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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

Reference is made to the announcement of China ITS (Holdings) Co., Ltd. (the "Company") dated 31 July 2018, on 29 January 2021, Beijing RHY, a connected person of the Company, entered into the RHY Lease Renewal Treaty with Hongrui Dake, a subsidiary of the Company, pursuant to which Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the Hongrui Dake Properties for a term commencing on 1 January 2021 and expiring on 31 December 2022 at a quarterly rental fee of RMB930,750. Beijing RHY shall also pay property management fee and other fees to Hongrui Dake for property management services and other ancillary services provided in relation to the lease.

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 the RHY Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the RHY Lease exceed 0.1% but less than 5%, the transactions contemplated under the RHY Lease are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under 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 RHY Lease.

RHY LEASE

On 29 January 2021, Beijing RHY, a connected person of the Company, entered into the RHY Lease with Hongrui Dake, a subsidiary of the Company, pursuant to which Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the Hongrui Dake Properties for a lease term commencing on 1 January 2021 and expiring on 31 December 2022.

The principal terms of the RHY Lease are as follows:

Date:	29 January 2021
Parties:	(1) Hongrui Dake as lessor; and (2) Beijing RHY as lessee
Subject matter:	Pursuant to the RHY Lease, Hongrui Dake agreed to lease the Hongrui Dake Properties to Beijing RHY and to provide property management services and other ancillary services to Beijing RHY during the term of the lease
Hongrui Dake Properties:	Certain premises with a total floor area of 1,700 sq.m. located at 3/F, Building 204, No. A 10, Jiuxianqiao North Road, Chaoyang District, Beijing, the PRC
Rental, property management fee and other fees:	A quarterly rental fee of RMB930,750 and a quarterly property management fee of RMB248,200 payable quarterly on the 1st day of each quarter (exclusive of other fees) Other fees include electricity fee, additional air conditioner fee, network usage fee, cabinet rental fee, communication fee and other ancillary services used in relation to the lease
Term:	Commencing on 1 January 2021 and expiring on 31 December 2022
Use of Hongrui Dake Properties:	Office
Guarantee:	RMB930,750, representing three months of rental, payable by Beijing RHY to Hongrui Dake as guarantee under the RHY Lease

HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAPS

For the years ended 31 December 2018, 2019 and 2020, the transaction amounts under the lease between Hongrui Dake and Beijing RHY dated 31 July 2018 for the lease of the Hongrui Dake Properties were RMB1,809,792 (inclusive of utilities expense of RMB316,741), RMB3,803,501 (inclusive of utilities expense of RMB625,658) and RMB3,856,440 (inclusive of utilities expense of RMB375,672), respectively. The historical transaction amounts were less than the maximum amounts Hongrui Dake would be entitled to under the 2018 Lease primarily because part of the Hongrui Dake Properties with a gross floor area of approximately 300 sq.m., which Beijing RHY had no need for and did not occupy since 1 April 2019, was leased to an independent third party lessee (on normal commercial terms and no less favorable to the Group than that of the 2018 Lease) on 1 April 2019. The area leased to Beijing RHY was reduced accordingly, and therefore the rental and management fee with respect to such area were reduced on a pro rata basis. From 1 January 2021 onwards, such area is leased to Beijing RHY again under the RHY Lease (including the January Lease).

Based on the annual rental fee, property management fee and other fees (including utilities expenses which were previously covered by the fixed management fee under the 2018 Lease) payable under the RHY Lease, it is estimated that the total amount payable by Beijing RHY to Hongrui Dake will not exceed the annual caps set out below:

Year ending 31 December	2021	2022
Annual Caps	RMB5,162,800 (equivalent to approximately HK\$6,185,809)	RMB5,162,800 (equivalent to approximately HK\$6,185,809)

Rates of such rental, property management and other fees are determined based on arm's length negotiations between the parties and by reference to the prevailing market rates, such as office rental and property management fee rates charged in nearby areas (i.e., Jiuxianqiao, Beijing). The service fees are calculated by reference to the prevailing market charging rates and expected consumption level for the various services of Beijing RHY.

REASONS FOR AND BENEFITS OF THE RHY LEASE

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. Hongrui Dake had leased the Hongrui Dake Properties to Beijing RHY pursuant to the 2018 Lease from 1 August 2018 to 31 December 2020. Upon the expiry of the 2018 Lease, while Hongrui Dake and Beijing RHY intended to continue such lease arrangement but had not yet reached a consensus on the terms of such new lease (i.e. the RHY Lease), they entered into a lease agreement (the "**January Lease**") for the month of January 2021 on the same terms as that of the 2018 Lease (except for the term of the January Lease being one month). Pursuant to the RHY Lease, the January Lease has been terminated and superseded by the RHY Lease. The January Lease constituted a continuing connected transaction of the Company. As the applicable percentage ratios for the January Lease were less than 5% and the total consideration was less than HK\$3,000,000, the transactions under the January Lease were fully exempt from the announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Group has no immediate alternative use for such premises and no immediate needs to expand its own office, the entering into of the RHY Lease will allow 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 RHY Lease also provides steady income and cash flow for the Group.

The Directors (including the independent non-executive Directors) are of the view that the RHY Lease was 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 RHY Lease (including the respective annual caps under the RHY Lease) 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 RHY Lease and has abstained from voting on the board resolutions for approving the 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 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 40.15% of the control rights of Beijing RHY, in the following proportion:

Name	Percentage of shareholding
Mr. Jiang Hailin	13.49%
Mr. Liao Jie	8.10%
Mr. Liao Daoxun	9.56%
Ms. Wu Yurui	9.00%
Total	40.15%

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 RHY Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the transactions contemplated under the RHY Lease exceed 0.1% but less than 5%, the transactions contemplated under the RHY Lease are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under 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 RHY Lease.

PRINCIPAL BUSINESS OF THE COMPANY AND THE CONNECTED PERSON

The Group is a supplier that provides infrastructure technology-related products, specialised solutions and services mainly in the PRC and overseas. 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 with limited liability on 16 February 2001. Beijing RHY is a high-tech enterprise specialized in providing turnkey solutions and services for intelligent transportation. 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 Hailian, 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:

“2018 Lease”	the lease agreement entered into between Hongrui Dake and Beijing RHY dated 31 July 2018 as disclosed in the Company's announcement dated 31 July 2018
“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 to be leased to Beijing RHY by Hongrui Dake pursuant to the RHY Lease
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People's Republic of China

“RHY Lease”	the lease agreement and property management agreement dated 29 January 2021 entered into between Hongrui Dake and Beijing RHY
“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 RMB0.83462 = 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, 29 January 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.

* *For identification purposes only*