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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
EQUITY TRANSFER AGREEMENT IN RELATION
TO THE ACQUISITION OF 100% EQUITY INTEREST
IN TARGET COMPANY**

THE EQUITY TRANSFER AGREEMENT

The Board announces that on 24 March 2017 (after trading hours), Jiangsu Zhongzhi and Beijing Zhixun, both of which are indirectly wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement with Beijing Guangwei, the Target Company and the Founders, pursuant to which Jiangsu Zhongzhi has conditionally agreed to acquire and Beijing Guangwei conditionally agreed to transfer 100% equity interest in the Target Company, a wholly-owned subsidiary of the Beijing Guangwei, to Beijing Zhixun with effect from the Equity Interest Date for a consideration of RMB92,000,000.

DISCLOSEABLE TRANSACTION

As one of the applicable percentage ratios is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 24 March 2017 (after trading hours), Jiangsu Zhongzhi and Beijing Zhixun, both of which are indirectly wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement with Beijing Guangwei, the Target Company and the Founders, pursuant to which Jiangsu Zhongzhi has conditionally agreed to acquire and Beijing Guangwei conditionally agreed to transfer 100% equity interest in the Target Company, a wholly-owned subsidiary of the Beijing Guangwei, to Beijing Zhixun with effect from the Equity Interest Date for a consideration of RMB92,000,000.

BACKGROUND

In 2014, pursuant to the Convertible Loan Investment Agreement, Jiangsu Zhongzhi agreed to provide a working capital loan of RMB80,000,000 to Beijing Guangwei (the “**Loan**”), and was entitled to convert its right to repayment of the Loan into the 100% equity interest of the increased share capital of Beijing Guangwei in accordance with the terms of the Convertible Loan Investment Agreement. Immediately prior to the completion of the Equity Transfer Agreement, the entire amount of the Loan together with the interest accrued on it in the amount of RMB16,000,000 (the “**Interest**”) were outstanding.

The Group intended to acquire the entire equity interest in the Target Company from Beijing Guangwei by setting off the principal amount of the Loan and part of the Interest. Hence the parties entered into the Equity Transfer Agreement on 24 March 2017, pursuant to which Beijing Guangwei will transfer the entire equity interest in the Target Company to Beijing Zhixun with effect from the Equity Interest Date at a total consideration of RMB92,000,000, which will be satisfied by Jiangsu Zhongzhi setting off the entire principal amount of the Loan and part of the Interest in the amount of RMB12,000,000. In addition, Jiangsu Zhongzhi agreed to waive the outstanding accrued interest in the amount of RMB4,000,000 under the Convertible Loan Investment Agreement, subject to compliance by Beijing Guangwei, the Target Company and the Founders of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date: 24 March 2017

Parties: (i) Jiangsu Zhongzhi
(ii) Beijing Zhixun
(iii) Beijing Guangwei
(iv) the Target Company
(v) the Founders

Subject matter: Pursuant to the Equity Transfer Agreement, Beijing Guangwei transferred the entire equity interest in the Target Company to Beijing Zhixun with effect from the Equity Interest Date at a total consideration of RMB92,000,000, which will be satisfied by Jiangsu Zhongzhi setting off the entire principal amount of the Loan and part of the Interest in the amount of RMB12,000,000.

Consideration: RMB92,000,000

The consideration was arrived at after arm’s length negotiations between the Jiangsu Zhongzhi and Beijing Guangwei taking into account the valuation conducted by an independent valuer of 100% equity interest in the Target Company as at 31 December 2016 of RMB92,000,000.

Payment: The consideration is to be satisfied by way of set-off against the entire principal amount of the Loan and RMB12,000,000 of the Interest payable to Jiangsu Zhongzhi.

Conditions precedent: The completion of the Acquisition shall be conditional upon:

- a. the shareholders of Beijing Guangwei, being the Founders, having passed the resolutions approving, among other things, the transactions contemplated under the Equity Transfer Agreement;
- b. the Founders having charged their entire equity interest in Beijing Guangwei to Beijing Zhixun to secure the performance of the obligations of Beijing Guangwei under the Equity Transfer Agreement; and
- c. registration of the relevant documents in connection with the Acquisition with the local AIC.

Waiver of outstanding accrued interest: Jiangsu Zhongzhi agreed to waive the outstanding accrued interest in the amount of RMB4,000,000 under the Convertible Loan Investment Agreement, subject to compliance by Beijing Guangwei, the Target Company and the Founders of the Equity Transfer Agreement.

Completion: The completion of the Acquisition will take place upon fulfillment of the conditions precedent under the Equity Transfer Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Since its establishment in 2009, the Target Company has now attained a leading position in providing intelligent transportation system solutions and services for the railway segment in southwest China. It is expanding its business from the southwest region into other regions in China. The Target Company has rich experience in operating projects and developing deep collaboration with clients with its strong team of employees. With its strong capabilities in delivering products to customers, the Target Company enjoys a good reputation in the industry. The Directors believe that the business of the Target Company is complementary with that of the Group and the Acquisition will create synergy between the Target Company and the Group.

The Directors consider that the terms of the Equity Transfer Agreement and the Acquisition thereunder are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial statements will be consolidated to those of the Group.

INFORMATION ON BEIJING GUANGWEI, THE TARGET COMPANY AND THE FOUNDERS

The Target Company is primarily engaged in the supply of services relating to transportation technology research, technological development, transfer of technology, technical consulting, basic software, computer systems integration, and data processing. It is also engaged in the sales of computer, software, auxiliary equipment, mechanical equipment, electronic products, and communications equipment (excluding satellite ground receiving equipment and radio transmitting equipment).

As at 31 December 2016, the unaudited net assets of the Target Company was approximately RMB37.44 million. The unaudited net profit of the Target Company for the year ended 31 December 2015 before and after taxation were approximately RMB1.0 million and RMB0.5 million, respectively. The unaudited net profit of the Target Company for the year ended 31 December 2016 before and after taxation were approximately RMB10.6 million and RMB7.9 million, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Beijing Guangwei, the Target Company and their respective ultimate beneficial owners, being the Founders, are Independent Third Parties.

INFORMATION ON THE GROUP

The principal activities of the Group are to provide intelligent transportation system solutions and services to railway and aviation segments in the PRC.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interest of the Target Company by Beijing Zhixun pursuant to the Equity Transfer Agreement
“AIC”	Administration for Industry and Commerce (工商行政管理總局) of the PRC and its local authority
“Beijing Guangwei”	Beijing Guangwei Xingye Technology Co., Ltd.* (北京廣緯興業科技有限公司), a company established under the laws of the PRC on 14 January 2008

“Beijing Zhixun”	Beijing Zhixun Tiancheng Technology Co., Ltd.* (北京智訊天成技術有限公司), a company established under the laws of the PRC on 25 June 2007, a direct wholly-owned subsidiary of Jiangsu Zhongzhi and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	China ITS (Holdings) Co., Ltd. (中國智能交通系統 (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
“Consideration”	the consideration for the Acquisition
“Convertible Loan Investment Agreement”	the convertible loan investment agreement dated 26 June 2014 and entered into between Jiangsu Zhongzhi, Beijing Guangwei, the Target Company and the Founders
“Director(s)”	the director(s) of the Company
“Equity Interest Date”	31 December 2016, being the date since which Beijing Zhixun will be deemed to hold 100% equity interest of the Target Company and all related rights and interests upon completion of the Acquisition
“Equity Transfer Agreement”	the equity transfer agreement dated 24 March 2017 and entered into between Jiangsu Zhongzhi, Beijing Zhixun, Beijing Guangwei, the Target Company, and the Founders
“Founders”	The ultimate beneficial owners of Beijing Guangwei, namely, Xue Yintong and Zhao Yongjiu
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Jiangsu Zhongzhi”	Jiangsu Zhongzhi Transportation Technology Co., Ltd.* (江蘇中智交通科技有限公司), a wholly-foreign-owned enterprise incorporated in the PRC on 15 December 2011 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd* (成都中智潤邦交通技術有限公司), a company established under the laws of the PRC with limited liability on 26 November 2009 and a direct wholly-owned subsidiary of Beijing Guangwei
“%”	per cent

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

Beijing, 24 March 2017

As at the date of this announcement, the executive Directors are Mr. Liao Jie, and Mr. Jiang Hailin, the non-executive Director is Mr. Tim Tianwei Zhang, and the independent non-executive Directors are Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Ye Zhou.

* For identification purposes only.