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## DEFINITIONS

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“AGM”	the annual 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 June 2018
“Articles of Association”	the articles of association of the Company, as may be amended from time to time
“Board”	the board of Directors
“Class Meetings”	the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting
“Company”	Nanjing Sample Technology Company Limited* (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 currently listed on the main board of the Stock Exchange (Stock Code: 1708)
“Company Law”	the Company Law of the PRC
“Company Ordinance”	the Company Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemental or otherwise modified from time to time
“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
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Domestic Shareholders Class Meeting”	the class meeting of the Domestic Shareholders to be convened and held at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC at 11:00 a.m. on 29 June 2018
“Group”	the Company and its subsidiaries
“Guarantees”	the guarantees in an aggregate amount of RMB450,000,000 proposed to be provided by the Company and its holding subsidiaries to secure banking facilities for a subsidiary and a 30%-owned associated company of the Company

“H Shares”	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the main board of the Stock Exchange and subscribed for and traded in Hong Kong Dollars
“H Shareholder(s)”	holder(s) of H Share(s)
“H Shareholders’ Class Meeting”	the class meeting of H Shareholders to be convened and held in-40mgsBT4.-1873.-403.-1873.inclusBT4.-1873.iT4.-1873

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## EXPECTED TIMETABLE

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*Set out below is the tentative timetable for the implementation of the Bonus and Capitalization Issues and change in board lot size:*

Latest time for lodging transfers of H Shares for entitlement to attend and vote at the AGM and H Shareholders' Class Meeting	Before 4:30 p.m. on Friday, 15 June 2018
Closure of register of members to ascertain Shareholders' entitlement to attend and vote at the AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting	Tuesday, 19 June 2018 to Friday, 29 June 2018 (both days inclusive)
Last time for lodging proxy form for the AGM	10:00 a.m. on Thursday, 28 June 2018
Last time for lodging proxy form for H Shareholders' Class Meeting	10:30 a.m. on Thursday, 28 June 2018
Last time for lodging proxy form for Domestic Shareholders' Class Meeting	11:00 a.m. on Thursday, 28 June 2018
Date of AGM	10:00 a.m. on Friday, 29 June 2018
Date of H Shareholders' Class Meeting	10:30 a.m. on Friday, 29 June 2018
Date of Domestic Shareholders' Class Meeting	11:00 a.m. on Friday, 29 June 2018
Announcement on results of AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting	Friday, 29 June 2018
First day for free exchange of existing H Share certificates in board lot of 1,000 Shares each for new Share certificates in board lot of 500 Shares each	Tuesday, 3 July 2018
Last day of dealings in H Shares on a cum-entitlement basis	Wednesday, 4 July 2018
First day of dealings in H Shares on an ex-entitlement basis	Thursday, 5 July 2018
Latest time for lodging transfers of H Shares for entitlement to the cash dividend, the Bonus Shares and Capitalization Shares	Before 4:30 p.m. on Friday, 6 July 2018
Closure of register of members of H Shares for entitlement to the cash dividend, the Bonus Shares and Capitalization Shares	Sunday, 8 July 2018 to Friday, 13 July 2018 (both days inclusive)

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## EXPECTED TIMETABLE

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Record Date of H Shareholders and Domestic Shareholders for determining the entitlements to the cash dividend, the Bonus Shares and Capitalization Shares . . . . .	Friday, 13 July 2018
Despatch of share certificates to H Shareholders of Bonus Shares and Capitalization Shares . . . . .	Tuesday, 17 July 2018
Last day for trading of the H Shares in board lot of 1,000 Shares in the original counter . . . . .	Tuesday, 17 July 2018
Effective day of the change in board lot size of H Shares from 1,000 Shares to 500 Shares . . . . .	9:00 a.m. on Wednesday, 18 July 2018
Dealings in Bonus Shares and Capitalization Shares of H Shareholders commence . . . . .	9:00 a.m. on Wednesday, 18 July 2018
Original counter for trading in H Shares in board lots of 1,000 Shares each becomes counter for trading in the Shares in board lot of 500 Shares each . . . . .	9:00 a.m. Wednesday, 18 July 2018
Temporary counter for trading in the H Shares in Board lots of 1,000 Shares each opens . . . . .	9:00 a.m. Wednesday, 18 July 2018
Parallel trading in H Shares commences . . . . .	9:00 a.m. Wednesday, 18 July 2018
Temporary counter for trading in the H Shares in board lot of 1,000 Shares each closes . . . . .	4:00 p.m. on Tuesday, 7 August 2018
Parallel trading in H Shares ends . . . . .	4:00 p.m. on Tuesday, 7 August 2018
Last day for free exchange of existing Share certificates in board lot of 1,000 Shares each for new H Share certificates in board lot of 500 Shares each . . . . .	4:30 p.m. on Thursday, 9 August 2018



