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南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8287)

**ANNOUNCEMENT
DISCLOSEABLE AND CONNECTED TRANSACTIONS**

On 15 June 2004, the Company and Sample Group, a substantial shareholder and initial management shareholder of the Company, entered into the Credit Agreement.

For the period from 1 July 2004 to 31 December 2004, the Company had a current account with Sample Group under the Credit Agreement and the maximum balance amounted to RMB29,506,000 (equivalent to approximately HK\$27,836,000). The loan advances, as confirmed by the Directors, were used to facilitate Sample Group to obtain financing on an urgent basis and to save costs of Sample Group for obtaining financing from banks. The current account was fully settled before 31 December 2004 and the balance of RMB841,000 (equivalent to approximately HK\$793,000) outstanding as at 31 December 2004 represents the interest receivable and was fully settled subsequently on 21 March 2005. The granting of loan advances by the Company to Sample Group (i) constituted discloseable and connected transactions of the Company under Rules 19.06, 20.13 and 20.63 of the GEM Listing Rules and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 19, Rules 20.35 and 20.63 of the GEM Listing Rules; and (ii) is subject to disclosure obligation under Rules 17.15 and 17.17 of the GEM Listing Rules.

The failure by the Company to comply with the (i) reporting, announcement and Independent Shareholders' approval requirements for the discloseable and connected transactions; and (ii) disclosure obligation for advances to an entity under the GEM Listing Rules was an oversight and a breach of the GEM Listing Rules. The Stock Exchange reserves the rights to take appropriate action against the Company and its Directors in respect of the breach of the GEM Listing Rules.

The Board also overlooked the relevant PRC laws and regulations at the relevant time. As advised by the PRC legal advisers of the Company, the loan arrangement between the Company and Sample Group has violated the relevant PRC laws and the Company may be subject to a fine by the relevant banking supervisory authorities in the PRC, in which the Directors believe that it would not cause material financial impact on the Company.

FINANCIAL ASSISTANCE TO THE HOLDING COMPANY

On 15 June 2004, the Company and Sample Group, a substantial shareholder and initial management shareholder of the Company, entered into a credit loan facilities agreement (信用借款周轉協議) (the "Credit Agreement"). Pursuant to such agreement, the Company would provide financing to Sample Group upon request on a continuing basis with the maximum limit of RMB30,000,000 (equivalent to approximately HK\$28,302,000) for a period up to 31 December 2004. The loan advances are unsecured, repayable on demand and interest bearing at a rate not less than the interest rates quoted by banks in the PRC for six-month loans.

For the period from 1 July 2004 to 31 December 2004, the Company had a current account with Sample Group under the Credit Agreement and the maximum outstanding balance amounted to RMB29,506,000 (equivalent to approximately HK\$27,836,000). The loan advances, as confirmed by the Directors, were used to facilitate Sample Group to obtain financing for an acquisition in the PRC on an urgent basis and to save costs of Sample Group for obtaining such financing from banks. The current account was fully settled before 31 December 2004 and the balance of RMB841,000 (equivalent to approximately HK\$793,000) outstanding as at 31 December 2004 represents the interest receivable at a rate of 5.22% per annum and was fully settled subsequently on 21 March 2005.

Sample Group, which holds approximately 27.91% of the registered capital of the Company, is also interested in 95% of the registered capital of Sample Commerce City, which in turn is directly interested in approximately 2.56% of the registered capital of the Company. Accordingly, the Credit Agreement constituted connected transactions of the Company under Rules 20.13 and 20.63 of the GEM Listing Rules. Since the maximum amount of loans advanced to Sample Group, which amounted to RMB29,506,000 (equivalent to approximately HK\$27,836,000) in aggregate, represented approximately 11.8% of the audited consolidated total assets of the Group as at 31 December 2004, which amounted to approximately RMB251,070,000 (equivalent to approximately HK\$236,858,000), the loan advances to Sample Group (i) constituted discloseable transactions of the Company under Rule 19.06 of the GEM Listing Rules; and (ii) is subject to disclosure obligation under Rules 17.15 and 17.17 of the GEM Listing Rules. As the applicable interest rate was equal to the interest rates quoted by banks in the PRC for six-month loans, the independent non-executive Directors have confirmed that the loans were on normal commercial terms and were of the opinion that the terms of such loan advances were fair and reasonable so far as the shareholders of the Company as a whole are concerned.

The Board overlooked at the relevant time the (i) reporting, announcement and the Independent Shareholders' approval procedures for the discloseable and connected transactions; and (ii) disclosure obligation for advances to an entity required under the GEM Listing Rules in relation to the loans advanced to the Company's holding company. However, during the finalisation of the annual audit for the financial year of 2004 and after consultation with its professional advisers in March 2005, the Board realised that the non-compliance with the reporting, announcement and Independent Shareholders'

“Company”	南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*), a joint stock limited company incorporated in the PRC. It is principally engaged in the research and development, and provision of video security systems in the PRC targeting on government authorities
“Directors”	director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Shareholder(s)”	shareholders of the Company other than the initial management shareholders of the Company, namely Sample Group, Sample Commerce City and Sha Min, and their respective associate
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sample Commerce City”	南京三寶科技商城有限公司 (Nanjing Sample Technology Commerce City Company Limited*), a limited liability company incorporated in the PRC
“Sample Group”	南京三寶科技集團有限公司 (Nanjing Sample Technology Group Company Limited*), a limited liability company established in the PRC, is one of the initial management shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Nanjing, the PRC
18 May 2005

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Guo Ya Jun, the non-executive Directors are Mr. Zhao Jing Cheng, Mr. Zhang Yin Qian, Mr. Zhao Wen, Mr. Zhu De Xiang and the independent non-executive Directors are Mr. Zhang Zhan, Mr. Wang Wei and Mr. Lau Shek Yau John.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

** for identification purposes only*

Translation of Renminbi (RMB) into Hong Kong dollars (HK\$) is based on the exchange rate of HK\$1.00 to RMB1.06.