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## **英達公路再生科技(集團)有限公司**

Freotech Road Recycling Technology ( Holdings ) Limited  
(incorporated in the Cayman Islands with limited liability)  
(stock code: 6888)

### **MAJOR TRANSACTION CAPITAL INJECTION INTO TIANJIAN EXPRESSWAY MAINTENANCE COMPANY LIMITED\***

#### **THE CAPITAL INJECTION AGREEMENT**

Further to the announcement of the Company dated 13 July 2014, the formation of Freotech Smart Road with COSCO (H.K.) Industry & Trade, the Board is pleased to announce that on 30 June 2015, Freotech Smart Road, an indirect subsidiary which is 51% owned by the Company, and Tianjin Expressway Group, being the existing shareholder of the Target Company, entered into the Capital Injection Agreement, pursuant to which Freotech Smart Road has agreed to acquire 55% equity interests in the Target Company by way of subscribing for an additional registered capital of RMB24,444,400 at the total consideration of RMB46,802,400 (representing RMB24,444,400 as payment for the additional registered capital of the Target Company and RMB22,358,000 as capital reserve of the Target Company). Upon Completion, the registered capital of the Target Company will be RMB44,444,400 and the Target Company will be owned as to 55% and 45% equity interests by Freotech Smart Road and Tianjin Expressway Group respectively. The Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.

#### **THE SHAREHOLDERS' AGREEMENT**

It is a condition precedent to the Capital Injection Agreement that the parties shall enter into the Shareholders' Agreement to govern the shareholdings and management of the Target Company and its relationship with each of the shareholders of the Target Company.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Transactions exceeded 25% but are less than 75%, the entering into the Capital Injection Agreement therefore constitutes a major transaction for the Company and is subject to the approval by the Shareholders under the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders have any material interest in the Capital Injection Agreement and the Transactions. Accordingly, no Shareholder will be required to abstain from voting if the Company is to convene an extraordinary general meeting to approve the Transactions. The Company has obtained a written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from Freetech (Cayman) Ltd., Smart Executive Group Limited, Intelligent Executive Limited and Smart Vision Partner Limited, which collectively are beneficially interested in an aggregate of 634,913,780 Shares, representing approximately 58.84% of the existing issued share capital of the Company as at the date of this announcement. As such, no extraordinary general meeting of the Company will be convened for the purpose of approving the Transactions as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among others, (i) further details of the Capital Injection Agreement, the Shareholders' Agreement and information on the Target Company; (ii) the accountants' report on the Target Company; and (iii) unaudited pro forma financial information of the enlarged Group will be dispatched to Shareholders as soon as possible in accordance with the Listing Rules. It is expected that the circular will be dispatched to the Shareholders on or before 31 July 2015 which is more than 15 business days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

## **INTRODUCTION**

Further to the announcement of the Company dated 13 July 2014, the formation of Freetech Smart Road with COSCO (H.K.) Industry & Trade, the Board is pleased to announce that on 30 June 2015, Freetech Smart Road, an indirect subsidiary which is 51% owned by the Company, and Tianjin Expressway Group, being the existing shareholder of the Target Company, entered into the Capital Injection Agreement, pursuant to which Freetech Smart Road has agreed to acquire 55% equity interests in the Target Company by way of subscribing for an additional registered capital of RMB24,444,400 at the total consideration of RMB46,802,400 (representing RMB24,444,400 as payment for the additional registered capital of the Target Company and RMB22,358,000 as capital reserve of the Target Company). Upon Completion, the registered capital of the Target Company will be RMB44,444,400 and the Target Company will be owned as to 55% and 45% equity interests

by Freetech Smart Road and Tianjin Expressway Group respectively. The main terms of the Capital Injection Agreement are summarised below:

## **THE CAPITAL INJECTION AGREEMENT**

### **(1) Date**

30 June 2015

### **(2) Parties**

- (i) Freetech Smart Road; and
- (ii) Tianjin Expressway Group.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tianjin Expressway Group and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **(3) Nature of the Transactions and assets to be acquired**

Pursuant to the Capital Injection Agreement, Freetech Smart Road, an indirect subsidiary which is 51% owned by the Company, and Tianjin Expressway Group, being the existing shareholder of the Target Company, entered into the Capital Injection Agreement, pursuant to which Freetech Smart Road has agreed to acquire 55% equity interests in the Target Company by way of subscribing for an additional registered capital of RMB24,444,400 at the total consideration of RMB46,802,400 (representing RMB24,444,400 as payment for the additional registered capital of the Target Company and RMB22,358,000 as capital reserve of the Target Company).

