

大 有 融 資 有 限 公 司

MESSIS CAPITAL LIMITED

2 December 2014

*To: The Independent Board Committees and the Independent Shareholders
of Nanjing Sample Technology Company Limited*

Dear Sir/Madam,

**CONNECTED TRANSACTION –
(1) PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES BY
NANJING SAMPLE TECHNOLOGY GROUP COMPANY LIMITED;
(2) PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 21 October 2014 (after trading hours), the Company entered into the Domestic Shares Subscription Agreement with Sample Group. According to the terms of the Domestic Shares Subscription Agreement, the Company has conditionally agreed to issue and Sample Group has conditionally agreed to subscribe in cash for an aggregate of 92,723,400 new Domestic Shares at the subscription price of RMB4.50 (equivalent to approximately HK\$6.67). The net proceeds from the issue of the new Domestic Shares are expected to be approximately RMB418,021,300 (equivalent to approximately HK\$627,031,950), of which approximately 72% is intended to be used for the expansion of the Group's client base and major business segments and approximately 20% is intended to be used for the reduction of liabilities and approximately 8% is intended to be applied as additional working capital. The 92,723,400 new Domestic Shares will be issued under a specific mandate to be sought at the EGM and the Class Meetings.

As at the Latest Practicable Date, Sample Group directly holds 60,770,000 Domestic Shares in the Company, representing approximately 27.12% shareholding in the Company's total issued share capital. According to the Listing Rules, Sample Group is considered as a substantial shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Sample Group is a connected person of the Company, the Domestic Shares Subscription therefore constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Sample Group and parties acting in concert with it (including Sample Commerce City and Mr. Sha Min, the chairman and an executive Director of the Company), own or have control or direction over 67,070,000 Domestic Shares, representing approximately 29.93% of the entire issued share capital of the Company. Under the Takeovers Code, Active Gold is presumed to be a party acting in concert with Sample Group as Active Gold holds more than 20% of the entire issued share capital of the Company. As such, Sample Group, Sample Commerce City, Mr. Sha Min and Active Gold are parties acting or presumed to be acting in concert under the Takeovers Code and the aggregate number of Domestic Shares held by them is 116,615,000, representing approximately 52.04% of the entire issued share capital of the Company.

Immediately after the completion of the Domestic Shares Subscription and assuming no other changes to the issued share capital of the Company, Sample Group and parties acting or presumed to be acting in concert with it (including Sample Commerce City, Mr. Sha Min and Active Gold) will hold approximately 66.07% of the Company's then enlarged issued

EGM and the Class Meetings. As far as the Directors are aware, currently, save for Sample Group, Sample Commerce City, Mr. Sha Min and Active Gold, there are no other Shareholders who are interested or involved in the Domestic Shares Subscription and/or the Whitewash Waiver.

Pursuant to the Listing Rules, the Independent Board Committee for the Share Subscription (comprising all the independent non-executive Directors) has been formed to

for the Whitewash Waiver (comprising all the non-executive Directors including the independent non-executive Directors) has also been formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Domestic Shares Subscription, the Domestic Shares Subscription Agreement, the specific mandate, the proposed amendments to the Articles and the Whitewash Waiver.

The Board proposed to make certain amendments to the Articles, to take effect subject to and upon completion of the Domestic Shares Subscription, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the new Domestic Shares. The proposed amendments to the Articles are subject to approval by the Independent Shareholders by way of special resolutions at the EGM and the Class Meetings and the approval of and registration or filing with the relevant PRC government authorities.

Our appointment as the Independent Financial Adviser to the Independent Board Committee for the Share Subscription, the Independent Board Committee for the Whitewash Waiver and the Independent Shareholders has been approved by the Independent Board Committees. We do not by this letter warrant the merits of the above transactions other than to form an opinion for the purpose of the Listing Rules and the Takeovers Code. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee for the Share Subscription, the Independent Board Committee for the Whitewash Waiver and the Independent Shareholders as to whether or not the Domestic Shares Subscription, Domestic Shares Subscription Agreement, the specific mandate, the proposed amendments to the Articles and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Domestic Shares Subscription, Domestic Shares Subscription Agreement, the specific mandate, the proposed amendments to the Articles and the Whitewash Waiver and the transactions contemplated therein at the EGM and the Class Meetings.

