

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China ITS (Holdings) Co., Ltd.

中国智能交通系统(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

**CONNECTED TRANSACTION
ENTERING INTO THE NON-COMPETITION AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



首控集團

CHINA FIRST CAPITAL GROUP

**FIRST CAPITAL INTERNATIONAL
FINANCE LIMITED**

INTRODUCTION

The Group is primarily engaged in the sale of products and the provision of specialised solutions and services in the railway and electric power sectors. Beijing RHY, a company in which certain controlling shareholders of the Company and Directors are interested, is primarily engaged in the businesses of system integration, provision of technical services, equipment sale and provision of after-sale services in the trafficway (including but not limited to expressway) and urban traffic sectors. Given both the Group and the Beijing RHY Group are in the transportation industry, in order to avoid potential competition between the Group and the Beijing RHY Group and potential conflicts of interests involving the executive Directors (who have interests in both the Group and the Beijing RHY Group), the Company entered into the Non-competition Agreement with Beijing RHY pursuant to which each party agreed, among other things, it will not engage in businesses which compete or may compete with that of the other party.

THE NON-COMPETITION AGREEMENT

On 11 May 2021, the Company and Beijing RHY entered into the Non-competition Agreement, pursuant to which the Company and Beijing RHY agreed that, among other things, each of them shall not conduct any businesses which compete or may compete with the major businesses conducted by the other party, on the terms and subject to the conditions of the Non-competition Agreement. The Non-competition Agreement is not conducted in the ordinary and usual course of business of the Company but is a one-off agreement to accommodate the particular relationship among the Group, its controlling shareholders and the Beijing RHY Group for the reasons and benefits as set out below. The principal terms of the Non-competition Agreement are as follows.

Date : 11 May 2021

Major provisions :

1. The Company confirms and represents that the Group is currently primarily engaged in the sale of products and the provision of specialised solutions and services in the railway and electric power sectors. In the railway sector, the Group is primarily engaged in the sale of railway communication products and energy-base products, provision of value-added services such as maintenance services, network optimization and network planning, and technical consulting for the products related to the communication system for railway customers; in the electric power sector, the Group is primarily engaged in the sale of power transmission and transformation equipment, power generation equipment, etc., as well as the planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation for electric power customers, and power plant investment, construction and operation etc. (collectively, the “**China ITS Businesses**”).
2. Beijing RHY confirms and represents that the Beijing RHY Group is primarily engaged in the business of system integration, provision of technical services, equipment sale and provision of after-sale services in the trafficway and urban traffic sectors (collectively, the “**Beijing RHY Businesses**”).
3. The Company confirms that the Group is not engaged in any business activities which compete or may compete with the Beijing RHY Businesses, and does not own any operating assets which are engaged in the same or similar businesses as the Beijing RHY Businesses which has not been disclosed to Beijing RHY, and does not directly or indirectly own any equity interests in any enterprises which compete or may compete with the Beijing RHY Businesses.

4. Beijing RHY confirms that the Beijing RHY Group is not engaged in any business activities which compete or may compete with the China ITS Businesses, and does not own any operating assets which are engaged in the same or similar businesses as the China ITS Businesses which has not been disclosed to the Company, and does not directly or indirectly own any equity interests in any enterprises which compete or may compete with the China ITS Businesses.
5. The Company undertakes that, during the Term (as defined below), it and enterprises controlled by it will not directly or indirectly engage in any businesses which compete or may compete with the Beijing RHY Businesses, and will not establish, or directly or indirectly acquire enterprises or entities which engage in businesses which compete or may compete with the Beijing RHY Businesses.
6. Beijing RHY undertakes that, during the Term (as defined below), it and enterprises controlled by it will not directly or indirectly engage in any businesses which compete or may compete with the China ITS Businesses, and will not establish, or directly or indirectly acquire enterprises or entities which engage in businesses which compete or may compete with the China ITS Businesses.

