

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in China ITS (Holdings) Co., Ltd., you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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**

A letter from the Board is set out on pages 3 to 14 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from First Capital International Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 25 of this circular.

A notice convening the EGM to be held on Friday, 28 May 2021 at 1:30 p.m. at Room V1, 6/F Building 204, No. A10 Jiuxianqiao North Road, Chaoyang District, Beijing, is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof.

11 May 2021

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2010 Non-compete Agreement”	the non-compete agreement entered into by and among 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
“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”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same 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)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to, among others, considering and if thought fit, approving the Non-competition Agreement
“Group”	the Company and its subsidiaries
“Holdco”	China ITS Co., Ltd.

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interest in the Non-competition Agreement, namely, Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin
“Independent Shareholders”	the Shareholders who are not interested in or involved in the Non-competition Agreement
“Independent Financial Adviser”	First Capital International Finance Limited (首控國際金融有限公司), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-competition Agreement
“Latest Practicable Date”	6 May 2021
“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
“Shareholders(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *The English names of the PRC entities referred to in this circular are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*



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)

Executive Directors:

Mr. Liao Jie (*Chairman of the Board*)
Mr. Jiang Hailin (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Ye Zhou
Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*)
Mr. Zhou Jianmin

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business in
Hong Kong:*

8/F., Golden Star Building
20-24 Lockhart Road
Wan Chai
Hong Kong

11 May 2021

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 11 May 2021. As set out in the announcement, on 11 May 2021, the Company and Beijing RHY entered into the Non-competition Agreement, pursuant to which each party agreed, among other things, that it will not engage in businesses which compete or may compete with that of the other party.

Given that both the Group and the Beijing RHY Group are in the transportation industry, the Company and Beijing RHY entered into the Non-competition Agreement with a view 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).

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with information in respect of the details of the Non-competition Agreement. The EGM will be convened to consider, and if thought fit, approve the Non-competition Agreement.

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 optimisation 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**”).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Set out below is a comparison between the current businesses of the Group and that of Beijing RHY:

The Group

The Beijing RHY Group

Businesses

The Group is primarily engaged in provision of products, specialised solutions and services for clients in the railway and the electric power industries.

Beijing RHY Group primarily engages in the provision of mechanical and electrical engineering and information system integration services, maintenance and research and development services, and sale of intelligent traffic equipment and provision of after-sale services to clients in the trafficway and urban traffic sectors. Specifically, the Beijing RHY Group provides integration services for highway monitoring, tolling, communication, tunnel mechanical and electrical systems, information systems, urban traffic information systems and smart parking management, maintenance and software development services for electrical and information systems, and sells intelligent highway products and intelligent terminals for urban traffic.

In the railway industry, the Group provides railway communication products, including railway transmission system, GSM-R mobile communication system, data communication network and video conferencing systems, and energy-base products such as power supply, uninterrupted power supply products and air conditioning products.

In the electric power industry, the Group provides clients with products and specialised solutions for electric power infrastructure, including power transmission and transformation equipment and power generation equipment. The Group also provide consultation and project planning services for electric power infrastructure projects such as power plant construction and power grid renovation. The Group also engages in the investment, construction and operation of power plants.

Business operation model

The Group is engaged by its clients on a project-by-project basis and the Group secures such engagements primarily through tenders.

The Beijing RHY Group is mainly engaged by its clients as general contractor or sub-contractor through tenders.

Revenue-generating model

The Group generates its revenue primarily through sale of products and provision of services.

The Beijing RHY Group generates its revenue mainly by acting as a contractor of projects. It also generates a small portion of its revenue from sales of expressway and urban traffic related products.

LETTER FROM THE BOARD

The Group

Products and services

- Railway communication equipment
- Power supply, uninterrupted power supply, air conditioning equipment
- Railway communication system related technical support services

Target customers

National and local railway companies and bureaus, railway engineering companies, railway communication research institutions.

None of the customers of the Group was a customer of the Beijing RHY Group for the years ended December 31, 2018, 2019 and 2020.

Supplier groups

The Group's suppliers primarily comprise communication equipment suppliers such as Huawei Technologies Co., Ltd. (華為技術有限公司), CNBM Technology Corporation Limited (中建材信息技術股份有限公司), SYNEX Distributions (China) Ltd. Beijing Branch (聯強國際貿易(中國)有限公司北京分公司), Taiji Computer Corporation Limited (太極計算機股份有限公司), Beijing Digital China Co., Ltd. (北京神州數碼有限公司).

The Beijing RHY Group

- Electrical engineering and information system integration services in the trafficway sector
- Maintenance services and technical support services for trafficways
- Intelligent highway products, intelligent urban traffic terminal products and after-sale services

Investors of the trafficway sector, primarily state-owned enterprises and business units.

The Beijing RHY Group's suppliers primarily comprise (i) communication equipment suppliers such as Beijing Yabang Weiye Traffic Technology Co., Ltd. (北京亞邦偉業交通技術有限公司), Jiangsu Zhongchao Holding Co., Ltd. (江蘇中超控股股份有限公司); (ii) highway toll equipment suppliers such as Hubei Communications Investment Technology Development Co., Ltd. (湖北交投科技發展有限公司), Guangxi Research Institute of Mechanical Industry Co., Ltd. (廣西機械工業研究院有限責任公司); (iii) labor services suppliers such as Guizhou Junboheng Jian'an Engineering Co., Ltd. (貴州均博恒建安工程有限責任公司), Changsha Quancheng XunTong Technology Development Co., Ltd. (長沙全程迅通科技開發有限公司); (iv) vehicle terminal suppliers such as Shenzhen TMvideo Technology Co., Ltd. (深圳市圖敏智能視頻股份有限公司).

LETTER FROM THE BOARD

The Group

The Beijing RHY Group

Other than two suppliers and one supplier of the Group for the years ended December 31, 2018 and 2019, respectively, were also suppliers of the Beijing RHY Group, none of the suppliers of the Group was a supplier of the Beijing RHY Group during the years ended December 31, 2018, 2019 and 2020. The overlapped suppliers in 2018 and 2019 were suppliers of communication and video surveillance equipment.

Industries

Railway industry

Trafficway and urban traffic industries

Electric power industry

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-compete 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.

The Beijing RHY possesses the Grade 2 qualification for Mechanical And Electrical Installation Engineering Construction General Contracting (機電工程施工總承包二級資質) in the PRC without any limitation on the industries of projects it may undertake. While Beijing RHY is not and has not been engaged for any business in the railway industry and does not intend to operate in the railway industry, such qualification and business scope will be conducive to Beijing RHY's entrance into such industry in the future if and when Beijing RHY intends to enter into it and has developed the necessary capabilities and experience.

LETTER FROM THE BOARD

At the time of the 2016 Disposal, the Company did not consider it necessary to enter into a non-competition agreement with Beijing RHY because upon completion of the 2016 Disposal, all shareholders of Beijing RHY were Covenantors or, in the case of Mr. Liao Jie, an associate of the Covenantors whom Mr. Liao Daoxun and Ms. Wu Yurui are obliged to procure, among other things, not to compete with the Group, who have already undertaken to procure that entities they controlled would not compete with the Group pursuant to the 2010 Non-compete Agreement. Since Beijing RHY was 100% controlled by the Covenantors and their associate, the Covenantors had the absolute power to restrict its actions such that it would not compete with the Group, which they did in compliance with the 2010 Non-compete Agreement. However, new investors have been introduced to Beijing RHY and the Covenantors' ownership of it gradually diminished over time. Since 2019, the Covenantors and their associate no longer owned the majority of the equity interests in Beijing RHY. At that time, it remained a private company over which the Covenantors had substantial influence and *de facto* control, and the Company was not aware of any material risk of potential competition between Beijing RHY Group and the Group. Please refer to the section headed "Information about the Group and Beijing RHY" for information regarding the shareholding of the Covenantors in the Company and in Beijing RHY, respectively. In December 2020, Beijing RHY underwent a capital restructuring pursuant to which it has become a joint-stock company, being a key step in becoming a public company. In light of the changes in the shareholding of Beijing RHY and Beijing RHY having become a joint-stock company, the Directors are of the view that now there is a risk that the 2010 Non-compete Agreement will not be sufficient to protect the Group against potential competition from Beijing RHY, unless the parties directly enter into a non-competition agreement with each other.

Accordingly, the Directors (other than the independent non-executive Directors, who collectively comprise the Independent Board Committee and whose view is provided in "Letter from the Independent Board Committee" set out on pages 15 of this 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.

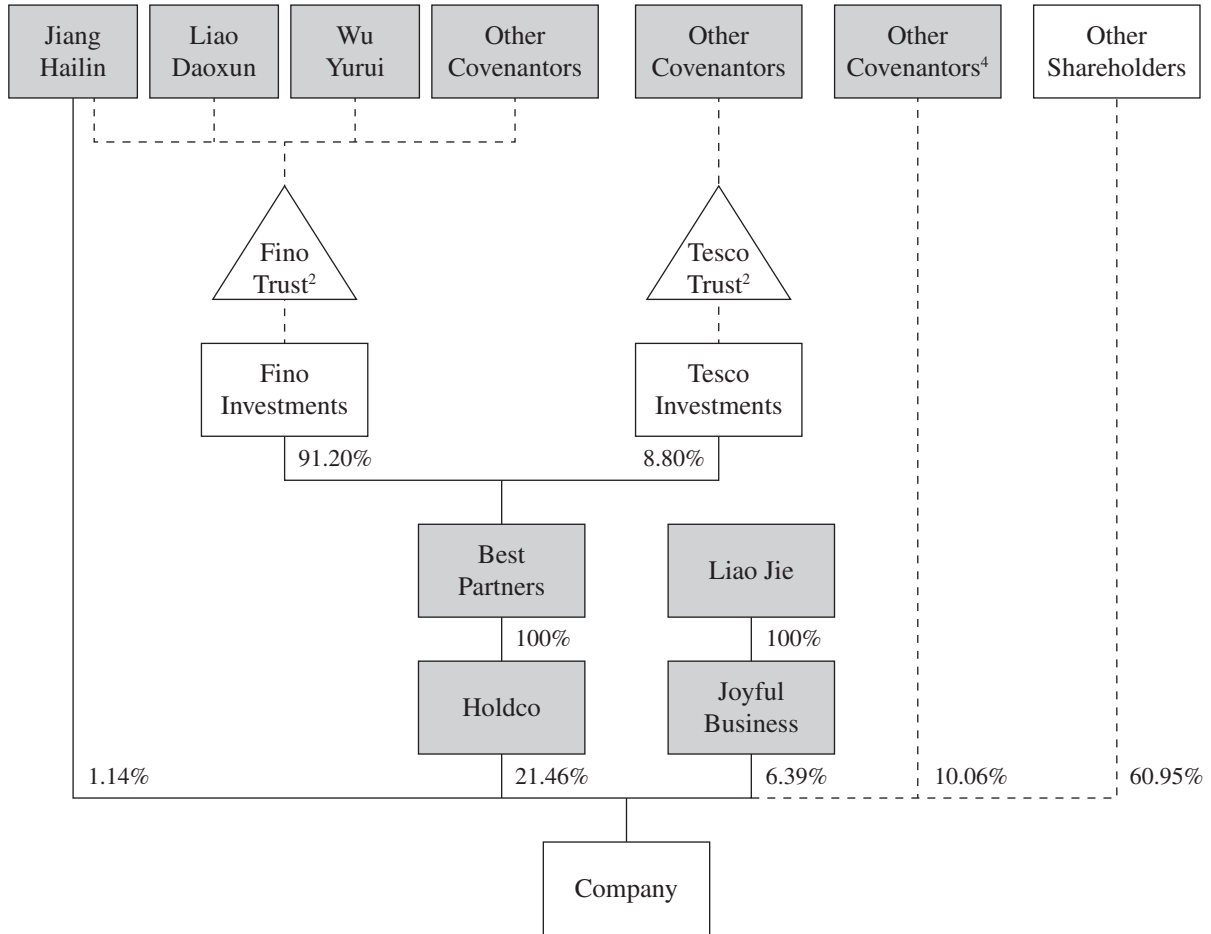
INFORMATION ABOUT THE GROUP AND BEIJING RHY

The Group

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

LETTER FROM THE BOARD

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



Notes:

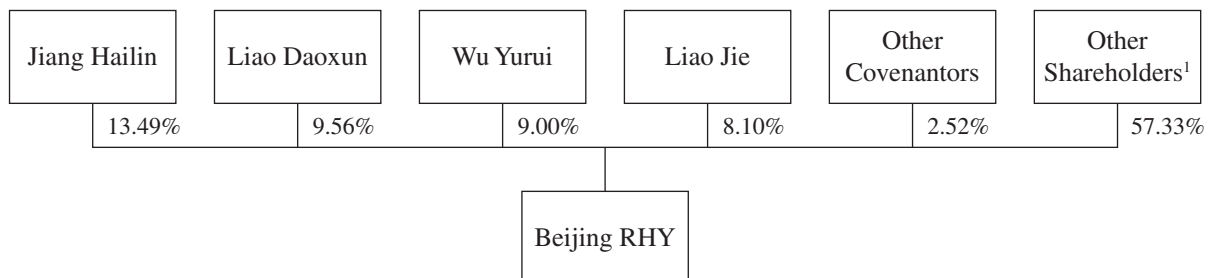
1. Mr. Jiang Hailin, through Holdco, has the power to control the exercise the shareholder voting rights of the parties represented by shaded boxes in the Company pursuant to a series of voting agreements.
2. Fino Trust is an irrevocable discretionary trust established by Credit Suisse Trust Limited 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,.

LETTER FROM THE BOARD

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 specialised 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 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.

LETTER FROM THE BOARD

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Non-competition Agreement.

- (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.

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.

Save as disclosed in this circular, there is no voting trust or other agreement or arrangement or understanding entered into by or binding upon Holdco, Mr. Jiang Hailin, and Joyful Business Holdings Limited, and no obligation or entitlement of Holdco, Mr. Jiang Hailin, and Joyful Business Holdings as at the Latest Practicable Date, whereby it/he has or may temporarily or permanently passed control over the exercise of the voting right in respect of its/his shares of the Company to a third party, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should the Shareholders so wish.

Pursuant to Rule 13.39(4) of the Listing Rule, any vote of the Shareholders at the EGM must be taken by poll. An announcement will be made by the Company after the EGM regarding the results of the EGM pursuant to the requirements of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 25 of this circular in connection with Non-competition Agreement and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Directors consider that the terms of the Non-competition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Your attention is drawn to additional information set out in the appendix to this circular.

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



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)

11 May 2021

To the Independent Shareholders

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

Dear Sir or Madam,

We refer to the circular of the Company dated 11 May 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Non-competition Agreement are fair and reasonable so far as the Independent Shareholders are concerned. First Capital International Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-competition Agreement.

Your attention is drawn to the “Letter from the Board” set out on pages 3 to 14 of the Circular which contains, *inter alia*, information about the terms of the Non-competition Agreement, and the “Letter from the Independent Financial Adviser” set out on pages 16 to 25 of the Circular which contains its advice in respect of the Non-competition Agreement together with the principal factors taken into consideration in arriving at such advice.

Having considered the terms of the Non-competition Agreement, and having taken into account the factors and reasons considered by and the advice of the Independent Financial Adviser as stated in their letter dated 11 May 2021, we consider that (i) the Non-competition Agreement is not conducted in the ordinary and usual course of business of the Company; (ii) the entering into of the Non-competition Agreement is on normal commercial terms; (iii) the terms of the Non-competition Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (iv) the entering into of the Non-competition Agreement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to ratify and approve the Non-competition Agreement.

Yours faithfully,

For and on behalf of

The Independent Board Committee

Mr. Ye Zhou

Mr. Wang Dong

Mr. Zhou Jianmin

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser, prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-competition Agreement.



FIRST CAPITAL INTERNATIONAL FINANCE LIMITED

Unit 4513, 45th Floor
The Center
99 Queen's Road Central
Hong Kong

11 May 2021

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION: ENTERING INTO THE NON-COMPETITION AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Non-competition Agreement. Details of the Non-competition Agreement are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 11 May 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Given that both the Group and the Beijing RHY Group are in the transportation industry, the Company and Beijing RHY entered into the Non-competition Agreement with a view 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). Pursuant to the Non-competition Agreement, each party agreed, among other things, that it will not engage in businesses which compete or may compete with that of the other party.

LISTING RULES IMPLICATION

As 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 as at the Latest Practicable Date, 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. As such Beijing RHY is a connected person of the Company and the Non-competition Agreement constitutes a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connected transaction 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 in accordance with the requirements of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin, has been established to advise the Independent Shareholders as to:

- (a) whether the entering into of the Non-competition Agreement is in the ordinary and usual course of business of the Group;
- (b) whether the terms of the Non-competition Agreement are on normal commercial terms and are fair and reasonable;
- (c) whether entering into of the Non-competition Agreement is in the interests of the Company and the Shareholders as a whole; and
- (d) the voting on the relevant resolution in respect of the Non-competition Agreement.

None of the members of the Independent Board Committee has any interest or involvement in the Non-competition Agreement. Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Non-competition Agreement are set out in the letter from the Independent Board Committee in the Circular.

We, First Capital International Finance Limited (“**First Capital**”), have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE OF FIRST CAPITAL

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Non-competition Agreement, as at the Latest Practicable Date, First Capital did not have any other relationship with or any interests in the Company that could reasonably be regarded as relevant to our independence. In the last two years, save for this appointment as the Independent Financial Adviser in connection with the Non-competition Agreement, there was no engagement between with the Group and First Capital. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are considered eligible to act as the Independent Financial Adviser and to give independent advice on the Non-competition Agreement under Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the statements, information and facts supplied, and the representations made and opinions expressed, by the Directors and management of the Company (collectively, the “**Management**”) and the respective professional advisers of the Company. We have reviewed, amongst others (i) the circular dated 24 March 2016 for the 2016 Disposal (the “**2016 Circular**”); (ii) the Company’s interim report for the six months ended 30 June 2020; (iii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iv) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (v) the Non-competition Agreement; and (vi) other information, representations and opinion as contained in or referred to in the Circular and those provided by the Company and the Management. We have assumed that all statements, information, facts, representations and opinions contained in or referred to in the Circular and/or those provided to us by the Company and the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects at the time they were provided or made and will continue to be so in all material respects up to the date of the EGM.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information and facts supplied and the representations made and opinions expressed by them are not misleading in any material respect.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our opinion and recommendation as set out in this letter. We have no reason to believe that any statements, information, opinions or representations have been omitted or withheld, nor to doubt the truth, accuracy or completeness of the information provided to us. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Company and the Management, nor have we conducted independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Non-competition Agreement. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Non-competition Agreement, we have considered the following principal factors and reasons:

1. Information on the Group

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

As described in the section headed “BUSINESS REVIEW” under the “CHAIRMAN’S STATEMENT” contained in the 2020 Annual Report, the main businesses of the Group are as follows:

(a) Railway business

The Group sells products and specialised solutions to customers according to their needs. It mainly includes railway communication products and energy-base products. The Group also provides value-added operation and services such as maintenance services, network optimisation and network planning, and technical consulting for the products related to the communication system for railway customers.

(b) Electric power business

The Group provides products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area. It mainly includes power transmission and transformation equipment, and power generation equipment, etc.. According to their needs, the Group also provides the planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation, etc..

2. Information on Beijing RHY

Beijing RHY is a company established under the laws of the PRC with limited liabilities on 16 February 2001. Mr. Jiang Hailin and Mr. Liao Jie, the Directors and controlling Shareholders of the Company, and 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. Prior to the completion of the 2016 Disposal, Beijing RHY was an indirect wholly-owned subsidiary of the Company.

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The Beijing RHY is a high-tech enterprise specialised in providing turnkey solutions and services for intelligent transportation primarily engaged in the provision of mechanical and electrical engineering and information system integration services, maintenance and research and development services, and sale of intelligent traffic equipment and provision of after-sale services to clients in the trafficway and urban traffic sectors. It possesses certain licenses and qualifications such as professional contracting qualification of electronic and intelligent engineering, general contracting qualification of mechanical and electrical engineering construction.

3. Principal terms of the Non-competition Agreement

Pursuant to the Non-competition Agreement, it is noted that:

- (a) 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 optimisation 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., i.e. the “**China ITS Businesses**”.
- (b) 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, i.e. the “**Beijing RHY Businesses**”.
- (c) 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.
- (d) 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.

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- (e) The Company undertakes that, during the Term, 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.
- (f) Beijing RHY undertakes that, during the Term, 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.

The Term as referred to in the undertakings of the Company and Beijing RHY in paragraphs 3(e) and 3(f) above, respectively, shall commence on the date of the satisfaction of all of the conditions precedent of the Non-competition Agreement 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.

The Non-competition Agreement is subject to the following conditions precedent:

- (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.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

4. Reasons for and benefits of the entering into of the Non-competition Agreement

As set out in the “Letter from the Board” of the Circular, 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 Group 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

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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.

By entering into Non-competition Agreement, it is expected to provide clearer business delineation of the Group from the Beijing RHY Group, in which Beijing RHY Group will focus on the business of system integration, provision of technical services, equipment sale and provision of after-sale services in the trafficway and urban traffic sectors, whilst the Group will continue to operate in sale of products and provision of specialised solutions and services in the railway and electric power sectors. Hence, we are of the view that this facilitates the Group to develop its stated strategy focusing on the railway and power infrastructure sectors.

Furthermore, pursuant to the 2010 Non-compete Agreement, each of the covenantors (including Mr. Jiang Hailin, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Zhang Qian, Mr. Guan Xiong and Mr. 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 the Group's 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 by other parties and the Covenantors and their associates currently only hold approximately 42.67% of the shareholding 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 may not be able to control matters in which they have a material interest, such as business opportunities which may compete to the businesses of the Group.

At the time of the 2016 Disposal, the Company did not consider it necessary to enter into a non-competition agreement with Beijing RHY because upon completion of the 2016 Disposal, all shareholders of Beijing RHY were Covenantors, or, in the case of Mr. Liao Jie, an associate of the Covenantors whom Mr. Liao Daoxun and Ms. Wu Yurui are obliged to procure, among other things, not to compete with the Group, who have already undertaken to procure that entities they controlled would not compete with the Group pursuant to the 2010 Non-compete Agreement. Since Beijing RHY was 100% controlled by the Covenantors, Covenantors had the absolute power to restrict its actions such that it would not compete with the Group, which they did in compliance with the 2010 Non-compete Agreement. However, new investors have been introduced to Beijing RHY and the Covenantors' ownership of it gradually diminished over time. Since 2019, the Covenantors no longer owned the majority of the equity interests in Beijing RHY. At that time, it remained a private company over which the Covenantors had substantial influence and *de facto* control, and the Company was not aware of any material risk of potential competition between Beijing RHY Group and the

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Group. Please refer to the section headed “Information about the Group and Beijing RHY” in the “Letter from the Board” of the Circular for information regarding the shareholding of the Covenantors in the Company and in Beijing RHY, respectively. In December 2020, Beijing RHY underwent a capital restructuring pursuant to which it has become a joint-stock company, being a key step in becoming a public company. In light of the changes in the shareholding of Beijing RHY and Beijing RHY having become a joint-stock company, the Directors are of the view that now there is a risk that the 2010 Non-compete Agreement will not be sufficient to protect the Group against potential competition from Beijing RHY, unless the parties directly enter into a non-competition agreement with each other.

In the view of the above, we concur with the Director’s view that the entering into of the Non-competition Agreement is in the interest of the Company and the Shareholders as a whole.

5. When considering the fairness and reasonableness of the terms of the Non-competition Agreement, we have taken into account the following factors:

(a) Forego the right of conducting businesses in trafficway and urban traffic sectors will not have any adverse impact to the Group

The Group has not been conducting businesses in the trafficway sector and the urban traffic sector since the completion of the 2016 Disposal. Given the Company’s stated strategy is to develop the intelligent value-added operation and services business in the railway and electric power sectors, the entering into of the Non-competition Agreement, thus foregoing the right of conducting businesses in the trafficway and urban traffic sectors, is not expected to have any adverse impact to the business and performance of the Group.

(b) Aligning the Group’s strategy and optimal allocation of the Group’s resources

According to the 2016 Circular issued by the Company for the 2016 Disposal, the Board considered that the revenue contribution of the urban traffic segment was continuously declining due to macro-environmental factors in the PRC, and the 2016 Disposal would provide the Group with capital to invest in, and enable the Group to allocate resources focusing and developing the railway sector and other sectors. This business has expanded to most nationwide railways bureaus and covered the railway backbone network by virtue of the Group’s platform advantages and self-developed intelligent maintenance system.

According to the 2019 Annual Report, the Group had become a solution provider of wired and wireless communication systems for He’an Jiu high-speed railway project, which has significant effect on improving national and regional railway network layout and raising transportation capacity. Meanwhile, the Group has successfully won the tender for OTN project of Shanghai Railway Administration, providing basic information channel for Shanghai Railway Administration and offering reliable, safe and quick information services to the relevant railway transportation business. The Group also provides solutions for electronic ticketing systems of multiple railway bureaus, which speeds up the process of electronic ticketing and improving travel efficiency of tourists. The involvement of such projects further consolidated the Group’s leading position in the

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railway communication market. The Management believes that their products and solutions business of railway communication segment still maintains at a high market share.

Based on the data published by the National Railway Administration of the PRC, during the four-year period from 2016 to 2019, the total investment amount for railway construction in the PRC was steady with slight increase from approximately RMB801.5 billion in 2016 to approximately RMB802.9 billion in 2019. During the four-year period from 2016 to 2019, the total length of railway in the PRC increased from approximately 124,000 km in 2016 to approximately 139,000 km in 2019. The steady growth in investment amount and total length of railway in the PRC indicate that railway sector in which the Group operates is fairly stable. In order to thoroughly implement the spirit of the Fifth Plenary Session of the 19th Central Committee of the Party and the major strategic decisions of the Central Committee and the State Council, the National Development and Reform Commission of the PRC convened special meeting on 30 November 2020 to comprehensively speed up the planning and construction of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area intercity railways and urban (suburban) railways, and comprehensively promote the development of urban and metropolitan areas along the three major regional railway tracks. The Company expects that demand will remain strong and there will be ample room for growth in the railway segment. The Management believes that the Non-competition Agreement will provide the Group an opportunity to align its strategy and flexibility to allocate the resource to railway and electric power sector.

(c) Restricting potential competition from a competitor with acknowledged knowhows

Beijing RHY Group is principally engaged in the provision of intelligent transportation system solutions and services to the trafficway and urban traffic segments in the PRC. It possesses the Grade 2 qualification for Mechanical And Electrical Installation Engineering Construction General Contracting (機電工程施工總承包二級資質) in the PRC without any limitation on the industries of projects it may undertake. These licenses and qualifications will be conducive to Beijing RHY's entrance into railway and electric power sectors to carry out system integration, equipment sales and such other businesses which may potential allow it to compete with the Group.

Pursuant to the Non-competition Agreement, Beijing RHY undertakes that, during the Term, 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. By entering into the Non-competition Agreement, despite it has the relevant licenses and qualifications, Beijing RHY Group is restricted from entering into the railway and electric power sectors and competing with the Group.

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Taking into account the above, we are of the view that the terms of the Non-competition Agreement are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Non-competition Agreement is in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that although the entering into of the Non-competition Agreement is not in the ordinary and usual course of business of the Company but is an 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 contained in this Circular, the terms of the Non-competition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Non-competition Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Non-competition Agreement.

Yours faithfully,
for and on behalf of
**FIRST CAPITAL INTERNATIONAL
FINANCE LIMITED**
Larry Chan **Keith Ho**
Managing Director *Vice President*

Mr. Larry Chan and Mr. Keith Ho are licensed persons registered with the Securities and Futures Commission and as responsible officers of First Capital to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and have over 28 years and 5 years of experience respectively in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"):

Name of Director	Nature of interest	Securities ⁽³⁾	Approximate percentage of shareholdings as at Latest Practicable Date ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Beneficial owner/Interest of a controlled corporation	146,494,077(L)	8.86%(L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Beneficiary of the Fino Trust	647,768,625(L)	39.16%(L)

Notes:

- (1) 40,735,874 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Liao Jie on January 18, 2012 under the Share Option Scheme. Mr. Liao Jie is also deemed to be interested in the 105,758,203 Shares held by Joyful Business Holdings Limited, which is wholly-owned by Mr. Liao Jie.

(2) 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Jiang Hailin on January 18, 2012 under the Share Option Scheme. Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.

(3) (L) denotes long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco ⁽¹⁾	Beneficiary owner	Long position	645,912,777	39.05%
Best Partners Development Limited ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Fino Investments Limited ⁽³⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾	Trustee	Long Position	645,912,777	39.05%
Central Huijin Investment Ltd.	Security interest	Long position	215,000,000	12.99%

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
China Construction Bank Corporation	Security interest	Long position	215,000,000	12.99%
Joyful Business Holdings Limited ⁽⁵⁾	Beneficiary owner	Long Position	105,758,203	6.39%
Penbay Investments Limited ⁽⁶⁾	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi ⁽⁶⁾	Interest of controlled corporation	Long position	98,613,367	5.96%

Notes:

- (1) As disclosed in the prospectus of the Company dated June 30, 2010, to facilitate the management and operation of the Company, certain major shareholders of the Company have entered into voting agreements delegating their voting rights in the Company to Holdco prior to the listing of the Company, and Holdco has been a controlling shareholder (as defined under the Listing Rules) of the Company since the listing of the Company in 2010. In connection with this arrangement and as a result of previous restructuring exercises of the Group, as at the Latest Practicable Date, Holdco, Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited, Gouver Investments Limited, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Best Partners Development Limited, Joyful Business Holdings Limited, Mr. Liao Jie, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, were parties to a series of shareholders voting agreements (the “**Shareholders Voting Agreements**”), pursuant to which each of the parties (other than Holdco) to the Shareholder Voting Agreements has authorised Holdco to exercise their voting rights in the Company on their behalves.

As at the Latest Practicable Date, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements. Holdco is wholly owned by Best Partners Development Limited. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.

- (2) The issued share capital of Best Partners is held as to 91.2015% by Fino Investments Limited and as to 8.7985% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director Mr. Liao Jie is director of Best Partners.
- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin, Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

- (5) Joyful Business Holdings Limited is wholly owned by Mr. Liao Jie. Mr. Liao Jie is the sole director of Joyful Business.
- (6) Penbay Investments Limited was controlled by Mr. Chen Qi and therefore Mr. Chen Qi was deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

(b) Directors' interest in competing business

As at the Latest Practicable Date, none of the Directors or their respective associate is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

(c) Directors interests in assets

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(d) Directors interests in contracts

As at the Latest Practicable Date, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2020, the date to which the latest audited financial statements of the Company were made up.

5. EXPERT — INDEPENDENT FINANCIAL ADVISER

The following is the qualifications of the Independent Financial Adviser who had given opinion or advice which is contained in this circular:

Name	Qualifications
First Capital International Finance Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

First Capital International Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report(s), letter(s) or opinion(s) (as the case may be) and references to its name or its report(s), letter(s) or opinion(s) (as the case may be) included in this circular in the form and context in which they respectively appear.

As at the Latest Practicable Date, First Capital International Finance Limited:

- (i) was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. GENERAL

- (a) The registered office, the headquarters and principal place of business in the Cayman Islands of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 8/F., Golden Star Building 20–24 Lockhart Road, Wanchai, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The company secretary of the Company is Mr. Leung Ming Shu who is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Fellow Member of the Hong Kong Institute of Certified Public Accountants (FCPA).
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the below documents will be available for inspection during normal business hours at the office of Morgan, Lewis & Bockius, the legal adviser of the Company, at Suites 1902–09, 19th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong from the date of this circular up to and including the EGM date:

- (a) this circular;
- (b) the Non-competition Agreement;
- (c) the letter from the Board, the text of which is set out on pages 3 to 14 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 of this circular;
- (e) the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 25 of this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of China ITS (Holdings) Co., Ltd. (the “**Company**”) will be held on Friday, 28 May 2021 at 1:30 p.m. at Room V1, 6/F, Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, PRC, for the purpose of considering and, if though fit, to pass with or without amendments the following ordinary resolution (the “**Resolution**”):

ORDINARY RESOLUTION

“**THAT** the Non-competition Agreement (as defined in the circular of the Company dated 11 May 2021 (the “**Circular**”)) be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Non-competition Agreement (as defined in the Circular).”

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

Beijing, 11 May 2021

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

8/F., Golden Star Building
20–24 Lockhart Road
Wan Chai
Hong Kong

NOTICE OF EGM

Notes:

- (1) Any member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. All proxies, together with powers of attorney or other authorities, if any, under which they are signed or notarially certified copies thereof, must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof should she/he so wishes.
- (2) Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the other in which the names of the joint holders stand on the register of the relevant joint holding.
- (3) In order to qualify for attending and voting at the EGM, all transfers of Share accompanied by the relevant share certificate must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 24 May 2021.
- (4) Shareholders who have a material interest in the Non-competition Agreement (as defined in the Circular) and their respective associates are required to abstain from voting on the Resolution at the EGM.

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