Other than this appointment as the Independent Financial Adviser to the Independent Board Committee for the Share Subscription, the Independent Board Committee for the

BASED UPON OUR BASIS OF OUR OPINION AND RECOMMENDATION

of the EGM and the Class Meetings, we have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

the Whitewash Waiver and the transactions contemplated therein. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Shares Subscription Agreement, the specific mandate, the proposed amendments to the Articles and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

(1) Background of the Domestic Shares Subscription

Business overview of the Group

The Group is principally engaged in the provision of visual identification

The following table summarises the consolidated financial results of the Group from its operations for each of the two years ended 31 December 2013 and 31 December 2012 and the six months ended 30 June 2014 and 30 June 2013, which are reported in the Company's annual report for the year ended 31 December 2013 (the "Annual Report 2013") and its interim report for the six months ended 30 June 2014 (the "Interim Report 2014") respectively:

	Year ended 31 December 2012	Year ended 31 December 2013	Six months ended 30 June 2013	Six months ended 30 June 2014
Total operating income	737,690	787,768	357,414	387,824
Operating profit	182,684	132,692	70,599	73,949
Profit/(loss) attributable to owners of the Company	167,928	126,406	65,532	64,689

We note that the total operating income of the Group increased from approximately RMB737.7 million in the year ended 31 December 2012 to approximately RMB787.8 million in the year ended 31 December 2013 which was mainly attributable to the rapid growth of intelligent terminal sales in 2013. The Group recorded profit attributable to owners of the Company of approximately RMB126.4 million in the year ended 31 December 2013, decreased from approximately RMB167.9 million in the year ended 31 December 2012 which was mainly attributable to the increase in research and development cost during 2013

The total operating income of the Group increased approximately 8.5% from the six months ended 30 June 2013 of approximately RMB357.4 million to the six months ended 30 June 2014 of approximately RMB388.5 million, which is attributable to the active development of the intelligent traffic business, the customs logistics business and the improvement of revenue from service business by the Group. The profit attributable to owners of the Company decreased from approximately RMB65.5 million for the six months ended 30 June 2013 to approximately RMB64.7 million for the six months ended 30 June 2014 which may be attributable to the rise in prices for sourcing of the raw materials and the increase in labour costs resulted in the further business development by the Group.

The following table summarises the consolidated financial position of the Group as at 31 December 2012 and 2013 and 30 June 2014, which is extracted from the Annual Report 2013 and the Interim Report 2014:

			As at 31 December 2012	As at 31 December 2013	As at 30 June 2014
RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Non-current assets			414,993	503,410	545,593
Current assets			1,000,788	1,088,654	1,057,058
Total			1,415,781	1,592,064	1,602,651
Current liabilities			581,776	744,654	774,476
Trade payables			481,152	476,618	475,427
Non-current liabilities			99,538	100,150	99,405
Non-controlling interests			37,018	48,740	47,930

Practicable Date.

Upon our enquiry with the Directors in this respect, we understand that the Directors have considered both debt and equity financing as fund raising methods for the Group in relation to their financing etc. Directors advised us that debt financing may significantly increase the financial obligation and the interest

interest payment will also erode the operating result and the operating cash flow of the Company, hence the valuation of the Group may be adversely affected.

are uncertainties as to the timing in obtaining approval from relevant authorities on the rights issue of new Domestic Shares and H Shares.

Furthermore, placement of new H Shares in Hong Kong requires the approval of the CSRC and the timing of its approval is uncertain. Even if it were approved, the size and turnover of the Company needs to be improved in order to allure quality investors.

Having considered the above, the Directors are of the opinion that a subscription of new Domestic Shares by Sample Group is not only the most efficient and cost effective way of raising the required funds but it also serves as a vote of confidence in the Company by the substantial Shareholder.

Reason for the subscription of Domestic Shares

With reference to the Board Letter, the Company expects to raise net proceeds of approximately RMB413.65 million (equivalent to approximately HK\$521.20 million) from the proposed Domestic Shares Subscription. It is currently the intention of the Company to apply the net proceeds from the new Domestic Shares Subscription in the following manner:

(i) approximately 60.58% or RMB250.70 million (equivalent to

transportation involve the utilization of radio frequency identification technologies and communication technologies to collect, analyze and integrate city-wide vital statistics. These two business segments encompass the provision of services to meet demand arises from daily civic life, environmental protection, public safety and public transportation in cities such as Xu Zhou and Huai An;

(ii) approximately 10.07% or RMB41.60 million (equivalent to approximately HK\$104.58 million) will be used to repay part of the Group's short term bank borrowings;

(iii) approximately 11.17% or RMB46.20 million (equivalent to approximately HK\$58.21 million) will be used for the expansion of the Group's custom and logistic business, including the nation-wide promotion of the Group's successfully researched safety intelligent lock

project and the integration of the Group's self-developed major intelligent systems, logistic information system, intelligent card system, safety intelligent lock system and GPS monitoring system, to strengthen the competitiveness of the Group's custom clearance monitoring services; and

- (iv) the remainder of approximately 8.09% or RMB33.45 million (equivalent to approximately HK\$42.15 million) will be applied as additional working capital.