Term : The Term as referred to in the undertakings of the Company and Beijing RHY in paragraphs 5 and 6 of the section headed “Major provisions” above, respectively, shall commence on the date of the satisfaction of all of the conditions precedent as set out below and shall end on the date on which the Company ceases to be controlled (as such term is defined under the Listing Rules) by the existing actual controllers (as such term is defined under PRC laws) of Beijing RHY, namely Mr. Jiang Hailin, Mr. Liao Jie, Mr. Liao Daoxun and Ms. Wu Yurui.

- Conditions precedent** : The Non-competition Agreement shall take effect upon:
- (i) Beijing RHY having obtained such approval as required under its articles of association and PRC laws, which include obtaining the opinion and approval of the independent directors of Beijing RHY, approval by the board of directors of Beijing RHY, and approval by the shareholders of Beijing RHY (with the interested shareholders and interested directors having abstained from voting); and
 - (ii) the Company having obtained such approval as required under its articles of association and the Listing Rules, including approval by the independent shareholders of the Company.

As at the date of this announcement, none of the conditions precedent has been fulfilled.

- Termination** : The Non-competition Agreement shall automatically terminate upon the expiration of the Term, or as otherwise mutually agreed between the parties by separate agreement (if earlier).

REASONS FOR AND BENEFITS OF ENTERING INTO THE NON-COMPETITION AGREEMENT

Beijing RHY was part of the Group prior to the Group's disposal of it in 2016 (the "**2016 Disposal**"). Please refer to the announcement of the Company dated 17 February 2016 and the circular of the Company dated 24 March 2016 for details of the 2016 Disposal. Since the completion of the 2016 Disposal, as a matter of the Group's strategy, the Group no longer conducts its primary businesses in the trafficway sector and the urban traffic sector, in which Beijing RHY Group primarily operates. The Company currently has no intention to re-enter into such sectors.

Likewise, as confirmed by Beijing RHY, since the 2016 Disposal, Beijing RHY Group has not conducted its primary businesses in the railway or electric power sectors, in which the Group operates. However, the Company is aware that Beijing RHY Group possesses certain licenses and qualifications such as professional contracting qualification of electronic and intelligent engineering, general contracting qualification of mechanical and electrical engineering construction, which are relevant for Beijing RHY to enter into railway and power infrastructure sectors to carry out system integration, equipment sales and such other businesses which may potentially allow it to compete with the Group.

The Directors are of the view that the Non-competition Agreement will serve to protect the Group against any potential competition from Beijing RHY Group and to avoid potential conflict of interests due to the interests of the Company's executive Directors in Beijing RHY.

Pursuant to the 2010 Non-competition Agreement, each of the Covenantors (including Jiang Hailin, Liao Daoxun, Wu Yurui, Zhang Qian, Guan Xiong and Yuan Chuang who are shareholders of Beijing RHY) has undertaken, among other things, neither he/she/it nor any company in which he/she/it is a controlling shareholder will compete with the Group directly or indirectly, whether on its own or jointly with another entity by participating, in or providing any support to, any activities or businesses which directly or indirectly compete with our businesses in the PRC. Nonetheless, the Directors are of the view that such undertaking may no longer be sufficient to protect the Company against potential competition from Beijing RHY because:

- (i) since the completion of the 2016 Disposal, Beijing RHY has been further invested in by other parties and the Covenantors and their associates currently only hold approximately 42.67% of the voting power in Beijing RHY; and
- (ii) Beijing RHY has undergone a share capital reform and become a joint-stock company, which will enable it to pursue a listing on a stock exchange and become a public company. In the event that it becomes a public company, the Covenantors' control over Beijing RHY may be subject to further restrictions and the Covenantors may not be able to control matters in which they have a material interest, such as business opportunities which may compete against the businesses of the Group.