The Capital Injection will be conducted by way of listing on Tianjin Property Rights Exchange. Upon Completion, the registered capital of the Target Company will be RMB44,444,400 and the Target Company will be owned as to 55% and 45% equity interests by Freetech Smart Road and Tianjin Expressway Group respectively. The shareholding structure of the Target Company before and after Completion is set out as follows:

|                     |            | <b>Before Completion</b>   |                   | <b>After Completion</b>  |                   |
|---------------------|------------|--|-------------------|--|-------------------|
|                     |            | <b>Amount of the<br/>registered<br/>capital of the<br/>Target<br/>Company<br/>(in RMB)</b> | <b>Percentage</b> | <b>Amount of the<br/>registered<br/>capital of the<br/>Target<br/>Company<br/>(in RMB)</b> | <b>Percentage</b> |
| Freetech Smart Road |            | --   | --                | 24,444,400   | 55%               |
| Tianjin<br>Group    | Expressway | 20,000,000   | 100%              | 20,000,000   | 45%               |
| <b>Total</b>        |            | <b>20,000,000</b>  | <b>100%</b>       | <b>44,444,400</b>  | <b>100%</b>       |

#### **(4) Conditions precedent to the Capital Injection Agreement**

The Transactions contemplated under the Capital Injection Agreement is conditional upon the satisfaction of the following conditions precedent:

- (a) the Shareholders' Agreement having been entered into by the parties;
- (b) the new articles of association of the Target Company having been approved by the parties to the Capital Injection Agreement;
- (c) all the consents or approvals for the Capital Injection from the Target Company, the relevant governmental and regulatory authorities in the PRC and Hong Kong having been obtained, including but not limited to passing the board resolutions and shareholders' resolutions of the Target Company;
- (d) the Target Company and Tianjin Expressway Group having provided and made full, accurate and complete disclosure in writing about the assets, liabilities, equities and guarantees of the Target Company and all the relevant information about the Capital Injection Agreement to Freetech Smart Road;
- (e) during the Interim Period, the operation and financial conditions of the Target Company not having any material adverse change and the Target Company not having distributed any dividends;
- (f) during the Interim Period, the Target Company not having created any encumbrances over any of its assets or properties; the Target Company does not directly or indirectly dispose of its major assets and does not create or assume any significant debts or

liabilities (save for the disposal or debts or liabilities arose within the ordinary course of business);

- (g) during the Interim Period, the Target Company not having employed any new key employees or dismissed any of its key employees or not having to or having promised to raise the salaries, wages, compensations, incentive payments or other benefits of its employees at the increment rate of 10% or more; and
- (h) Tianjin Expressway Group, during the Interim Period, not having pledged or charged or created any encumbrances over the whole or any of its equity interests in the Target Company.

## **(5) Consideration**

Subject to the fulfilment of the conditions precedent to the Capital Injection Agreement, Freetech Smart Road shall pay the Investment Consideration in the sum of RMB46,802,400 in one lump sum within 5 days after Tianjin Commission of Commerce (天津市主管商務部門) having granted the approval of the Transactions. Upon Completion, the equity interests in the Target Company will be held as to 55% by Freetech Smart Road and 45% by Tianjin Expressway Group.

The consideration of the Transactions was determined by the Company after arm's length negotiation with Tianjin Expressway Group based on the total net assets value of the Target Company, the future prospects of the Target Company and other factors as set out in the paragraph headed "REASONS AND BENEFITS FOR THE TRANSACTIONS" below. Therefore, the Investment Consideration is considered by the Board as fair and reasonable. The Company will fund 51% of the Investment Consideration by the proceeds raised from the initial public offering of the Company. The remaining 49% of the Investment Consideration will be funded by COSCO (H.K.) Industry & Trade, which owns 49% shares in Freetech Smart Road.

## **(6) Scope and geographical areas of business of the Target Company**

Upon Completion, the principal activities of the Target Company shall remain the same, and Freetech Smart Road and Tianjin Expressway Group will provide their support for the Target Company's business development in relation to, among other things, (i) highways, national and provincial highways, municipal roads, all the roads of the ports, terminals and airports located in Tianjin; (ii) some areas in northern China and Shandong Province; and (iii) other relevant projects.

## **(7) Breach of the Capital injection Agreement**

If one party breaches the Capital Injection Agreement or does not perform its obligations in accordance with the Capital Injection Agreement and, as a result of which, the non-defaulting

party suffers loss, the defaulting party shall compensate the non-defaulting party the amount equivalent to all the actual losses incurred by the non-defaulting party and all the profits received by the defaulting party as a result of such breach but such amount shall not exceed the amount as the defaulting party contemplated or reasonably contemplated.

The parties to the Capital Injection Agreement shall not create any forms of guarantees such as pledges, charge or other encumbrances over all or part of its equity interests in the Target Company. Otherwise, during the terms of such guarantee, the defaulting party shall pay 0.1% of such guarantee to the non-defaulting party and pay the Target Company the amount equivalent to such guarantee as compensation.

In the event that Freetech Smart Road fails to make the payment of the Investment Consideration in a timely manner, 0.05% per day of the outstanding Investment Consideration shall be paid to the Target Company as penalty. In the event that Freetech Smart Road's failure to make the payment of the Investment Consideration for more than three months, the non-defaulting party shall have the right to demand the compensation as aforementioned from Freetech Smart Road and the right to terminate the Capital Injection Agreement.

## **THE SHAREHOLDERS' AGREEMENT**

It is a condition precedent to the Capital Injection Agreement that the parties shall enter into the Shareholders' Agreement to govern the shareholdings and management of the Target Company and its relationship with each of the shareholders of the Target Company. The main terms of the Shareholders' Agreement are as follows:-

### **(1) Date**

30 June 2015

### **(2) Parties**

- (i) Freetech Smart Road; and
- (ii) Tianjin Expressway Group

### **(3) Right of first refusal**

In the event that either party to the Shareholders' Agreement transfers all or part of its equity interests in the Target Company after five years from the Completion Date, it should obtain the consent from the other party and approval from the relevant regulatory authorities. Prior to any transfer of the equity interests in the Target Company to a third party (who is not an affiliate of the other non-transferor shareholder of the Target Company), the other non-transferor shareholder shall have the preemptive right to take up the equity interests to be transferred on the same terms of the offer as to the third party.

#### **(4) Distribution of dividends**

The dividends of the Target Company shall be distributed to the shareholders of the Target Company in proportion to their respective shareholding in accordance with the relevant law and regulations in the PRC and other applicable jurisdictions.

#### **(5) Undertakings by Tianjin Expressway Group**

Tianjin Expressway Group undertakes, among other things, that it will not transfer the whole or any part of its equity interests in the Target Company within five years from the Completion Date.

#### **(6) Undertakings by Freetech Smart Road**

Freetech Smart Road undertakes, among other things, that, within one year after the Completion, it will provide the Target Company all technical training, guidance and services free-of-charge.

Freetech Smart Road further undertakes that it will not develop or engage in the similar or same business as that of the Target Company with or without third parties in the relevant geographical areas in order to avoid competition with the Target Company. Otherwise, this shall be regarded as breach of the Shareholders' Agreement and Freetech Smart Road shall compensate Tianjin Expressway Group for all its losses.

#### **(7) Composition of the board of directors**

The board of the Target Company shall comprise of seven directors, four of whom shall be nominated by Freetech Smart Road and three of whom shall be nominated by Tianjin Expressway Group. The chairman of the Target Company, who shall be the legal representative, shall be nominated by Freetech Smart Road. The vice-chairman of the Target Company shall be nominated by Tianjin Expressway Group. Each of the directors shall serve a term of three years subject to the renewal by the relevant shareholders of the Target Company. The shareholders of the Target Company shall nominate or appoint a new director with the written notice to the board.

#### **(8) Supervisory board**

A supervisory board of three people, who are not the directors of the Target Company and the senior management, will be established to, among other things, supervise the financial of the Target Company and monitor the performance of duties of the directors and senior management of the Target Company.

## **(9) Breach of the Shareholders' Agreement**

If one party breaches the Shareholders' Agreement or does not perform its obligations in accordance with the Shareholders' Agreement and, as a result of which, the non-defaulting party suffers loss, the defaulting party shall compensate the non-defaulting party the amount equivalent to all the actual losses incurred by the non-defaulting party and all the profits received by the defaulting party as a result of such breach but such amount shall not exceed the amount as the defaulting party contemplated or reasonably contemplated.

The parties to the Capital Injection Agreement shall not create any forms of guarantees such as pledges, charge or other encumbrances over all or part of its equity interests in the Target Company. Otherwise, during the terms of such guarantee, the defaulting party shall pay 0.1% of such guarantee to the non-defaulting party and pay the Target Company the amount equivalent to such guarantee as compensation.

## **INFORMATION ON TARGET COMPANY**

The Target Company is a company established in the PRC with limited liability. It has registered and paid-up capital of RMB20,000,000 and is wholly owned by Tianjin Expressway Group as at the date of this announcement. The principal activities of the Target Company are provision of maintenance and repair services for expressways and expressway facilities, road projects, highway plantation engineering and construction projects; machinery and equipment leasing, highway engineering and technical advisory services.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2013 and 2014:

|                              | <b>For the year ended 31 December</b> |                 |
|------------------------------|---------------------------------------|-----------------|
|                              | <b>2014</b>                           | <b>2013</b>     |
|                              | <i>HK\$'000</i>                       | <i>HK\$'000</i> |
| Revenue                      | 217,573                               | 149,320         |
| Net profit/(loss) before tax | 12,320                                | (8,060)         |
| Net profit/(loss) after tax  | 9,232                                 | (6,085)         |

The unaudited net assets value of the Target Company as at 31 December 2014 was HK\$37,851,000

Following the Completion, the Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.



## **REASONS AND BENEFITS FOR THE TRANSACTIONS**

The Transactions are conducted in the ordinary and usual course of business of the Group and 51% of the Investment Consideration will be funded by the Company using proceeds raised from the initial public offering of the Company. The remaining 49% of the Investment Consideration will be funded by COSCO (H.K.) Industry & Trade Holdings Limited, which owns 49% shares in Freetech Smart Road. The acquisition of 55% equity interests in the Target Company will enhance the competitiveness of the Company in the PRC and help promote the development of the Company's business of road maintenance in the PRC. Furthermore, the new shareholding structure of the Target Company following the completion of the Transactions would be more conducive to the business cooperation between the Company and Tianjin Expressway Group, and the improvement and expansion of the Company's business of road maintenance in the Bohai Economic Rim.

In view of the above, the Directors consider that the Transactions is in line with the business plans of the Company and the terms of the Capital Injection Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON TIANJIN EXPRESSWAY GROUP**

Tianjin Expressway Group is a company established in the PRC with limited liability. Its principal business is construction and management of expressways.

## **INFORMATION ON COMPANY AND FREETECH SMART ROAD**

The Company is principally engaged in manufacturing and sale of road maintenance equipment and provision of road maintenance services in the PRC.

Freetech Smart Road is an investment holding company.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Transactions exceeded 25% but are less than 75%, the entering into the Capital Injection Agreement therefore constitutes a major transaction for the Company and is subject to the approval by the Shareholders under the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders have any material interest in the Capital Injection Agreement and the Transactions. Accordingly, no Shareholder will be required to abstain from voting if the Company is to convene an extraordinary general meeting to approve the Transactions. The Company has obtained a written approval for the Transaction

in accordance with Rule 14.44 of the Listing Rules from Freetech (Cayman) Ltd., Smart Executive Group Limited, Intelligent Executive Limited and Smart Vision Partner Limited, which collectively are beneficially interested in an aggregate of 634,913,780 Shares, representing approximately 58.84% of the existing issued share capital of the Company as at the date of this announcement. As such, no extraordinary general meeting of the Company will be convened for the purpose of approving the Transactions as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among others, (i) further details of the Capital Injection Agreement and the Shareholders' Agreement and information on the Target Company; (ii) the accountants' report on the Target Company; and (iii) unaudited pro forma financial information of the enlarged Group will be dispatched to Shareholders as soon as possible in accordance with the Listing Rules. It is expected that the circular will be dispatched to the Shareholders on or before 31 July 2015 which is more than 15 business days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

## DEFINITIONS

Unless otherwise stated or the context requires otherwise, the terms in this announcement have the following meanings:

|   |   |
|---|---|
| “Board”                                 | the board of Directors  |
| “Business Day”                          | a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong or the PRC  |
| “Business Registration Completion Date” | the date on which Completion has taken place and the State Administration For Industry and Commerce of the PRC has duly updated the business registration (工商行政管 理 部 門 變 更 登 記) and issued the corresponding business license (企業法人營業執照) in respect of the Target Company |
| “Capital Injection”                     | the capital injection in the registered capital of the Target Company in accordance with the terms and conditions of the Capital Injection Agreement  |

|                               |   |
|-------------------------------|---|
| “Capital Injection Agreement” | the capital injection agreement dated 30 June 2015 entered into between Freetech Smart Road and Tianjin Expressway Group in respect of the Transactions   |
| “Company”                     | Freetech Road Recycling Technology (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange  |
| “Completion”                  | completion of the Transactions in accordance with the Capital Injection Agreement   |
| “Completion Date”             | the date of the Completion, which shall be 31 August 2015   |
| “connected person”            | has the meaning ascribed to it under the Listing Rules  |
| “controlling shareholder”     | has the meaning ascribed to it under the Listing Rules  |
| COSCO (H.K.) Industry & Trade | COSCO (H.K.) Industry & Trade Holdings Limited, a company incorporated in Hong Kong with limited liability  |
| “Freetech Smart Road”         | Freetech Smart Road Recycling Engineering Investment Limited (英達智能道路再生工程投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect subsidiary which is 51% owned by the Company, the remaining 49% equity interest is owned by COSCO (H.K.) Industry & Trade |
| “Director(s)”                 | the director(s) of the Company  |
| “Group”                       | the Company and its subsidiaries  |
| “HK\$”                        | Hong Kong dollar, the lawful currency of Hong Kong  |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the People’s Republic of China   |

|                                |   |
|--------------------------------|---|
| “Independent Third Party(ies)” | a third party independent of the Company and the connected persons of the Company   |
| “Interim Period”               | the period between the Reference Date and the Business Registration Completion Date   |
| “Investment Consideration”     | RMB46,802,400, the total amount of consideration for the Transactions payable by Freetech Smart Road upon Completion  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”                          | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China                        |
| “Reference Date”               | 31 December 2014, the date of the latest audited account of the Target Company  |
| “RMB”                          | Renminbi, the lawful currency of the PRC  |
| “Share(s)”                     | ordinary share(s) of HK\$0.1 each in the share capital of the Company   |
| “Shareholder(s)”               | holder(s) of the Shares   |
| “Shareholders’ Agreement”      | the shareholders’ agreement to be entered into between Freetech Smart Road and Tianjin Expressway Group in respect of the management, shareholding and operation of the Target Company following Completion |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |

|                            |  |
|----------------------------|--|
| “Target Company”           | Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司), a company established in the PRC and the entire equity interest in which is owned by Tianjin Expressway Group as at the date of this announcement                  |
| “Tianjin Expressway Group” | Tianjin Expressway Group Company Limited* (天津高速公路集團有限公司), a company established in the PRC with limited liability and which owns the entire equity interests in the Target Company as at the date of this announcement             |
| “Transactions”             | The transactions contemplated under the Capital Injection Agreement including the capital injection in the registered capital of the Target Company in accordance with the terms and conditions of the Capital Injection Agreement |
| “%”                        | per cent   |

*For the purposes of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the exchange rate of RMB1.00 to HK\$1.2733 for the purposes of illustration only. No representation is made that any amount in RMB or Hong Kong dollars could have been or could be converted at the above rate or at any other rates.*

By Order of the Board  
**Fretech Road Recycling Technology**  
**(Holdings) Limited**  
**Sze Wai Pan**  
*Chairman*

Hong Kong, 2 July 2015

*As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan, Ms. Sze Wan Nga, Mr. Zhang Yifu and Mr. Chan Kai King; the non-executive Directors are Mr. Yeung Chin Chiu and Mr. Wang Lei; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong.*

*\* For identification purposes only*