Our view

Based on the above and having considered in particular that:

(i) the Board will follow the strict rules on the use of the Company's reserves and the Company's ability to raise further funds from banks; and

- (ii) the subscription of new Domestic Shares by Sample Group is a more efficient and cost effective way of raising the required funds as compared to debt financing and other equity issuance alternatives given that debt financing may incur interest costs and other equity issuance alternatives of H Shares requires approval from relevant authorities including CSRC which timing of its approval is uncertain; and

and the proceeds will be used to expand the Group's existing business and

from the issue of the new Domestic Shares pursuant to the Domestic Shares
under a specific mandate to be sought at the EGM and the class meetings.

Subscription price

RMB4.50 (equivalent to approximately HK\$5.67) per new Domestic Share.

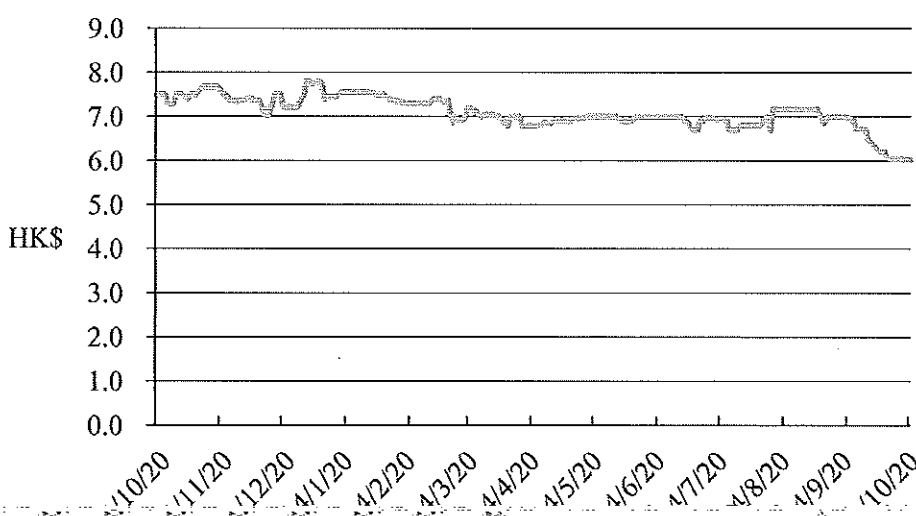
The Subscription Price is determined with reference to the average closing price of HK\$6.425 per H Share (equivalent to approximately RMB5.000) during

HK\$1.26 at the Price Determination Date.

The listing of the Domestic Shares (i.e. A Share listing) on any stock exchanges in the PRC in the near future. The transaction of the Domestic Shares Subscription are negotiated privately between a willing buyer and a willing seller.

Comparison of the Subscription Price with historical price of the H Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the H Shares as quoted on the Hong Kong Stock Exchange within the one-year period prior to the Price Determination Date (the "Review Period"). We consider that such one-year period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for our analysis and therefore can serve as a benchmark for assessing the Subscription Price. The historical trading pattern of the Shares during the Review Period is illustrated as follows.



During the Review Period, the closing prices of the H Shares ranged from

Price of HK\$6.02 (lowest) to HK\$8.00 (highest) and the Subscription

Price represents a discount of approximately 33% over the lowest closing price of

the H Shares of HK\$6.02 during the Review Period.

Comparison of the Subscription Price with the net asset value per Share

asset value of the Group of approximately HK\$6.18 per Share based on the

unaudited consolidated net asset value of approximately RMB1,000,215,085 (equivalent to approximately HK\$1,385,011,007) as at 30 June 2014 as disclosed in the Interim Report 2014 and based on the total number of 224,100,000 Shares in issue as at the Price Determination Date. While the Group is principally engaged in the provision of visual identification and RFID technologies based solutions to areas in intelligent traffic, customs and logistics services, health care and other sectors, we consider that the current market price of the Shares can

In order to assess the fairness and reasonableness of the terms of the

The review of the financial statements of the Company was conducted in accordance with the

comparables and the comparables are only for reference purposes

exclusive use in the release of this report for the purpose of providing

Premium
 Recipient
 Beneficiary
 Designation

Company	Stock code	Principal business	Date of announcement	Subscription Price (HK\$)	the shares as at the last trading day prior to the release of the announcement (the "1-D Day Comparables")	consecutive trading days prior to the release of the announcement (the "5-Days Comparables")
Chun Wo Development Holdings Limited	711	Civil engineering, electrical and mechanical engineering, foundation and building construction work, property development, property investment, professional services including provision of security and property management services.	20-Oct-14	0.46	-54.16%	-54.79%