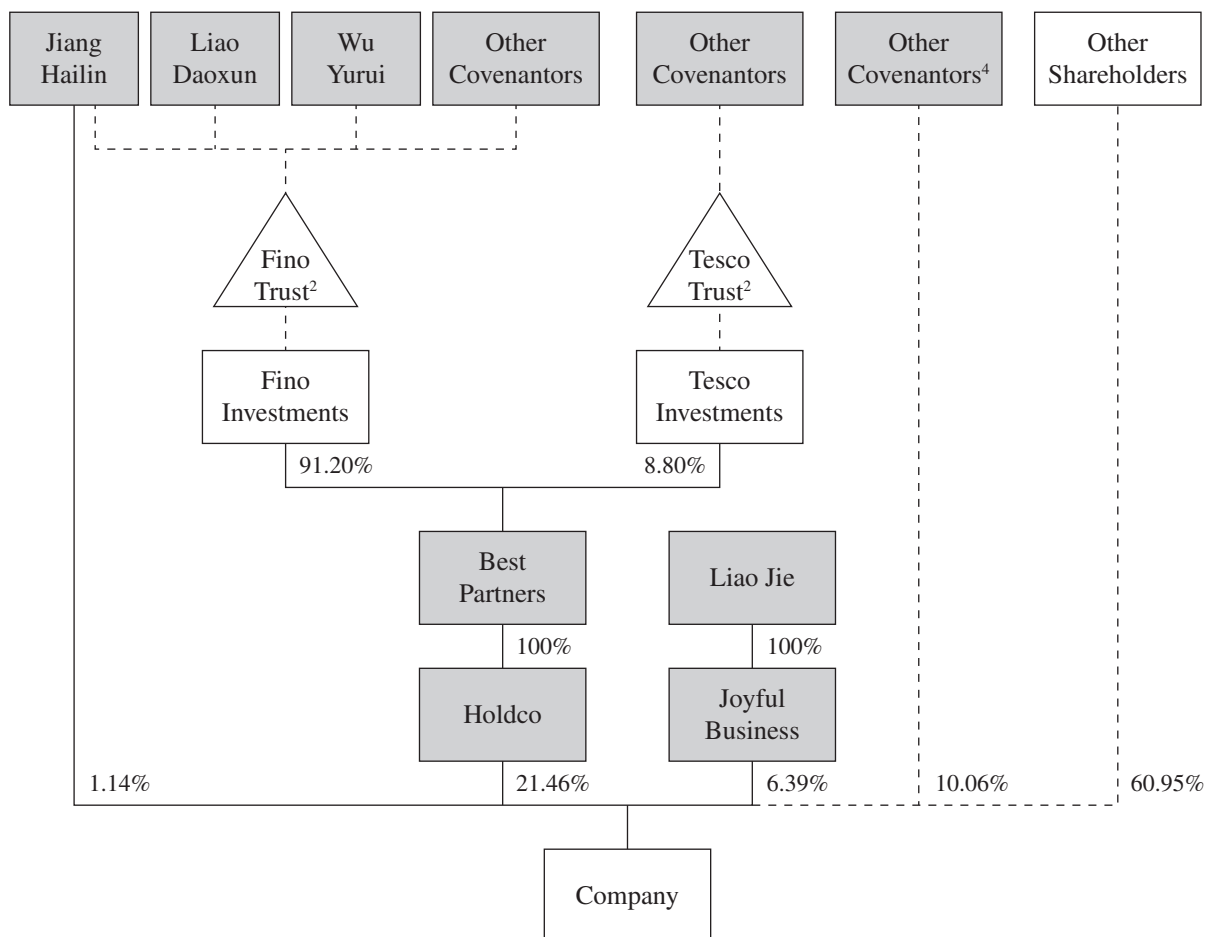
Accordingly, the Directors (other than the independent non-executive Directors whose view will be provided in the Circular) are of the view that the terms of Non-competition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND BEIJING RHY

The Group

The Group is a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors.

