

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



China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1900)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 51% EQUITY INTERESTS OF
THE TARGET COMPANY BY THE VENDOR**

THE PROPOSED DISPOSAL

On 29 September 2022, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendor, the Sale Shares. The Consideration for the Proposed Disposal is approximately RMB57.9 million.

Immediately after completion of the Proposed Disposal, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company. The Target Company will be held as to 51% by the Purchaser and 49% by the Vendor. The financial results of the Target Company will no longer be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As completion of the Agreement is subject to the fulfilment of certain Closing Conditions and the Proposed Disposal may or may not proceed, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

THE PROPOSED DISPOSAL

On 29 September 2022, the Vendor entered into the Agreement with the Purchaser in relation to the Proposed Disposal. The salient terms of the Agreement are summarized below:

Parties:

- (1) The Vendor
- (2) The Purchaser
- (3) The Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquire, the Purchaser is an independent third party of the Company and its connected persons.

Assets to be Disposed of:

The Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendor, the Sale Shares, which represent 51% equity interest in the Target Company.

Consideration for the Proposed Disposal and Payment Term

The Consideration for the Proposed Disposal is approximately RMB57.9 million, which was determined after arm's length negotiations between the parties to the Agreement with reference to the valuation by the Valuer of 100% equity interests of the Target Company of approximately RMB113.5 million as of 31 July 2022.

The Valuer adopted the asset-based approach and conducted its valuation primarily based on the value of the assets of the Target Company, primarily comprising 14 properties located in an industrial park in Wuxi, Jiangsu province, China with a total gross floor area of approximately 43,056.03 sq.m.

The Consideration will be payable in stages and in the following manners:

- (1) The Purchaser shall pay the first instalment in cash in the amount of approximately RMB20.4 million to the Vendor within 10 days from the signing date of the Agreement;
- (2) The Purchaser shall pay the second instalment in cash in the amount of approximately RMB18.7 million to the Vendor within six months from the signing date of the Agreement; and
- (3) The Purchaser shall pay the third instalment in cash in the amount of approximately RMB18.7 million to the Vendor within 12 months from the signing date of the Agreement.

Continued Provision of Guarantee to the Target Company

Prior to the Proposed Disposal, pursuant to the Corporate Guarantee Agreement, the Original Guarantor, a subsidiary of the Company, provides corporate guarantee for the Target Company for one bank term loan facilities granted by BOC (Wuxi) pursuant to the BOC Loan Agreement. After completion of the Proposed Disposal, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company. The Company intends to limit its guarantee liability exposure post-completion. As a result, pursuant to the Agreement, while the Corporate Guarantee Agreement remains valid between the Original Guarantor and BOC (Wuxi), the Vendor (or wholly-owned subsidiaries of the Company) and the Purchaser shall undertake 49% and 51% of such guarantee liability, respectively, on a joint and several basis. Any one party who fulfills the guarantee liability in excess of its own share shall have the right to recover such excess from the other party within its unfulfilled share under the Agreement.

The guarantee period under the Agreement shall be the two years following the date of expiry of the loan repayment period.

CLOSING CONDITIONS OF THE PROPOSED DISPOSAL

The Agreement is subject to the following Closing Conditions:

- (1) The board of directors and the shareholders' meeting of the Purchaser shall pass the relevant resolutions approving the Agreement and Transaction Documents;
- (2) the shareholders' meeting of the Vendor and the board of directors of the Company shall pass the relevant resolutions on the Proposed Disposal, including but not limited to, approving the Agreement and Transaction Documents; and
- (3) the approval and/or permit of the Proposed Disposal (if needed) from the competent regulatory authority, according to the applicable laws and regulations, shall be obtained.

COMPLETION OF THE PROPOSED DISPOSAL

Within 20 days following the satisfaction of the Closing Conditions, the parties to the Agreement shall complete the transfer of the Sale Shares from the Vendor to the Purchaser. Provided that the first instalment of the Consideration has been paid, the date of completion of such transfer at the relevant governmental authorities shall be the Closing Date.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Group is mainly engaged in providing products, specialized solutions and services related to infrastructure technology in the railway and electric power sectors. Real estate development and industrial park operation are not the Group's principal business. The Board considers that cooperating with a partner who possesses relevant knowledge and experience in developing the industrial park will be beneficial to the profitability of the project and in the Company's interest. Please refer to the section headed "Information about the Parties — The Purchaser" for further background information about the Purchaser.

After the completion of the Proposed Disposal, the Target Company will be held as to 51% by the Purchaser and 49% by the Group. The Director believe that the Purchaser has the requisite knowledge, experience and resources in real estate development and operation of industrial park. The Directors further believe that the Proposed Disposal will enable the Group to devote more resources and attention on its principal businesses, as well as realizing the part of the gains from this investment.

The Directors (including the independent non-executive Directors) considered the reasons for and the benefit for the Proposed Disposal. They are of the view that the terms of the Agreement are fair and reasonable which were determined after arm's length negotiations and the Proposed Disposal, given the above, is in the interest of the Company and the Shareholders as a whole.

EFFECT OF THE PROPOSED DISPOSAL

Upon completion of the Proposed Disposal, the Target Company will cease to be accounted as a subsidiary of the Group and the financial results of the Target Company will no longer be consolidated into the Group's financial statements.

For illustrative purposes, there is an estimated gain of approximately RMB15.5 million arising out of the Proposed Disposal, being the difference between the Consideration of approximately RMB57.9 million for the Sale Shares and 51% of the book net assets value of the Target Company in the amount of approximately RMB42.4 million.

The proceeds from the Proposed Disposal will be used for general working capital to further develop the Group's current main businesses and any business opportunities identified in the future.

CONTINUED PROVISION OF GUARANTEE

As of the date of this announcement, the Target Company has an outstanding loan in the principal amount of approximately RMB44.5 million under the BOC Loan Agreement. The total original principal amount of the loan under the BOC Loan Agreement was RMB70.0 million, out of which RMB25.5 million has been repaid as of the date of this announcement. The outstanding balance of the loan in the principal amount of RMB44.5 million shall be repaid on or before 30 June 2024. The interest of such loan is settled on a monthly basis at a rate that is 130% of the 5-year LPR during the same settlement period.

The principal terms of the Corporate Guarantee Agreement are set out below:

Date: 2 July 2019

Parties: (1) The Original Guarantor; and
(2) BOC (Wuxi)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BOC (Wuxi) and its ultimate beneficial owner are third parties independent of the Company and its connected persons

Guarantee: Under the Corporate Guarantee Agreement, the Original Guarantor agreed to provide corporate guarantee in favor of BOC (Wuxi) for the outstanding loans granted under the BOC Loan Agreement, including but not limited to the principal amount, interests, penalty interests, compound interests, default penalties, compensations and other expenses incurred by BOC (Wuxi) in relation to the recovery of the loans

Guarantee period: 2 years after the expiry of the loan repayment period

Mode of guarantee: Joint and several liability guarantee

Effective date: 2 July 2019

REASONS FOR AND BENEFITS OF THE PROVISION OF GUARANTEE

After completion of the Proposed Disposal, the Target Company will be held as to 51% by the Purchaser and 49% by the Vendor. Continued provision of guarantee by our Group facilitates the Target Company in obtaining bank loans and funding for its operation and development, given that it is a common practice in the PRC for commercial banks to request major shareholders of an entity to provide corporate guarantee for granting loans to such entity.

While the Corporate Guarantee Agreement remains valid, under the relevant terms set forth in the Agreement, the Vendor (or wholly-owned subsidiaries of the Company) shall be entitled to recover from the Purchaser within its unfulfilled share any liability in excess to the Group's own share of liability (i.e. 49%). As a result, the risks associated with the continued provision of guarantee under the Corporate Guarantee Agreement are shared between the Purchaser and the Group on a pro-rata basis. Having considered that the Target Company is in a net asset position and that the relevant loan is secured by assets of the Target Company valued at approximately RMB94.6 million as of the signing of the BOC Loan Agreement, the Directors are of the view that the risk assumed by the Group under the Corporate Guarantee Agreement is sufficiently managed.

Given the continued provision of guarantee did not involve any cash outflow from the Group, and the Target Company would be able to continue to repay its outstanding loans under the BOC Loan Agreement based on the Group's review as mentioned above, the continued provision of the guarantee was not expected to have any material adverse effect on the financial position of the Group.

INFORMATION ABOUT THE PARTIES

Information about the Group and the Vendor

The Group is mainly a provider of products, specialized solutions and services related to infrastructure technology in the railway and electric power sectors. With respect to railway business, the Group mainly sells railway communication products and energy-base products. The Group also provides railway customers with value-added operation and services such as maintenance services, network optimization and network planning, and technical consulting for products related to the communication system. With respect to electric power business,

The Group mainly sells power transmission and transformation equipment, and power generation equipment. The Group also provides 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. The Vendor is primarily engaged in the provision of intelligent transportation system service.

