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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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF THE TARGET COMPANY**

**THE ACQUISITION**

The Board announces that, on 28 April 2023 (after trading hours), Haotian Jiajie, the Vendor, and the Target Company entered into the Share Transfer Agreement, pursuant to which, Haotian Jiajie conditionally agreed to acquire, and the Vendor conditionally agreed to sell 55% of the equity interest of the Target Company at the total consideration of RMB16.50 million.

Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group.

**LISTING RULE IMPLICATIONS**

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Share Transfer Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Share Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

The Board announces that, on 28 April 2023 (after trading hours), Haotian Jiajie, an indirect wholly-owned subsidiary of the Company, the Vendor, and the Target Company entered into the Share Transfer Agreement, pursuant to which, Haotian Jiajie conditionally agreed to acquire, and the Vendor conditionally agreed to sell 55% of the equity interest of the Target Company at the total consideration of RMB16.50 million.

## **SHARE TRANSFER AGREEMENT**

The principal terms of the Share Transfer Agreement are as follows:

### **Date**

28 April 2023 (after trading hours)

### **Parties**

- (i) Haotian Jiajie, as the purchaser;
- (ii) the Vendor; and
- (iii) the Target Company

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Target Company and its ultimate beneficial owner (being the Vendor) are Independent Third Parties as at the date of this announcement.

### **Assets to be acquired**

Haotian Jiajie conditionally agreed to acquire, and the Vendor conditionally agreed to sell 55% of the equity interest of the Target Company directly held by the Vendor, subject to the terms and conditions of the Share Transfer Agreement.

### **Consideration and payment terms**

The total consideration for the Acquisition is RMB16.50 million (the "**Consideration**"), which was determined by reference to the unaudited net asset value of the Target Company as at 31 December 2022 (i.e. approximately RMB30.00 million) (the "**Presumed Equity Value**") after arms' length negotiation between Haotian Jiajie and the Vendor. The Consideration shall be paid by Haotian Jiajie to the Vendor in the following manners:

- (i) as to RMB8.25 million, being 50% of the total Consideration, shall be paid within 30 days after the effective date of the Share Transfer Agreement; and
- (ii) as to RMB8.25 million, being 50% of the total Consideration, shall be paid within 60 days after the effective date of the Share Transfer Agreement.

## **Completion**

The completion of the Acquisition shall take place on the date when the industrial and commercial registration of changes of the Target Company for, among others, the share transfer, changes of directors, changes of general manager and amendments to the articles, have been completed (the “**Completion Date**”).

Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group.

## **Conditions precedent**

The completion of the Acquisition is conditional on the following conditions:

- (i) all warranties remaining true and accurate in all material aspects till the Completion Date;
- (ii) there being no material adverse changes to the Target Company from 31 December 2022 to the Completion Date; and
- (iii) there being no temporary restraining orders, preliminary injunctions or permanent injunctions or any other judgments or orders issued by any court having jurisdiction or any other orders, laws, rules, legal restrictions or injunctions hindering the completion of the Acquisition.

## **Performance undertaking**

The Vendor undertakes that during the two years ending 31 December 2024 (the “**Guarantee Period**”), the aggregate revenue in respect of the contract energy management business of the Target Company (as calculated pursuant to the Share Transfer Agreement) shall be no less than RMB180 million (the “**Guaranteed Revenue**”), and the average gross margin under such business segment (as calculated pursuant to the Share Transfer Agreement) for each year of the Guarantee Period shall be no less than 35%. Such performance targets were determined with reference to the expected contract amounts during the Guarantee Period and the actual gross margin of the Target Company’s contract energy management business during the past two years after arms’ length negotiation between Haotian Jiajie and the Vendor.

If the actual amount of relevant revenue in the Guarantee Period is less than RMB140 million, which represents the Company’s minimum expected revenue amount of the Target Company’s contract energy management business in the Guarantee Period, or the average gross margin in any year of the Guarantee Period is lower than 35%, Haotian Jiajie shall have the right to sell the 55% equity interest purchased pursuant to the Share Transfer Agreement back to the Vendor or the Target Company (by way of capital reduction) within one month after the Guarantee Period and either of the following amounts, as determined by Haotian Jiajie in its sole discretion, shall be paid to Haotian Jiajie:

- (i) RMB16.50 million with an interest of 10% per annum for the period from the payment date of the Consideration to the repayment date of the said RMB16.50 million; or

- (ii) RMB16.50 million together with the profits, on a pro rata basis, generated from the Target Company’s new project contracts under its contract energy management business segment signed during the period from the Completion Date to the date when Haotian Jiajie requests to sell back its 55% equity interest in the Target Company.