The shareholding of the relevant Covenantors and Directors in the Company are set out below:



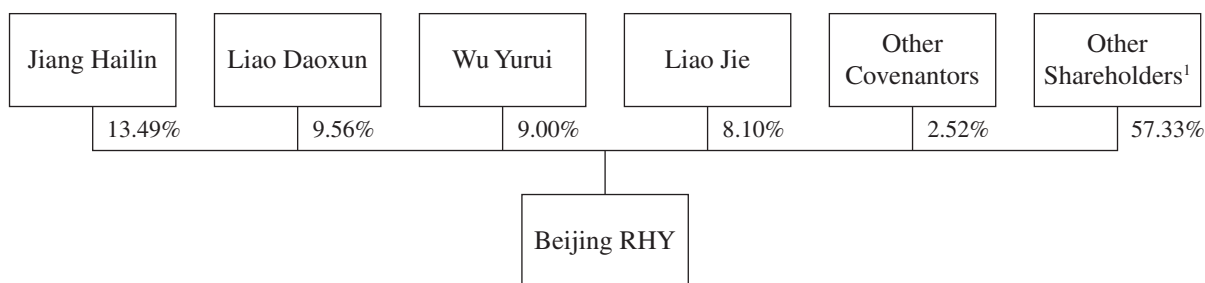
Notes:

1. Mr. Jiang Hailin, through Holdco, has the power to control the exercise the shareholder voting rights of the parties represented by shaded boxes in the Company pursuant to a series of voting agreements.
2. Fino Trust is an irrevocable discretionary trust established by Credit Suisse Trust Limited for the benefit of its beneficiaries, including Mr. Jiang Hailin, Mr. Liao Daoxun and Ms. Wu Yurui and certain other Covenantors.
3. Tesco Trust is an irrevocable discretionary trust established by Credit Suisse Trust Limited for the benefit of its beneficiaries, including certain other Covenantors.
4. This group of Covenantors held 10.06% of the Company's Shares as of the Latest Practicable Date. The direct shareholders of such Shares include Kang Yang Holdings Limited, Pride Spirit Company Limited, Huaxin Investments Limited, Joy Bright Success Limited, Rockyjing Investment Limited and Mr. Lv Xilin.

Beijing RHY

Beijing RHY is a company established under the laws of the PRC with limited liability on 16 February 2001. Beijing RHY is a high-tech enterprise specialized in providing turnkey solutions and services for intelligent transportation. The executive Directors, namely, Mr. Jiang Hailin and Mr. Liao Jie, are also directors of Beijing RHY. Other than Mr. Jiang Hailin, Mr. Liao Jie, Mr. Liao Daoxun and Ms. Wu Yurui, the ultimate beneficial owners of Beijing RHY holding 5% or more of its equity interests are Mr. Liao Yibing and Ms. Huang Min, who in aggregate hold approximately 25.60% of the equity interests in Beijing RHY. Mr. Guan Xiong and Mr. Zhang Qian, who are ultimate beneficial shareholders of the Company and parties to a series of voting agreements with, among others, Mr. Jiang Hailin, Mr. Liao Jie, Mr. Liao Daoxun and Ms. Wu Yurui in respect of their voting rights in the Company, are also ultimate beneficial owners of Beijing RHY who in aggregate own less than 0.1% equity interests in Beijing RHY. Other than Mr. Jiang Hailin, Mr. Liao Jie, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Guan Xiong and Mr. Zhang Qian, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, all other ultimate beneficial owners of Beijing RHY are independent third parties of the Company.

Mr. Jiang Hailin and Mr. Liao Jie, the Directors and controlling shareholders of the Company, together with Mr. Liao Daoxun and Ms. Wu Yurui, who are family members of Mr. Liao Jie, indirectly hold a total of 40.15% of the shareholding of Beijing RHY. Their respective shareholding in Beijing RHY is set out below:



Note:

1. None of the other shareholders of Beijing RHY is a Covenantor nor party to any voting agreement with any Covenantors.

As Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie, each of whom is a connected person of the Company pursuant to the Listing Rules, Beijing RHY is therefore a connected person of the Company.