南京三寶科技股份有限公司

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## LETTER FROM THE BOARD

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### 2. PROPOSED PROVISION OF GUARANTEES

The Board proposed the Company and its holding subsidiaries to provide the Guarantees in an aggregate amount of RMB450,000,000 to independent third parties of the Group to secure bank facilities for a subsidiary and a 30%-owned associated company of the Company.

- (1) **Proposed guarantor for the facility Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd.\* (南京物聯網研究院發展有限公司) (QW Lian Wang).**

Creditor	:	Licensed bank(s) in the PRC, which was independent of and not connected with the Company and its connected persons as at the Latest Practicable Date
Guaranteed company	:	Wu Lian Wang, a wholly-owned subsidiary of the Company incorporated in the PRC
The facility	:	RMB400,000,000 for a term not exceeding 6 years, which is intended to be used by Wu Lian Wang to finance its projects loans and refill its current funds ( <i>Note</i> )
Extent of the guarantee	:	The entire facility

*Note:* A special resolution for the provision of guarantee to licensed bank(s) in the PRC against the entire facility amounting to RMB100,000,000 to be provided to Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd.\* (南京物聯網研究院發展有限公司) for a term not exceeding 6 years was approved at the Company's extraordinary general meeting on 27 November 2017.

- (2) **Proposed guarantor for the facility Nanjing Sanji Chain Mode Data Technology Co., Ltd.\* (南京三寶鏈式數據技術有限公司) (QCSA Information).**

Creditor	:	Licensed bank(s) in the PRC, which was independent of and not connected with the Company and its connected persons as at the Latest Practicable Date
Guaranteed company	:	Chain Information, a company incorporated in the PRC with 30% of its equity interests was owned by the Company
The facility	:	RMB50,000,000 for a term not exceeding 6 years, which is intended to be used by Chain Information to finance its projects loans and refill its current funds

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## LETTER FROM THE BOARD

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Extent of the guarantee : Jointly provide guarantee with other shareholders in proportion to its respective shareholding in Chain Information

A special resolution approving the proposed provision of Guarantees will be proposed at the AGM for Shareholders' consideration and approval.

### **3. PROPOSED DISTRIBUTION OF CASH DIVIDEND, PROPOSED BONUS ISSUE AND PROPOSED CAPITALIZATION ISSUE**

Reference is made to the announcements of the Company dated 2 May 2018 and 29 May 2018, regarding the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue.

The Board has proposed (i) the distribution of a cash dividend of RMB79,205,850 i.e. RMB0.25 per Share (the "Cash Dividend") based on its total share capital of 316,823,400 Shares; (ii) the issue of a total of 158,411,700 Shares from the undistributed profits of the Company as at 31 December 2017 on the basis of 1 (one) Share (the "Bonus Share") for every 2 (two) existing Shares (the "Bonus Issue"); and (iii) the issue of a total of 316,823,400 Shares from the capital reserve of the Company as at 31 December 2017 on the basis of 1 (one) Share (the "Capitalization Share") for every 1 (one) existing Share (the "Capitalization Issue").

It is proposed to authorize the Board to delegate the authority to any one of the executive Directors to deal with the matters in relation to the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue according to the relevant laws, regulations and listing rules and make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of Shares.

#### **A. Proposed Distribution of Cash Dividend**

The Board has proposed to distribute a Cash Dividend of RMB0.25 (tax inclusive) per Share, in a total amount of RMB79,205,850 on the 316,823,400 Shares in issue. According to the Articles of Association, Cash Dividend will be denominated and declared in RMB. Cash Dividend on Domestic Shares will be paid in RMB and Cash Dividend on H Shares will be paid in Hong Kong dollars. Payment of the Cash Dividend is subject to the approval of the Shareholders at the AGM. The Cash Dividend will be distributed to the Shareholders whose names appear on the Company's register of members on 13 July 2018 (the "Record Date") on 31 August 2018.

#### **B. Proposed Bonus Issue and Capitalization Issue**

The Board has also proposed (i) the issue of a total of 158,411,700 Bonus Shares from the undistributed profits of the Company as at 31 December 2017 on the basis of 1 (one) Bonus Share for every 2 (two) existing Shares; and (ii) the issue of a total of

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## LETTER FROM THE BOARD

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316,823,400 Capitalization Shares from the capital reserve of the Company as at 31 December 2017 on the basis of 1 (one) Capitalization Share for every 1 (one) existing Share.

As at the Latest Practicable Date, the total issued share capital of the Company was RMB316,823,400, which comprised of 91,800,000 H Shares and 225,023,400 Domestic Shares. On the basis that an aggregate of 316,823,400 Shares were in issue, the new Shares will comprise 137,700,000 new H Shares (the “New H Shares”) and 337,535,100 new Domestic Shares (the “New Domestic Shares”) to be allotted and issued under the proposed Bonus Issue and Capitalization Issue, in which the total 475,235,100 Bonus Shares and Capitalization Shares will be credited as fully paid upon the completion of the proposed Bonus Issue and Capitalization Issue.

There were no outstanding options, warrants and convertible securities to subscribe for the Shares as at the Latest Practicable Date.

*(a) Conditions of the proposed Bonus Issue and Capitalization Issue*

The issue of Bonus Shares and Capitalization Shares is subject to the following conditions:

- (i) approval from the Shareholders at the forthcoming AGM as well as the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting;
- (ii) The Stock Exchange granting the listing of, and permission to deal in, the New H Shares to be allotted and issued under the proposed Bonus Issue and Capitalization Issue; and
- (iii) compliance with the relevant legal procedures and requirements under the Company Law of the PRC to effect the proposed Bonus Issue and Capitalization Issue.

**Warrant for the Issuance of H Shares**

H Shares are hereby offered to the H Shareholders of the Company who are entitled to be dealt with as a result of the exercise of the New H Shares and the Capitalization Shares under the proposed Bonus Issue and Capitalization Issue (the “Proposed Bonus Issue and Capitalization Issue”) on the basis of the terms and conditions set out in the Warrant for the Issuance of H Shares (the “Warrant”) which is attached to the Prospectus. The Proposed Bonus Issue and Capitalization Issue is subject to the approval of the Shareholders at the forthcoming AGM and the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting. The Proposed Bonus Issue and Capitalization Issue is also subject to the approval of the Stock Exchange and the relevant legal procedures and requirements under the Company Law of the PRC to effect the Proposed Bonus Issue and Capitalization Issue.

The H Shares are hereby offered to the H Shareholders of the Company who are entitled to be dealt with as a result of the exercise of the New H Shares and the Capitalization Shares under the proposed Bonus Issue and Capitalization Issue (the “Proposed Bonus Issue and Capitalization Issue”) on the basis of the terms and conditions set out in the Warrant for the Issuance of H Shares (the “Warrant”) which is attached to the Prospectus. The Proposed Bonus Issue and Capitalization Issue is subject to the approval of the Shareholders at the forthcoming AGM and the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting. The Proposed Bonus Issue and Capitalization Issue is also subject to the approval of the Stock Exchange and the relevant legal procedures and requirements under the Company Law of the PRC to effect the Proposed Bonus Issue and Capitalization Issue.

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## LETTER FROM THE BOARD

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*(b) Ranking of the Bonus Shares and Capitalization Shares*

The Bonus Shares and Capitalization Shares will, subject to the Articles of Association, when issued, rank pari passu in all respects with the H Shares and Domestic Shares then in issue. Holders of the Bonus Shares and Capitalization Shares will be entitled to receive all future dividends and distributions (if any) which are declared and paid after the date on which the Bonus Shares and Capitalization Shares are allotted and issued, but will not be entitled to the proposed Cash Dividend.

*(c) Overseas Shareholders*

As at the Latest Practicable Date, according to the latest register of members available to the Company, the Company had no Overseas Shareholders. Upon the proposed Bonus Issue and Capitalization Issue becoming unconditional, the Company will consider if there are any Overseas Shareholder, and if there are such Overseas Shareholders, then the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the relevant Overseas Shareholders to be eligible to take part in the proposed Bonus Issue and Capitalization Issue pursuant to the Listing Rules.