If the relevant revenue in the Guarantee Period equals to or is more than RMB140 million but is less than RMB160 million and the average gross margin in each year of the Guarantee Period equals to or is higher than 35%, the Presumed Equity Value shall be adjusted to RMB24.00 million (the “**Adjusted Equity Value A**”) and the Vendor shall transfer 13.75% of the equity interest of the Target Company (the “**Compensation Equity Interest A**”) to Haotian Jiajie at nil consideration, which is calculated as follows:

$$\text{Compensation Equity Interest A} = \frac{\text{Consideration} - \text{Adjusted Equity Value A} \times 55\%}{\text{Adjusted Equity Value A}}$$

If the relevant revenue in the Guarantee Period equals to or is more than RMB160 million but is less than RMB180 million and the average gross margin in each year of the Guarantee Period equals to or is higher than 35%, the Presumed Equity Value shall be adjusted to RMB27.00 million (the “**Adjusted Equity Value B**”) and the Vendor shall transfer 6.11% of the equity interest of the Target Company (the “**Compensation Equity Interest B**”) to Haotian Jiajie at nil consideration, which is calculated as follows:

$$\text{Compensation Equity Interest B} = \frac{\text{Consideration} - \text{Adjusted Equity Value B} \times 55\%}{\text{Adjusted Equity Value B}}$$

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is owned by the Vendor as to approximately 96.84% and by the other two Independent Third Parties as to approximately 3.16% in aggregate. The Target Company is principally engaged in the provision of energy conservation services in a business model of contract energy management.

### Financial information of the Target Company

Set out below are the financial information of the Target Company as extracted from its unaudited financial statements for the financial years ended 31 December 2021 and 2022:

	<b>For the year ended 31 December 2021</b> <i>(RMB'000)</i>	<b>For the year ended 31 December 2022</b> <i>(RMB'000)</i>
<b>Profit before taxation</b>	38,639	369,588
<b>Profit after taxation</b>	192,284	301,127

The unaudited net asset value of the Target Company as at 31 December 2022 amounts to approximately RMB30.00 million.

## **INFORMATION ON THE GROUP AND THE VENDOR**

The Group is a provider which mainly offers products, specialized solutions and services related to infrastructure technology in the PRC and overseas.

The Vendor is an Independent Third Party and serves as the chairman and the director of the Target Company. The Vendor directly holds approximately 96.84% equity interest of the Target Company as at the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Company is principally engaged in the provision of energy conservation solutions services, which is a promising industry supported by certain policies issued by the State Council and has experienced rapid development during the 13th Five-Year period. The Directors believe that the Target Company has (i) strong competitive advantages in professional qualifications and operation management; (ii) a senior management team which has rich industry experience and industry resources; and (iii) gained an industry reputation and brand influence through its recent completed projects, including Zhengzhou Railway Transportation Line 1 Phase I energy management project, Beijing MTR Line 4 contract energy management project and Beijing Subway Line 6 Phase I contract energy management project.

Based on its strategic development and potential market needs, the Company seeks extensive opportunities for market cooperation through acquisitions and investments as one of the ways to expand its scale of business. With the backdrop of the national strategic goal of “carbon peak” and “carbon neutrality”, the Company plans to participate in the contract energy management business through the Acquisition. The Target Company is a professional energy conservation service company in possession of certain required qualifications including but not limited to the Third Grade Professional Contracting for Environmental Protection Construction and Second Grade Profession Contracting for Electronic and Intelligent Construction. The Acquisition therefore provides an excellent opportunity for the Group to expand business scale with diversification of revenue stream and is in line with the business development strategy of the Group. The contract energy management business of the Target Company can be integrated with the businesses of the Group and will bring along synergy effect to the Group’s business. On the one hand, relying on the Group’s customer resource in railway industry and capital injection, the Acquisition paves the way for the Target Company’s extension of its business with railway customers, which will in turn contribute to the financial performance of the Group. On the other hand, the Group will be able to take advantage of the Target Company’s resources in subway industry, accelerating the Group’s expansion of its electric power business and further enhancing its core competitiveness.

Accordingly, the Directors consider that the terms of the Share Transfer Agreement are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## LISTING RULE IMPLICATIONS

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Share Transfer Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Share Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITION

“Acquisition”	the acquisition of 55% equity interest of the Target Company from the Vendor by Haotian Jiajie pursuant to the terms and conditions of the Share Transfer Agreement
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Haotian Jiajie”	Beijing Haotian Jiajie New Energy Co., Ltd.* (北京昊天佳捷新能源有限公司), a company established under the laws of the PRC, and a subsidiary indirectly and wholly owned by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Share Transfer Agreement”	the share transfer agreement entered into between Haotian Jiajie, the Vendor and the Target Company on 28 April 2023 in relation to the Acquisition
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Beijing Jiujian Technology Co., Ltd.* (北京九建科技有限公司), a company established in the PRC with limited liability and is controlled by the Vendor as at the date of this announcement
“Vendor”	Mr. Jiang Chunqing (蔣春庆), being the ultimate beneficial owner of the Target Company and an Independent Third Party
“%”	per cent

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

Beijing, 28 April 2023

*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*