.

The Board (excluding Mr. Sha Min and Mr. Chang Yong, but including the independent non-executive Directors) is of the view that the Property Leasing Framework Agreement and the transactions contemplated thereunder (i) was entered into in the ordinary and usual course of business of the Group; (ii) is on normal commercial terms agreed after arm's length negotiations between the parties; and (iii) is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Sample Group directly holds 397,821,000 Domestic Shares of the Company, representing approximately 50.22% of the issued share capital of the Company, and is therefore a controlling shareholder and connected person of the Company. As such, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Property Leasing Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By Order of the Board  
**Nanjing Sample Technology Co., Ltd.\***  
**Sha Min**  
*Chairman*

31 December 2018  
Nanjing, the PRC

*As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Zhu Xiang; the non-executive Director is Mr. Ma Jun and the independent non-executive Directors are Mr. Shum Shing Kei, Mr. Gao Lihui and Mr. Hu Hanhui.*

\* *For identification purpose only*