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## LETTER FROM THE BOARD

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(d) *Effects on the shareholdings after the proposed Bonus Issue and Capitalization Issue*

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the proposed Bonus Issue and Capitalization Issue (assuming that no new Shares will be allotted or issued prior to the Record Date for Domestic Shares and H Shares, and that the conditions set out in the paragraph headed “Conditions of the proposed Bonus Issue and Capitalization Issue” above will be satisfied):

	As at the Latest Practicable Date		Immediately upon completion of the proposed Bonus Issue and Capitalization Issue	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
H Shares	91,800,000	28.98	229,500,000	28.98
Domestic Shares	225,023,400	71.02	562,558,500	71.02
Total	316,823,400	100.0	792,058,500	100.0

(e) *Listing and Dealings*

The H Shares are listed on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New H Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of, and permission to deal in, the Bonus Shares and Capitalisation Shares. As at the Latest Practicable Date, no part of equity or debt securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange, nor is listing or permission to deal in the equity or debt securities being or proposed to be sought from any stock exchange other than the Stock Exchange. Subject to the satisfaction of the conditions as set out in this circular (including but not limited to the granting of the aforesaid approval by the Stock Exchange), the New H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. The New H Shares are not new class of securities to be listed and accordingly no arrangement is required to be made to enable the New H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Subject to the proposed Bonus Issue and Capitalization Issue becoming unconditional, the certificates for the New H Shares (which are not renounceable) and the cheques for the proposed Cash Dividend will be despatched by ordinary post to the H Shareholders who are entitled thereto at their own risk. In case of joint shareholding, the certificates for the New H Shares and the cheques for the proposed Cash Dividend will be posted to the first named person on the H

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## LETTER FROM THE BOARD

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Shareholder's register in respect of such joint shareholding. For the date of despatch of the certificates for the New H Shares and the cheques for the proposed Cash Dividend and the date of the commencement of dealings in the New H Shares, please refer to the sections headed "Expected Timetable" and "Proposed Distribution of Cash Dividend" of this circular.

*(f) Reasons for the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue*

The Board believes that the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue (i) will provide the Company with a wider capital base and therefore enhance the liquidity of the Shares; and (ii) is a return to the long-term support and care of the Shareholders.

Based on the positive expectations on the future development of the Company, and with reference to the operating and the overall financial status of the Company, the Company proposes the Cash Dividend and the Bonus Issue and Capitalization Issue in accordance with the provisions in relation to profit distribution in the Articles of Association, to increase the Company's capital base, promote the continuous sustainable development of the Company and to increase the liquidity of the Shares.

Save for the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue will not bring monetary benefit to the Shareholders as the closing price of Shares before the ex-entitlement date for the New H Shares shall be adjusted downward on such ex-entitlement date.

The proposed Cash Dividend and the proposed Bonus Issue and Capitalization Issue are subject to Shareholders' approval. A special resolution to consider and approve the proposed Bonus Issue and Capitalization Issue will be proposed at the AGM, H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. An ordinary resolution to consider and approve the proposed Cash Dividend will be proposed at the AGM.

*(g) Expected Timetable*

Expected timetable for the issuance of New H Shares and other matters is set out on pages 3 to 4 of this circular. Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

*(h) Closure of Registrar of Members*

In order to determine the list of H Shareholders who are entitled to the proposed Cash Dividend and New H Shares, the Company's register of members will be closed from Sunday, 8 July 2018 to Friday, 13 July 2018, both days inclusive, during which period no transfer of H Shares will be effected. H

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## LETTER FROM THE BOARD

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Shareholders whose names appear on the Company's register of members on Friday, 13 July 2018 are entitled to receive the proposed Cash Dividend and New H Shares. In order to receive the proposed Cash Dividend and New H Shares, H Shareholders whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (the "**H S are Re trar**") at or before 4:30 p.m. on Friday, 6 July 2018. The address of the transfer office of the H Share Registrar is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Domestic Shareholders whose names appear on the Company's register of members on Friday, 13 July 2018 are entitled to receive the proposed Cash Dividend and New Domestic Shares.