Company	Stock code	Principal business	Date of announcement	Subscription Price (HK\$)	Premium/ (Discount) of the subscription price to the closing price of the shares as at the day prior to the release of the announcement (the "LTB Comparables)	Premium/ (Discount) of the subscription price to the closing price of the shares for the last 5 consecutive days prior to the release of the announcement (the "5-Days Comparables)
Changfeng Axle (China) Company Limited	1039	Manufacturing and selling of axle assemblies and axle components to heavy duty truck and middle duty truck and providing after-sales services, manufacturing and selling of train and railway components.	10-Oct-14	0.33	-29.03%	-23.26%
China Mobile Games and Cultural Investment Limited	8081	Design, research & develop mobileonline games & identifying & securing intellectual property rights; provide IT services; money lending business; provide medical diagnostic & health check services; securities & property	10-Oct-14	0.22	-5.58%	-6.86%
Provision of agency services.						
Airport Company Limited		aeronautical and non-aeronautical business at the Meilan Airport.				
Reorient Group Limited	376	Provision of securities brokerage, securities underwriting and placements, and consultancy and advisory services.	26-Jun-14	2.35	-8.91%	-9.62%

Premium/
(Discount) of the
subscription
price to the
closing price of

Limited

water, provision of
wastewater treatment
plants operation
services, wastewater
project construction
and operation services,
provision of heating
services, provision of
sludge and solid waste
treatment services.

Shoene Concord Technology

521

Development and

18-Jan-14

0.30

3.33%

3.00%

manufacturing equipment
navigation
management services
raising of investment
left emitted funds

China Mutual Capital Ltd.

3080

Development and

04-02

6.35%

0.80%

& securing intellectual
property rights;
provide IT services;
money lending
business; provide
medical diagnostic &
health check services;
securities & property
investments.

Chinlink International Holdings
Limited

997

Financing guarantee
services and
consultancy services
in the logistic industry
in the PRC, trading of

28-Apr-14

0.55

3.77%

4.56%

and Macao.

China City Railway

1522

Design, implementation

1-Apr-14

1.25

16.00%

16.00%

systems.

Premium/
(Discount) of the
subscription
price to the
closing price of
the shares for
the last 5
consecutive

Company Name	Code	Business Description	Announcement Date	Premium/Discount	Premium/Discount
Beautiful China Holdings Company Limited	706	development of iron ore mining projects in Western Australia; exploitation, processing and production of copper ore concentrates in the PRC.	22-Oct-13	0.10	-22.48%
Maximum					14.07%
Minimum					-54.16%
Average					-12.26%
The Company				5.67	-5.81%

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

jumped from a discount of approximately 59.16% to a premium of approximately 14.07% prior to the release of the relevant announcements (the "LTD Market Range");

"5 Days Market Range"). As noted above, the Subscription Price of HK\$6.67

represents (i) a discount of approximately 5.81% to the closing price of HK\$6.02 per H Share as at the Price Determination Date is lower than the average discount

line with the respective subscription price for the Comparables

Moreover, considering the Group and the Comparables may be operating in

Based on all of the above and having considered in particular that:

(i) the Domestic Shares are not listed and therefore there is no publicly

(ii) the discount represented by the Subscription Price falls within the LTD Market Range and the 5-Days Market Range respectively;

(iii) the discount represented by the Subscription Price is lower than the average discount represented by the LTD Market Range and 5-Days Market Range respectively;

(iv) the Subscription Price was a commercial decision arrived at after arm's length negotiation between the Company and the Sample Group;

(v) the net proceeds from the Domestic Shares Subscription will greatly improve the Group's cash reserves and the Company's ability to raise further funds from banks;

(vi) the proceeds from the Domestic Shares Subscription are used for the partial repayment of debts and for the Group's general working capital; and

(vii) there is no better financing alternatives available to the Group as discussed above;

we are of the view that the terms of the Domestic Shares Subscription are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We also consider the grant of the specific mandate from the Shareholders to allot and issue

Changes in the shareholding structure of the Company as a result of the Domestic Shares Subscription

For illustrative purposes, set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Domestic Shares Subscription:

Assuming no other changes to the issued share capital of the Company:

