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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)**

## **CONTINUING CONNECTED TRANSACTION**

On 30 September 2022, Hongrui Dake, a subsidiary of the Company, entered into (i) the 2022 RHY Lease; and (ii) the 2022 RHY Property Management Service Agreement, with Beijing RHY, a connected person of the Company. Pursuant to the 2022 RHY Lease, Hongrui Dake has agreed to lease the Hongrui Dake Properties to Beijing RHY for a lease term of three years commencing on 1 October 2022. Pursuant to the 2022 RHY Property Management Service Agreement, Hongrui Dake has agreed to provide property management services and other ancillary services to Beijing RHY in respect of the Hongrui Dake Properties for a term of three years commencing on 1 October 2022.

Since Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie pursuant the Listing Rules, Beijing RHY is a connected person of the Company and therefore each of the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement are entered into by the same parties and are related to each other, the Board considers it appropriate to aggregate the transactions under them for the purpose of determining the requirements under Chapter 14A of the Listing Rules applicable to them.

As one or more of the applicable percentage ratios for the transactions contemplated under the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **2022 RHY LEASE AND 2022 RHY PROPERTY MANAGEMENT SERVICE AGREEMENT**

On 30 September 2022, Hongrui Dake, a subsidiary of the Company, entered into (i) the 2022 RHY Lease; and (ii) the 2022 RHY Property Management Service Agreement, with Beijing RHY, a connected person of the Company. Pursuant to the 2022 RHY Lease, Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the Hongrui Dake Properties for a lease term of three years commencing on 1 October 2022. Pursuant to the 2022 RHY Property Management Service Agreement, Hongrui Dake has agreed to provide property management services to Beijing RHY in respect of the Hongrui Dake Properties for a term of three years commencing on 1 October 2022.

The principal terms of the 2022 RHY Lease are as follows:

<b>Date:</b>	30 September 2022
<b>Parties:</b>	(1) Hongrui Dake as lessor; and (2) Beijing RHY as lessee
<b>Subject matter:</b>	Pursuant to the 2022 RHY Lease, Hongrui Dake agreed to lease the Hongrui Dake Properties to Beijing RHY during the term of the lease.
<b>Hongrui Dake Properties:</b>	Certain premises with a total floor area of 1,163.16 sq.m. located at the east side of 3/F, Building 204, No. A 10, Jiuxianqiao North Road, Chaoyang District, Beijing, the PRC
<b>Rental:</b>	A quarterly rental fee of RMB636,830.10 payable on the first day of each quarter (exclusive of other fees).  Such rental rate was determined based on arm's length negotiations between the parties and by reference to the prevailing market rates charged in nearby areas (i.e. Jiuxianqiao, Beijing).
<b>Term:</b>	Commencing on 1 October 2022 and expiring on 30 September 2025
<b>Use of properties:</b>	Office
<b>Guarantee:</b>	RMB636,830.10, representing three months of rental, payable by Beijing RHY to Hongrui Dake as guarantee under the 2022 RHY Lease

The principal terms of the 2022 RHY Property Management Service Agreement are as follows:

**Date:** 30 September 2022

**Parties:** (1) Hongrui Dake; and

(2) Beijing RHY

**Properties subject to the agreement:** the Hongrui Dake Properties

**Term:** Commencing on 1 October 2022 and expiring on 30 September 2025

**Basic services:** In respect of the Hongrui Dake Properties, Hongrui Dake shall be responsible for providing property management services to Beijing RHY, including establishing the rules and procedures relating to property management, cleaning and hygiene, maintenance of common facilities and equipment, electrical systems and fire safety systems, security, gardening of the common area, commercial facilities in the common area, paying for electricity and water and central air conditioning on behalf of Beijing RHY, liaison with the party responsible for property management of the Park, among others.

**Property services fee:** Property services fee payable by Beijing RHY to Hongrui Dake shall be charged at a rate of RMB1.00 per sq.m. per day, or RMB424,553.40 per year. The service fee is payable in four equal instalments of RMB106,138.35 each on the first day of each quarter.

The property services fee is inclusive of expenses for water supply, electricity supply and central air conditioning attributable to the common area of the Hongrui Dake Properties.

The rates of property services and rental for equipment cabinets (as set out below) are determined based on arm's length negotiations between the parties and by reference to the prevailing market rates, such as property management fee rates charged in other comparable properties in the nearby areas. The rates of electricity expense and rental of conference rooms and exhibition hall in the vicinity of the Hongrui Dake Properties are set by reference to the rates at which Hongrui Dake is charged by the Park for such utilities and facilities.