*(i) Statement to be made on acquisition of Shares*

The Company shall ensure that all its listing documents and share certificates include the statements stipulated below and shall instruct and cause its share registrar not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect:

- (i) the acquirer of Shares agrees with the Company and each of its Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and its Articles of Association;
- (ii) the acquirer of Shares agrees with the Company, each of its Shareholders, Directors, Supervisors, managers and officers, and the Company acting for itself and for each Director, Supervisor, manager and officer agrees with each Shareholder, to refer all differences and claims arising from its Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with its Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- (iii) the acquirer of Shares agrees with the Company and its Shareholders that H Shares are freely transferable by the holder of such Shares; and
- (iv) the acquirer of Shares authorizes the Company to enter into a contract on his behalf with each director and officer whereby such directors and officers undertake to observe and comply with their obligations to shareholders stipulated in its Articles of Association.

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## LETTER FROM THE BOARD

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### C. Tax

According to the State Administration of Taxation of the PRC and the relevant requirements, no relevant taxation on the Capitalized Issue shall be withheld and paid. In respect of cash dividend and the Bonus Issue, different taxation laws shall be applied based on different situations, details of which are set out in the following table:

Category	Recipient	Type of Tax	Income Tax Rate	Payment Method	Law
Cash dividend	Resident enterprise Domestic Share Shareholder	Corporate income tax	25%	Self-declaration	Enterprise Income Tax Law Article 4
	Overseas enterprise Domestic Share Shareholder	Corporate income tax	10% (withhold)	Withhold and pay	Enterprise Income Tax Law Article 4, Article 27, Regulation on the Implementation of the Enterprise Income Tax Law Article 91
	Individual Domestic Share Shareholder	Individual income tax	20% (withhold)	Withhold and pay	Individual Income Tax Law Article 3
	Enterprise H Share Shareholder	Corporate income tax	10% (withhold)	Withhold and pay	No. 897 [2008] of the State Administration of Taxation
Bonus Issue	Individual H Share Shareholder	Individual income tax	20%	Self-declaration	No. 127 [2016] of the Ministry of Finance
	Resident enterprise Domestic Share Shareholder	Corporate income tax	25%	Self-declaration	Enterprise Income Tax Law Article 4
	Overseas enterprise Domestic Share Shareholder	Tax Exemption	N/A	N/A	No. 88 [2017] of the Ministry of Finance
	Individual Domestic Share Shareholder	Individual income tax	20% (withhold)	Withhold and pay	Individual Income Tax Law Article 3
Capitalized Issue	Enterprise Shareholder	Tax Exemption	N/A	N/A	No. 88 [2017] of the Ministry of Finance
	Enterprise Shareholder	Tax Exemption	N/A	N/A	No. 79 [2010] of the State Administration of Taxation
	Individual Shareholder	Tax Exemption	N/A	N/A	No. 198 [1997] of the State Administration of Taxation

Dealings in the New H Shares will be subject to the payment of stamp duty, the Hong Kong Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong. H Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding,

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## LETTER FROM THE BOARD

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disposing of or dealing in the New H Shares. It is emphasized that none of the Company, its Directors or any other parties involved in the proposed Bonus Issue and Capitalization Issue accepts responsibility for any tax implication or liabilities of the H Shareholders.

#### 4. CHANGE IN BOARD LOT SIZE

The H Shares are currently traded in board lots of 1,000 H Shares each. The board lot size of the H Shares for trading on the Stock Exchange is proposed to be changed from 1,000 H Shares to 500 H Shares with effect from the expected first day of listing of, and dealing in the New H Shares, subject to the fulfillment of the conditions of the proposed Bonus Issue and Capitalization Issue.

##### **R e a s o n s f o r C h a n g i n g B o a r d L o t S i z e**

The Board noted that changing the board lot size in the Shares of the Company from 1,000 to 500 Shares will reduce the board lot value of the Shares and therefore will result in higher liquidity of the Shares. The Board is also of the view that by adjusting the board lot size to 500 Shares, it will yield the benefit of removing the creation of odd lot shares after the Bonus and Capitalization Issues.

Based on the closing price of HK\$23.1 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date (equivalent to a theoretical ex-entitlement price of HK\$9.24 per H Share upon the allotment and issue of the New H Shares), the market value of each board lot of 1,000 H Shares is HK\$23,100 and the market value of each board lot of 500 H Shares upon the allotment and issue of the New H Shares is estimated to be HK\$4,620.

##### **O d d L o t s a n d E n t i t l e m e n t**

The Change in Board Lot Size will not result in any odd lots other than those already exist, as one existing board lot of 1,000 H Shares will become two new board lot of 500 H Shares after the allotment and issue of the New H Shares.

##### **S h a r e C e r t i f i c a t e s**

In respect of the change in board lot size, Shareholders may submit their existing Share certificates to the Share Registrar at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for the new share certificates free of charge during the business hours (i.e. 9:00 a.m. to 4:30 p.m.) from Tuesday, 3 July 2018 to Thursday, 9 August 2018 (both dates inclusive). It is expected that new share certificates will be available for collection from the Share Registrar by the Shareholders within 10 business days after delivery of the existing share certificates to the Share Registrar for exchange purpose.

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## LETTER FROM THE BOARD

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From Friday, 10 August 2018 onwards, exchange of existing share certificates for new share certificates can only be made at a cost of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued, whichever number of share certificates involved is higher. All existing share certificates will continue to be good evidence of legal title to such Shares and will be valid for delivery, trading and settlement purposes. Save and except for the change in the number of Shares for each board lot, new share certificates will have the same format and colour as the existing share certificates.

### 5. PROPOSED AMENDMENTS TO THE ARTICLES

In light of the proposed Bonus Issue and Capitalization Issue, and in view of the changes in regulatory requirements and economic environment and in light of the actual situations of the Company, the Board of the Company proposes to amend the Articles of Association (the “**Article Amendment**”) in order to enable the Articles of Association, among other things, to change in the registered capital of the Company as a result of the proposed Bonus Issue and Capitalization Issue.

It is proposed that the general meeting shall authorize any Directors of the Company to make appropriate amendments to the Articles of Association whenever necessary in the process of submitting the same for approval, as required from time to time by the relevant regulatory authorities and the Stock Exchange.

The proposed Articles Amendments are subject to (i) the consideration and approval by the Shareholders at the AGM and the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting of the Company by way of special resolution; and (ii) the approval of and registration or filing with the relevant competent authorities in the PRC. For details, please refer to the Appendix of this circular.

### 6. AGM, H SHAREHOLDERS’ CLASS MEETING AND DOMESTIC SHAREHOLDERS’ CLASS MEETING

Notices of the AGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting are set out on pages 20 to 26. Provision of Guarantees will be proposed by way of special resolution for the Shareholders’ approval at the AGM. While, the Bonus Issue and Capitalization Issue and Articles Amendments will be proposed by way of special resolutions for Shareholders’ approval at the AGM, H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting. The proposed Cash Dividend will be proposed by way of ordinary resolution for Shareholders’ approval at the AGM.

Proxy forms for use at the AGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting are also enclosed. Whether or not you intend to attend the AGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting, you are requested to complete and return the enclosed proxy form (for use at the AGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting) 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

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## LETTER FROM THE BOARD

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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 AGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

Completion and return of the said proxy form will not preclude you from attending and voting in person at the AGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting 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 AGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting will be voted by poll. An announcement on the poll vote results will be made by the Company after the AGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting in the manner prescribed under the Listing Rules.

### 7. RECOMMENDATIONS

Having considered the above, the Directors consider that the proposed provision of Guarantees, the proposed distribution of Cash Dividend, the proposed Bonus Issue and Capitalization Issue, the proposed Articles Amendments 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 AGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

Your faithfully,  
By order of the Board  
南京三寶科技股份有限公司  
Na Sa<sub>1</sub> P<sub>1</sub> e Tec y C<sub>1</sub> P<sub>1</sub> a y L<sub>1</sub> ted\*  
S a M  
Chairman

*\*for identification purpose onl*

Terms used in this Appendix shall have the same meanings as defined in the Articles of Association of the Company published on 28 November 2017 unless the context requires otherwise.

The proposed amendments to the Articles of Association are as follows:

**Article 17**

*Add the following sub-clause (15) to the existing Article 17:*

(15) With the approval of the examination and approval authority authorized by the State Council, the Company issued 158,411,700 bonus shares (2 bonus shares for every 1 share) and increased 316,823,400 shares by way of capitalization of capital reserve (1 capitalization share for every 1 share), thereafter the total equity of the Company changed to 792,058,500 shares, with 562,558,500 shares (71.02% of the total number of the ordinary shares issued by the Company) held by domestic shareholders, including:

397,821,000 Shares held by Nanjing Sample Technology Group Co., Ltd., representing approximately 50.22% of the total number of the ordinary shares issued by the Company.

123,862,500 Shares held by Active Gold Holding Limited, representing approximately 15.64% of the total number of the ordinary shares issued by the Company.

34,375,000 Shares held by Jiangsu Ruihua Investment Holding Group Company Ltd, representing approximately 4.34% of the total number of the ordinary shares issued by the Company.

3,125,000 Shares held by Shandong Runbang Agricultural Development Co., Ltd, representing approximately 0.39% of the total number of the ordinary shares issued by the Company.

3,375,000 Shares held by Sha Min, representing 0.43% of the total number of the ordinary shares issued by the Company; and

229,500,000 overseas listed foreign Shares held by H shareholders, representing 28.98% of the total number of the ordinary shares issued by the Company.

**Article 20**

*which originally read as:*

The Company's registered capital is RMB316,823,400.

*is amended as follows:*

The Company's registered capital is RMB792,058,500.

**Article 45**

*is changed to Article 46, and the following Articles shall be reordered accordingly; and the New Article 45 is as follows:*

With the approval of the securities regulatory authorities of the State Council and other competent authorities, holders of domestic shares of the Company may transfer all or part of the shares held by them to foreign investors and have the shares listed and traded on overseas stock exchange(s); all or part of the domestic shares are convertible into foreign shares under the conditions required by relevant laws and regulations, and the resulting foreign shares may be listed and traded on overseas stock exchange(s). The shares transferred or converted shall comply with the regulatory procedures, provisions and requirements of the overseas securities market when listed and traded in an overseas stock exchange. The listing and trading of the transferred shares in an overseas stock exchange, or the conversion of domestic shares into foreign shares for listing and trading on foreign stock exchange(s), are not subject to the holding of a separate general meeting or a shareholders class meeting for voting. The overseas listed foreign shares converted from domestic shares shall be of the same class with the existing overseas listed foreign shares.

**Article 92**

*which originally read as:*

Any variation or abrogation of the rights of any class of shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a shareholders' general meeting and approval by the affected shareholders of that class at a separate meeting held in accordance with Articles 94 to 98 of the Articles of Association.

**amended as follows:**

**Article 93**

Any variation or abrogation of the rights of any class of shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a shareholders' general meeting and approval by the affected shareholders of that class at a separate meeting held in accordance with Articles 95 to 99 of the Articles of Association.

No approval by a general meeting or a class meeting is required for variation or abrogation of rights of class shareholders resulting from any change in domestic and foreign laws, administrative regulations and listing rules where the Company's shares are listed, and those resulting from decisions made by domestic and foreign regulatory authorities.

The transfer by the Company's holders of all or part of domestic shares of the shares held thereby to foreign investors for listing and trading overseas, or the conversion of all or part of domestic shares into overseas listed foreign shares for listing and trading on overseas stock exchange(s), shall not be deemed as the Company's intention to vary or abrogate the rights of any class of shareholders.

*Note: The articles of the amended Articles of Association will be re-numbered in accordance with the numbering of the amended articles in the Articles of Association arising from the changes in the numbering of the original articles due to the addition of new Article 45 under the proposed Articles Amendments. The amended Articles of Association will also be revised accordingly for any changes in the numbering of the articles with cross-reference made in the original Articles of Association.*

Since the Proposed Article Amendment table, there shall be a change in the text of the articles of the Articles of Association. The Articles of Association are written in the case of any change between the current and the proposed articles, the current articles shall prevail.



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## NOTICE OF AGM

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### SPECIAL RESOLUTIONS

To consider and, if thought fit, pass the following special resolutions:

- (7) To consider and approve the proposed provision of Guarantees:
- (i) the provision of guarantee to licensed bank(s) in the PRC against the entire facility amounting to RMB400,000,000 to be provided to Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd.\* (南京物聯網研究院發展有限公司), a wholly-owned subsidiary of the Company, be approved;
  - (ii) the provision of guarantee for an amount upto RMB50,000,000 to licensed bank(s) in PRC against the facility to be provided to Nanjing Sample Chain Information Technology Co., Ltd.\* (南京三寶鏈式數據技術有限公司) (“Chain Information”), a 30%-owned associated company of the Company, provided that the guarantee will also be jointly provided by the other shareholder(s) of Chain Information in proportion to its(their) shareholding.

and the board of directors of the Company be authorised to take all such actions and execute all such documents or instruments for and on behalf of the Company as necessary or expedient and make arrangement for all specific matters relating to, in connection with, or to effect, the provision of the guarantees set out in paragraphs (i) to (ii) above, so far as permitted by the applicable laws and regulations.”

- (8) to consider and approve the (i) the issue of a total of 158,411,700 Shares from the undistributed profits of the Company as at 31 December 2017 on the basis of 1 (one) Bonus Share for every 2 (two) existing Shares; and (ii) the issue of a total of 316,823,400 Shares from the capital reserve of the Company as at 31 December 2017 on the basis of 1 (one) Capitalization Share for every 1 (one) existing Share.
- (9) to consider and approve the amended and restated articles of association of the Company (the “Amended Articles of Association”) and be approved and adopted by the Company in substitution for the existing articles of association of the Company and that the Board be authorised to modify the wordings of such Amended Articles of Association as appropriate and to take all such actions and

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## NOTICE OF AGM

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execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient and to deal with other related issues arising from or relating to the adoption of the Amended Articles of Association accordingly.

By Order of the Board  
Na Sa Pe Tec y C Pa y L ted\*  
S a M  
Chairman

Nanjing, the PRC  
1 June 2018

*Notes:*

1. Any member of the Company (“Member”) entitled to attend and vote at the AGM 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 deposited at 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 (“H Share Registrar”) and in case of holders of domestic shares, to the Company’s registered office at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC not less than 24 hours before the time appointed for the holding of the AGM 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. Members or their proxies shall present identity proof (and form of proxy in case of proxies) upon attending the AGM.
4. The register of Members in Hong Kong will be closed from Tuesday, 19 June 2018 to Friday, 29 June 2018, (both days inclusive). Instruments of transfer accompanied by relevant share certificates must be lodged with the H Share Registrar by 4:30 p.m. on Friday, 15 June 2018.
5. Members entitled to attend the AGM are requested to complete and deliver the reply slip for attendance to the H Share Registrar or the Company’s office in Nanjing before Friday, 22 June 2018.

*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. Hu Hanhui, Mr. Gao Lihui and Mr. Shum Shing Kei.*

*\*for identification purpose onl*



南京三寶科技股份有限公司  
NANJING

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## NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

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*Notes:*

1. Any holder of H shares of the Company ("Member") entitled to attend and vote at the H Shareholders' Class Meeting 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 notorially certified copy of such authority must be deposited at 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 ("H Share Registrar") not less than 24 hours before the time appointed for the holding of the H Shareholders' Class Meeting 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. Members or their proxies shall present identity proof (and form of proxy in case of proxies) upon attending the H Shareholders' Class Meeting.
4. The register of members of the Company in Hong Kong will be closed from Tuesday, 19 June 2018 to Friday, 29 June 2018, (both days inclusive). Instruments of transfer accompanied by relevant share certificates must be lodged with the H Share Registrar by 4:30 p.m. on Friday, 15 June 2018.
5. Members entitled to attend the H Share Class Meeting are requested to complete and deliver the reply slip for attendance to the H Share Registrar before Friday, 22 June 2018.

*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. Hu Hanhui, Mr. Gao Lihui and Mr. Shum Shing Kei.*



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

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## NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING

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*Notes:*

1. Any holders of domestic shares of the Company ("Member") entitled to attend and vote at the Domestic Shareholders' Class Meeting 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 deposited to the Company's registered office at No. 10 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC not less than 24 hours before the time appointed for the holding of the Domestic Shareholders' Class Meeting 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. Members or their proxies shall present identity proof (and form of proxy in case of proxies) upon attending the Domestic Shareholders' Class Meeting.
4. The register of members of the Company in Hong Kong will be closed from Tuesday, 19 June 2018 to Friday, 29 June 2018, (both days inclusive).
5. Members entitled to attend the Domestic Share Class Meeting are requested to complete and deliver the reply slip for attendance to the Company's office in Nanjing before Friday, 22 June 2018.

*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. Hu Hanhui, Mr. Gao Lihui and Mr. Shum Shing Kei.*