Parties acting in concert	Share class	(i) As at the Latest Practicable Date		(ii) Immediately after the completion of the Domestic Shares Subscription ⁽⁷⁾		
		No. of Shares	Approx. %	No. of Shares	Approx. %	
Sammi Group	Domestic	15,330,000	22.12%	15,330,000	19.45%	
Sammi Commerce	Domestic	4,250,000	6.21%	4,250,000	5.56%	
Mr. Han Jie	Domestic	11,300,000	16.30%	11,300,000	14.52%	
Yanyu Capital	Domestic	48,545,000	70.37%	48,545,000	62.47%	
Total of Sammi						
acting or presumed to be acting in concert with it			116,615,000	52.04%	209,338,400	66.07%
Other Domestic Shareholders						
Jiangsu Ruihua Investment Holding Group Company Ltd.* ⁽⁴⁾	Domestic	15,000,000	6.69%	15,000,000	4.73%	
Jiangsu Honeshi Technology Industry Company Ltd.* ⁽⁵⁾	Domestic	6,850,000	3.01%	6,850,000	2.19%	

- (7) Figures shown above are calculated assuming that no other Shares will be issued or transferred after the Latest Practicable Date until the completion of the Domestic Shares Subscription.

As depicted by the table above, the shareholding interests of the existing public Shareholders in the Company would be diluted by approximately 1.402 percentage point immediately after completion of the Domestic Shares

aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

(4) Financial effects of the Domestic Shares Subscription

Group as at 30 June 2014 were approximately RMB1,099.2 million and 48.2% respectively. As confirmed by the Directors, the Domestic Shares Subscription would increase the total assets and net asset value of the Group.

It is currently the intention of the Company to apply approximately 20.07%

HK\$42.15 million) as additional working capital.

(5) Proposed amendments to the Articles

As referred to in the Board Letter, the Board proposed to make certain amendments to the Articles, to take effect subject to and upon completion of the Domestic Shares Subscription, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the new Domestic Shares. Taking into account (i) the reasons for and benefits of the Domestic Shares Subscription; (ii) that the terms of the Domestic Shares Subscription being fair and

reasonable so far as the Independent Shareholders are concerned; and (iii) the proposed

of the company as a result of the issue of the new Domestic Shares are

for the view that the proposed amendments to the Articles is in the interests of the

Company and the Shareholders as a whole.

(6) The Whitewash Waiver

As at the Latest Practicable Date, Sample Group and parties acting in concert with it (including Sample Commerce City, Mr. Sha Min, the chairman and an executive Director of the Company), own or have control or direction over 67,070,000 Domestic Shares, representing approximately 29.93% of the entire issued share capital of the Company. Under the Takeovers Code, Active Gold is presumed to be a party acting in concert with Sample Group as Active Gold holds more than 20% of the entire issued share capital of the Company. As such, Sample Group, Sample Commerce City, Mr.

48.45% as a result of the Domestic Share Subscription. Sample Group will be required

pursuant to Note 1 or dispensations from Rule 26 of the Takeovers Code.

On 18 November 2014, an application was made on behalf of Sample Group to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on

Domestic Shares pursuant to the Domestic Shares Subscription. The Executive has

the approval of the Independent Shareholders taken by way of a poll at the EGM and

the Class Meetings. Sample Group and parties acting or presumed to be acting in

Subscription, the Domestic Shares Subscription Agreement, the Independent Shareholders

Class meetings. AS far as the Directors are aware, currently, save for Sample Group,

Sample Commerce City, Mr. Sha Min and Active Gold, there are no other Shareholders who are interested or involved in the Domestic Shares Subscription and/or the Whitewash Waiver.

It is one of the conditions under the Domestic Shares Subscription Agreement that

the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders taken by way of a poll at the EGM and the Class Meetings. If the

Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Domestic Shares Subscription Agreement will not become unconditional and the Domestic Shares Subscription will not proceed.

Based on (i) the reasons for the Domestic Shares Subscription and the proposed use of the net proceeds therefrom; (ii) the terms of the Domestic Shares Subscription Agreement being fair and reasonable so far as the Independent Shareholders are

reasonable so far as the Independent Shareholders are concerned

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that (i) the Domestic Shares Subscription Agreement and the transaction

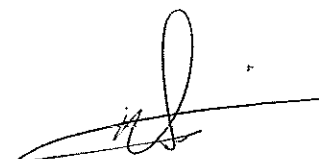
Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (ii) the grant of the specific mandate from the Shareholders to allot

Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (iii) the proposed amendments to the Articles is fair and reasonable

so far as the Independent Shareholders are concerned, in the interests of the Company and the Shareholders as a whole; and (iv) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committees to advise the Independent Shareholders to vote in

mandate, the proposed amendments to the Articles and the Whitewash Waiver and the transactions contemplated therein.

Yours faithfully,
For and on behalf of
Messis Capital Limited



Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the SFC and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.