LISTING RULES IMPLICATIONS

As Beijing RHY is a connected person of the Company, the Non-competition Agreement constitutes a connected transaction of the Company for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval of the Independent Shareholders at a general meeting of the Company.

As Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie, Mr. Jiang Hailin and Mr. Liao therefore have a material interest in the Non-competition Agreement and, as such, have abstained from voting on the board resolution of the Company to approve the Non-competition Agreement. To the best of the knowledge, information and belief of the Directors, no other Director is required to abstain from voting on the resolution to approve the Non-competition Agreement at the board meeting.

EGM

The EGM will be convened as soon as practicable at which ordinary resolution(s) will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Non-competition Agreement and the transactions contemplated thereunder.

- (i) Holdco, a controlling shareholder of the Company, being a company ultimately controlled by individuals including Mr. Jiang Hailin and Mr. Liao Jie who are materially interested in the Non-competition Agreement and holding 354,982,693 shares of the Company, or 21.46% of the issued share capital of the Company;
- (ii) Mr. Jiang Hailin, who directly holds 18,853,876 shares of the Company, or 1.14% of the issued share capital of the Company;
- (iii) Joyful Business Holdings Limited which is wholly owned by Mr. Liao Jie and holds 105,758,203 shares of the Company, or 6.39% of the issued share capital of the Company; and
- (iv) Kang Yang Holdings Limited, Pride Spirit Company Limited, Huaxin Investments Limited, Joy Bright Success Limited, Rockyjng Investment Limited, Lv Xilin, who in aggregate hold 166,318,005 shares of the Company, or 10.06% of the issued share capital of the Company, the voting power of which are subject to the control of Mr. Jiang Hailin by virtue of a series of voting agreements,

will abstain from voting on the resolution to approve the Non-competition Agreement at the EGM. To the best of the knowledge, information and belief of the Directors, save as disclosed above, no other Shareholder is required to abstain from voting on the resolution to approve the Non-competition Agreement at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the terms of the Non-competition Agreement and the transactions contemplated thereunder. First Capital International Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same transactions.

CIRCULAR

The Circular will be despatched to the Shareholders as soon as practicable, which is expected to be on 11 May 2021.

DEFINITIONS

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

“2010 Non-competition Agreement”	the non-competition agreement entered into by and among the Company and the Covenantors, as disclosed in the prospectus of the Company dated 30 June 2010
“Beijing RHY”	北京瑞華贏科技發展股份有限公司 (Beijing RHY Technology Development Co., Ltd.)*, a company established in the PRC with limited liability on 16 February 2001
“Beijing RHY Group”	Beijing RHY and its subsidiaries
“Board”	The board of Directors
“Circular”	a circular to be despatched by the Company to the Shareholders containing, among other things, (i) further information on the Non-competition Agreement; (ii) the notice of the EGM; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Non-competition Agreement and the transactions contemplated thereunder; and (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in connection thereto
“Company”	China ITS (Holdings) Co., Ltd. (中国智能交通系统(控股)有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Covenantors”	Holdco, Best Partners Development Limited, Huaxin Investments Limited, Gouver Investments Limited, Rockyjing Investment Limited, Joy Bright Success Limited, Tesco Investments Limited, Fino Investments Limited, Binks Investments Limited, Liao Daoxun, Wu Yurui, Jiang Hailin, Wang Jing, Liang Shiping, Wu Chunhong, Zhao Lisen, Yuan Chuang, Zhang Qian, Guan Xiong, Zheng Hui, Lv Xilin, Wang Li, Dang Kulun, Pan Jianguo and Jing Yang
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, approve the Non-competition Agreement
“Group”	the Company and its subsidiaries
“Holdco”	China ITS Co., Ltd.
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interest in the Disposal, namely, Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Non-competition Agreement”	the non-competition agreement dated 11 May 2021 entered into between the Company and Beijing RHY
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Beijing, 11 May 2021

As at the date of this announcement, the executive directors of the Company are Mr. Liao Jie and Mr. Jiang Hailin, and the independent non-executive directors of the Company are Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin.