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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 INVOLVING GRANT OF AWARDED
SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE
AWARD SCHEME PURSUANT TO SPECIFIC MANDATE**

On 8 November 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme, in order to recognize the contributions of the Connected Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such grants of the Connected Awarded Shares have been approved by the Board, but remain subject to the Independent Shareholders' Approval as detailed below.

**ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND
APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein. The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein.

LISTING RULES IMPLICATIONS

As the Connected Award Participants consist of Mr. Luo Haibin, who is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company, and Mr. Mou Yi, who is the Chief Financial Officer and general manager of the Financial Management Department of the Company and director of certain wholly-owned subsidiaries of the Company, the Connected Award Participants are connected persons of the Company at the subsidiary level. Therefore, the grant, allotment and issue of Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at the EGM.

The Company will put forward, among other things, ordinary resolutions to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and the transactions contemplated therein at a general meeting to be convened by the Company for the Independent Shareholders' consideration and approval.

A circular containing, among others, further details of the grant, allotment and issue of the Connected Awarded Shares and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, and the notice convening a general meeting will be despatched to the Shareholders on or before 29 November 2021.

CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

Reference is made to the announcement of the Company dated 16 September 2021, in relation to the adoption of the 2021 Share Award Scheme. The 2021 Share Award Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

On 8 November 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme, in order to recognize the contributions of the Connected Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such grants have been approved by the Board, but the grants of the Connected Awarded Shares remain subject to the Independent Shareholders' Approval as detailed below.

The Awarded Shares will be granted to the Connected Award Participants with details as follows:

Names of Connected Award Participants	Positions held within the Group	Number of Awarded Shares
Mr. Luo Haibin	President of the Company; President and director of certain wholly-owned subsidiaries of the Company	49,620,746
Mr. Mou Yi	Chief Financial Officer and general manager of the Financial Management Department of the Company; director of certain wholly-owned subsidiaries of the Company	16,540,248
Total Connected Awarded Shares		<u><u>66,160,994</u></u>

Pursuant to the 2021 Share Award Scheme, the Awarded Shares shall be granted to the Connected Award Participants for nil consideration and is conditional upon the satisfaction of the vesting conditions. The Connected Awarded Shares shall be allotted and issued to the Trustee at nominal value of HK\$0.0002 each. Based on the closing price of HK\$0.160 per Share as quoted on the Stock Exchange as at the date of this announcement, the market value of the 66,160,994 Awarded Shares granted to the Connected Award Participants is approximately HK\$10,585,759. The aggregate nominal value of the Connected Awarded Shares is approximately HK\$13,232.20. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of this announcement as quoted on the Stock Exchange is approximately HK\$0.164 per Share. Based on the average closing price of the Shares for the five consecutive trading days immediately preceding the date of this announcement as quoted on the Stock Exchange, the market value of the 66,160,994 Awarded Shares granted to the Connected Award Participants is approximately HK\$10,850,403.

To the best knowledge, information and belief of the Board after making all reasonable enquiries, the Trustee is an independent third party and not connected with the Company or any of its connected persons. The Trustee will administer the 2021 Share Award Scheme in accordance with the terms of the 2021 Share Award Scheme and the Trust Deed. Each tranche of the Connected Awarded Shares will be allotted and issued to the Trustee prior to vesting of such tranche of Connected Awarded Shares to enable the Trustee to transfer such Connected Awarded Shares to the relevant grantee upon vesting. The Company currently expects that no Connected Awarded Shares would be allotted and issued to the Trustee prior to 31 December 2021. The Trustee will become a connected person of the Company if the number of Shares held by the Trustee for the benefit of the connected persons of the Company equals to or exceeds 30% of the aggregate number of Shares held by the Trustee as the trustee of the Trust. There is no restriction on the aggregate interests of the Company's connected persons held by the Trustee under the Scheme. The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules where appropriate.

Vesting schedule and conditions

The Connected Awarded Shares shall be vested in three tranches in accordance with the following dates of the vesting schedule (the “**Vesting Schedule**”), or such earlier date as may be determined by the Board, provided that the vesting date for the first, second and third tranche of the Awarded Shares shall not be earlier than 1 January 2022, 1 January 2023 and 1 January 2024:

Names of Connected Award Participants	Vesting Dates and Number of Connected Awarded Shares to be vested in			Grant Fee
	First tranche 30 June 2022	Second tranche 30 June 2023	Third tranche 28 June 2024	
Mr. Luo Haibin	8,187,423 8,187,423	8,187,423 8,187,423	8,435,527 8,435,527	Nil HK\$0.13 per Awarded Shares (or RMB equivalent), representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	<u>16,374,846</u>	<u>16,374,846</u>	<u>16,871,054</u>	
Mr. Mou Yi	2,729,141 2,729,141	2,729,141 2,729,141	2,811,842 2,811,842	Nil HK\$0.13 per Awarded Shares (or RMB equivalent), representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	<u>5,458,282</u>	<u>5,458,282</u>	<u>5,623,684</u>	
Total Connected Awarded Shares	<u><u>21,833,128</u></u>	<u><u>21,833,128</u></u>	<u><u>22,494,738</u></u>	

The vesting of the Awarded Shares is also subject to the conditions as set out in the 2021 Share Award Scheme and the following vesting conditions as specified by the Board in the relevant grant letters:

1. The Selected Participant remain as an Eligible Participant on and before the relevant vesting date in accordance with the Vesting Schedule;
2. The Selected Participant achieved his/her respective performance target(s) as specified in the relevant grant letter;

3. With respect to half of the Awarded Shares to be vested in each tranche, the Selected Participant has duly paid the grant fee of HK\$0.13 per Share, or RMB equivalent (the “Grant Fee”), to the Group (if applicable); and
4. The Selected Participant has completed the relevant filings and obtained the necessary approvals in respect of the transfer of the Awarded Shares by the Trustee to himself/herself (if required).

For the avoidance of doubt, Awarded Shares which do not require payment of Grant Fee will vest in the relevant grantees on the relevant vesting date(s) independent of the vesting of Awarded Shares which requires Grant Fee, provided that the relevant vesting conditions (if any) are satisfied, whether or not any Grant Fee is paid for any Awarded Shares in the same tranche the vesting of which requires Grant Fee.

Ranking of the Connected Awarded Shares

The Connected Awarded Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the allotment date.

Conditions precedent

The grant, allotment and issue of the 66,160,994 Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall be subject to

- (a) the approval by the Independent Shareholders at the EGM in respect of the grant, allotment and issue of the Connected Awarded Shares, the Specific Mandate and the transactions contemplated thereunder pursuant to the terms of the 2021 Share Award Scheme and the grant letters issued by the Company to the Connected Award Participants, namely Mr. Luo Haibin and Mr. Mou Yi; and
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Awarded Shares.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 66,160,994 Connected Awarded Shares.

The Connected Awarded Shares will be allotted and issued to the Connected Award Participants with details as follows:

Connected Award Participants	Number of Connected Awarded Shares granted to the Connected Award Participants	Approximate market value of the Connected Awarded Shares as at the date of this announcement <i>HK\$</i> <i>(Note 1)</i>	Approximate percentage of total Shares in issue as at the date of this announcement <i>(Note 2)</i>
Mr. Luo Haibin	49,620,746	7,939,319	3.0%
Mr. Mou Yi	16,540,248	2,646,440	1.0%
Total Connected Awarded Shares	66,160,994	10,585,759	4.0%

Notes:

- (1) The market value of the Connected Awarded Shares is calculated based on the closing market price per Share of HK\$0.160 as of 8 November 2021, being the date of the Announcement before taking into account the Grant Fee payable by the respective Connected Award Participants.
- (2) As at the date of this announcement, the total number of Shares in issue is 1,654,024,868.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

REASONS AND BENEFITS OF THE GRANT OF CONNECTED AWARDED SHARES

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

The Board considers that the award of the Connected Awarded Shares to the Connected Award Participants recognizes and motivates the contributions of the Connected Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group. Furthermore, there will not be any cash outflow and cash can be preserved by the Group under the award of the Connected Awarded Shares to provide incentives to the Connected Award Participants. In this regard, the Directors consider that the terms and conditions of the grant, allotment and issue of the Connected Awarded Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon the allotment and issue of the Connected Awarded Shares, the Trustee will hold the new Shares on trust for the Connected Award Participants and such Connected Awarded Shares shall be transferred to the Connected Award Participants at no consideration on the vesting dates (other than the Grant Fee to be paid by the Connected Award Participants to the Group). As such, no funds (other than the Grant Fee) will be raised by the Company as a result of the allotment and issue of the Awarded Shares.

LISTING RULES IMPLICATIONS

As the Connected Award Participants consist of Mr. Luo Haibin, who is a director of certain wholly-owned subsidiaries of the Company, and Mr. Mou Yi, who is a director of certain wholly-owned subsidiaries of the Company, respectively, the Connected Award Participants are connected persons of the Company at the subsidiary level. Therefore, the grant, allotment and issue of Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at the EGM.

The Company will put forward, among other things, ordinary resolution(s) to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and the transactions contemplated therein at the general meeting to be convened by the Company for the Independent Shareholders' consideration and approval.

As at the date of this announcement, Mr. Mou Yi directly holds 630,000 Shares of the Company, or 0.04% of the issued share capital of the Company. As Mr. Mou Yi has a material interest in the ordinary resolution at the EGM to approve the grant, allotment and issue of the Connected Awarded Shares to himself under the 2021 Share Award Scheme, he will abstain from voting on such resolution.

Pursuant to Chapter 14A of the Listing Rules, to the best knowledge, information and belief of the Directors, save for Mr. Mou Yi and his respective associates (who are in aggregate holding 630,000 Shares as at the date of this announcement), no other Shareholder is required to abstain from voting on the resolution(s) to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants and the transactions contemplated thereunder at the EGM to be convened by the Company.

None of the Directors is or is deemed to have a material interest in the Connected Awarded Shares.

A circular containing, among others, further details of the grant, allotment and issue of the Connected Awarded Shares and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, and the notice convening the EGM will be despatched to the Shareholders on or before 29 November 2021.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein. The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein.

DEFINITIONS

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

“2021 Share Award Scheme”	the “2021 Share Award Scheme” constituted by the rules adopted on 16 September 2021, in its present form or as amended from time to time in accordance with the provisions therein
“Award(s)”	award of Shares by the Company pursuant to the 2021 Share Award Scheme to any Selected Participant(s)
“Awarded Share(s)”	in respect of any Selected Participant(s), such number of Shares subject to Award(s) as determined by the Board
“Board”	the board of directors of the Company
“Company”	China ITS (Holdings) Co., Ltd. (中国智能交通系统 (控股) 有限公司), a limited liability company incorporated in the Cayman Islands
“Connected Award Participants”	the Award Participants who are connected with the Company or connected persons of the Company
“Connected Awarded Shares”	the 66,160,994 Shares conditionally granted by the Company to the Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme on the date of this announcement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“Eligible Participant(s)”	any Director (whether executive or non-executive), senior management and employee of the Company and its subsidiaries and any other person whom the Board believes to have contribution or will contribute to the Group and has a direct or significant impact on the long-term development of the Group, but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group; (ii) any employee of the Group who at the relevant time has given or been given notice terminating his employment, office or directorship as the case may be; and (iii) any other person that the Board may determine from time to time
“General Mandate”	general mandate granted or to be granted by the Shareholders at general meetings from time to time authorizing the Board to, among other things, allot and issue Shares of up to a specific amount during a period of time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the grant, allotment and issue of the Connected Award Shares to the Connected Award Participants, the Specific Mandate and transactions contemplated thereunder
“Independent Shareholders”	independent Shareholders other than the Connected Award Participants and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Selected Participant(s)”	those Eligible Participants selected by the Board for participation in the 2021 Share Award Scheme
“Share(s)”	ordinary shares of HK\$0.0002 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)

“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	specific mandate granted or to be granted by the Shareholders at any general meeting authorizing a specific issuance of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the China ITS Share Award Scheme Trust from which Awarded Shares may be granted to Selected Participants pursuant to the 2021 Share Award Scheme
“Trust Deed”	the trust deed constituting the Trust, as restated, supplemented and amended from time to time
“Trustee”	Futu Trustee Limited or any additional or replacement trustee in relation to the 2021 Share Award Scheme

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

Beijing, 8 November 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.