**Electricity expense:**

During the term of the 2022 RHY Property Management Service Agreement, Beijing RHY shall reimburse Hongrui Dake for the electricity expense charged to Hongrui Dake by the Park on a quarterly basis.

**Optional services:**

From time to time during the term of the 2022 RHY Property Management Service Agreement, Beijing RHY may request Hongrui Dake to provide or arrange to the following services and facilities at the rates set out below:

1. Rental of cabinet for equipment at a rate of RMB60,000 per unit per year
2. Rental of multi-function conference room and exhibition hall at the rate charged for comparable facilities in the Park
3. Other equipment, facilities or services in relation to the Hongrui Dake Properties at rates to be separately agreed between the parties from time to time

The rental rate of the cabinet for equipment is determined by reference to the cost of the cabinets and prevailing market rates. Existing and future multi-function conference room or exhibition hall in the vicinity of the Hongrui Dake Properties and owned by Hongrui Dake, which may become available for renting to Beijing RHY from time to time. To ensure that the rental rates of such facilities as well as the rates for other equipment, facilities and services not expressly agreed in the 2022 RHY Property Management Service Agreement will be fair and reasonable and comparable to what the Group can generate from unrelated third party users, the Group's management would solicit or otherwise obtain fee quotations from at least two, or at least one if only one is available, other transactions in the market involving unrelated third parties for the relevant types of equipment, facilities or services as benchmark prices, in determining the relevant rates during the term of the 2022 RHY Property Management Service Agreement. The rates set by Hongrui Dake should not fall below the said benchmark prices unless approved by the Independent Non-executive Directors, taking into account the specific quality and/or quantity of the relevant products or services and market conditions. As Hongrui Dake will be required to set its rates for these equipment, facilities and services by reference to the rates in actual transactions in the market, which are objective and verifiable, and any lower rates will be subject to approval by the independent non-executive Directors who are independent from the connected persons involved in these transactions, the Directors are of the view that the pricing mechanism as described above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholders.

## HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAPS

For the years ended 31 December 2020 and 2021, the transaction amounts under the lease between Hongrui Dake and Beijing RHY dated 31 July 2018 and the 2021 RHY Lease were RMB3,856,440 (inclusive of utilities expense of RMB375,672) and RMB5,115,000 (inclusive of other fees of RMB631,932), respectively. The properties subject to these leases were situated at the same location as the Hongrui Dake Properties under the 2022 RHY Lease but the gross floor area under these previous leases (being up to 1,700 sq.m.) were larger than that of the Hongrui Dake Properties. In addition, these leases covered certain property management and ancillary services relating to the properties subject to them but there was no separate property management service agreement between Hongrui Dake and Beijing RHY in respect of such properties.

Based on the rental under the 2022 RHY Lease, the property services fee and other fees under the 2022 RHY Property Management Service Agreement, and the transaction amount under the 2021 RHY Lease for the nine months ended 30 September 2022, historical consumption or usage (as applicable) of utilities, services, equipment (including two and one third of equipment cabinet expected to be required) and facilities by Beijing RHY, it is estimated that the total amount payable by Beijing RHY to Hongrui Dake under the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement will not exceed the annual caps set out below:

		Annual caps Year ending 31 December		
	2022 (note 1)	2023	2024	2025 (note 2)
<b>2022 RHY Lease</b>	RMB3,429,080.10	RMB2,547,320.40	RMB2,547,320.40	RMB1,910,490.30
<b>2022 RHY Property Management Service Agreement</b>	<u>RMB1,070,919.90</u>	<u>RMB882,679.60</u>	<u>RMB882,679.60</u>	<u>RMB619,509.70</u>
<b>Total</b>	RMB4,500,000 (equivalent to approximately <u>HK\$4,975,454</u> )	RMB3,370,000 (equivalent to approximately <u>HK\$3,726,063</u> )	RMB3,370,000 (equivalent to approximately <u>HK\$3,726,063</u> )	RMB2,530,000 (equivalent to approximately <u>HK\$2,797,311</u> )

Notes:

1. Includes the transactions for the nine months ended 30 September 2022 of approximately RMB3,702,657.09 under the 2021 RHY Lease.
2. Includes only the transactions during the nine months ending 30 September 2025.

## **REASONS FOR AND BENEFITS OF THE 2022 RHY LEASE AND 2022 RHY PROPERTY MANAGEMENT SERVICE AGREEMENT**

The Hongrui Dake Properties were occupied by Beijing RHY since late November 2015 as office space, except for the renovation period in 2017 until 31 July 2018 during which the Hongrui Dake Properties were undergoing refurbishment and renovation. As disclosed in the announcement of the Company dated 29 January 2021, Hongrui Dake had leased the premises where the Hongrui Dake Properties are situated to Beijing RHY pursuant to the 2021 RHY Lease from 1 January 2021 to 31 December 2022. Please refer to the announcement of the Company dated 29 January 2021 for details about the 2021 RHY Lease. In 2022, Beijing RHY proposed to reduce the area leased from Hongrui Dake due to its changing business needs. Accordingly, after arm's length negotiation, the parties entered into the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement to replace the 2021 RHY Lease in respect of the relevant premises in the Park leased by Hongrui Dake to Beijing RHY. The 2021 RHY Lease has been terminated on 30 September 2022.

As the Group has no immediate alternative use for the Hongrui Dake Properties and no immediate needs to expand its own office, the entering into of the 2022 RHY Lease will continue to enable Hongrui Dake to lease the Hongrui Dake Properties to Beijing RHY at market price without having to solicit new lessees and to avoid the expenses and fees in connection with negotiating and arranging for a new lease with new tenants. The 2022 RHY Lease also provides steady income and cash flow for the Group. The Company will utilize the premises in the relevant properties which were previously subject to the 2021 RHY Lease but not the 2022 RHY Lease for the Group's own use.

The Directors (including the independent non-executive Directors) are of the view that the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better and that the terms of the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement (including the respective annual caps under them) are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Each of Mr. Liao Jie and Mr. Jiang Hailin, the Directors of the Company, has a material interest in the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement and has abstained from voting on the board resolutions for approving the 2022 RHY Lease, the transactions contemplated thereunder and the annual caps. Other than Mr. Liao Jie and Mr. Jiang Hailin, none of the Directors has a material interest in the 2022 RHY Lease.

## CONNECTED PERSONS

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 40.13% of the control rights of Beijing RHY, in the following proportion:

Name	Percentage of shareholding
Mr. Jiang Hailin	13.49%
Mr. Liao Jie	8.09%
Mr. Liao Daoxun	9.56%
Ms. Wu Yurui	8.99%
<b>Total</b>	<b>40.13%</b>

As Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie, each of which is a connected person of the Company pursuant to the Listing Rules, Beijing RHY is therefore a connected person of the Company. Accordingly, the 2022 RHY Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

## LISTING RULES IMPLICATIONS

As the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement are entered into by the same parties and are related to each other, the Board considers it appropriate to aggregate the transactions under them for the purpose of determining the requirements under Chapter 14A of the Listing Rules applicable to them.

As one or more of the applicable percentage ratios for the transactions contemplated under the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement.

## PRINCIPAL BUSINESS OF THE COMPANY AND THE CONNECTED PERSON

The Group is mainly a provider of products, specialized solutions and services related to infrastructure technology in the railway and electric power sectors. Hongrui Dake is a company established under the laws of the PRC on 17 October 2014 and is principally engaged in commercial properties leasing.



Beijing RHY is a company established under the laws of the PRC on 16 February 2001 (with shares listed on the National Equities Exchange and Quotation (basis market), stock code: 873761). Beijing RHY provides customers with customized and intelligent full-cycle services for intelligent transportation, and its business types are mainly integrated solutions for intelligent transportation and intelligent transportation products and technical services. Other than Mr. Jiang Hailin, Mr. Liao Jie, Mr. Liao Daoxun and Ms. Wu Yurui, 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 shareholder of the Company and parties to a series of voting agreements with, among others, Mr. Jiang Hailian, 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.

## DEFINITIONS

In this announcement, the following terms shall have the meanings as set forth below:

“2021 RHY Lease”	the lease agreement and property management service agreement dated 29 January 2021 entered into between Hongrui Dake and Beijing RHY
“2022 RHY Lease”	the lease agreement dated 30 September 2022 entered into between Hongrui Dake and Beijing RHY
“2022 RHY Property Management Service Agreement”	the property management service agreement dated 30 September 2022 entered into between Hongrui Dake and Beijing RHY
“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Company”	China ITS (Holdings) Co., Ltd. (中国智能交通系统(控股)有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	China ITS Co., Ltd.
“Hongrui Dake”	北京宏瑞達科科技有限公司(Beijing Hongrui Dake Technology Co., Ltd.)*, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hongrui Dake Properties”	certain premises with a total floor area of 1,163.16 sq.m. located at the east side of 3/F, Building 204, No. A 10, Jiuxianqiao North Road, Chaoyang District, Beijing, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Park”	電子城IT產業園 (Electronic City IT Industrial Park), the industrial complex in which the Hongrui Dake Properties are situated
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.90444 = HK\$1.00 has been adopted. No representation is made as to whether any amount in RMB or HK\$ can or could have been converted at the above rate or any other rate at all.

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

Beijing, 30 September 2022

*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.*

\* For identification purposes only