Information about the Target Company

The Target Company is primarily engaged in the business of real estate development, industrial park operation and real estate sales. It is owned as to 100% by the Vendor. The Target Company owns the land use rights of certain parcels of land located on No. 22, Zhihui Road, Wuxi, Jiangsu Province with the site area of approximately 21,830.9 sq.m, on which the Target Company develops the Wuxi CIC Urban Intelligent Transportation Industry Park* (無錫市CIC城市智能交通產業基地) with a total gross floor area of approximately 43,056.03 sq.m for industrial development purposes.

Set out below is the revenue and net profit/(loss) before and after tax of the Target Company for each of the two years ended 31 December 2021:

	For the year ended 31 December 2020 RMB'000 (unaudited)	For the year ended 31 December 2021 RMB'000 (unaudited)
Revenue	709	1,280
Net profit/(loss) before taxation	(3,361)	(5,436)
Net profit/(loss) after taxation	(3,352)	(5,648)

As of 31 July 2022, according to its audited financial statements, the net asset of the Target Company amounted to RMB83.1 million.

The Purchaser

Beijing Xingyuan Real Estate Group Co., Ltd.* (北京興源控股集團有限公司) is a company duly incorporated in the PRC in 2000. It is mainly engaged in real estate development, construction, property management, investment management, commercial trade and education. The Purchaser is ultimately beneficially owned as to 46.8% and 29.4% by Mr. Chen Yongjie (陳永杰) and Mr. Han Xiaoqing (韓曉慶), respectively.

According to information provided by the Purchaser, in terms of real estate development, the Purchaser and its group have more than 20 years of experience and has been deeply involved in the development of various industrial parks located in China. Its recent development projects include large industrial parks in Shandong province and Hebei province. With respect to construction, subsidiaries of the Purchaser and its group hold various construction-related qualifications such as qualification for general contracting, and qualifications for constructing curtain wall, waterproof, anti-corrosion and thermal insulations, steel structures, foundation and environmental protection projects. Such qualifications and the accompanying construction experience are useful and beneficial for

the successful development of the industrial park in the future. With regards to property management, according to the Purchaser's online homepage, its dedicated subsidiary manages nearly 50 million sq.m. of floor areas in the PRC and serves as a member of both China Property Management Association (中國物業管理協會) and Beijing Property Management Industry Association (北京物業管理行業協會).

BOC (Wuxi)

BOC (Wuxi) is a branch of Bank of China located in Wuxi, Jiangsu province, China. Bank of China is a Chinese majority state-owned commercial bank incorporated under the laws of the PRC. Its H shares and A shares are listed on the Stock Exchange (Stock Code: 3988) and the Shanghai Stock Exchange (Stock Code: 601988), respectively.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Agreement”	the equity transfer agreement dated 29 September 2022 between the Vendor, the Purchaser and the Target Company
“BOC Loan Agreement”	a loan agreement entered between the Target Company and BOC (Wuxi) on 2 July 2019
“BOC (Wuxi)”	Bank of China Wuxi Huishan Branch* (中國銀行股份有限公司無錫惠山支行)
“Closing Conditions”	the closing conditions to the completion of the Proposed Disposal as set out in the section headed “Closing Conditions of the Proposed Disposal” of this announcement
“Closing Date”	the Closing Date as set out in the section headed “Completion of the Proposed Disposal” of this announcement
“Company”	China ITS (Holdings) Co., Ltd. (中國智能交通系統(控股)有限公司), a limited liability company incorporated in the Cayman Islands
“Consideration”	the consideration for the Proposed Disposal pursuant to the Agreement
“Corporate Guarantee Agreement”	a guarantee agreement entered into between the Original Guarantor and BOC (Wuxi) on 2 July 2019

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Guarantor”	Beijing Zhixun Tiancheng Technology Co., Ltd.* (北京智訊天成技術有限公司), a company duly incorporated in the PRC and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Disposal”	the proposed sale of the Sale Shares to the Purchaser by the Vendor
“Purchaser”	Beijing Xingyuan Real Estate Group Co., Ltd.* (北京興源控股集團有限公司), a company duly incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sale Shares”	51% equity interest in the Target Company
“Share(s)”	ordinary shares issued by the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.* (江蘇中智瑞信物聯科技有限公司), a company duly incorporated in the PRC and a wholly-owned subsidiary of the Vendor prior to completion of the Proposed Disposal
“Transaction Documents”	any and all agreements, contracts, instruments, memoranda, certificates or other documents executed for or in relation to the Proposed Disposal contemplated in the Agreement
“Valuer”	Savills Valuation and Professional Services Limited

