THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Freetech Road Recycling Technology (Holdings) Limited (the "Company"), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

英達公路再生科技(集團)有限公司
Freetech Road Recycling Technology (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)
(stock code: 6888)

MAJOR TRANSACTION
CAPITAL INJECTION TO TIANJIN EXPRESSWAY MAINTENANCE COMPANY LIMITED*

This circular is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.freetech-holdings.hk).

* *for identification purpose only*

31 August 2015

CONTENTS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

"Announcement"	the announcement of the Company dated 2 July 2015 in relation to, among other things, the Capital Injection Agreement
"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
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after the Transactions

"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, the entire equity interests in which are owned as to 51% and 49% by the Company and COSCO (H.K.) Industry & Trade respectively
"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
"Latest Practicable Date"	31 August 2015, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
"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 circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"Reference Date"	28 February 2015, the date of the latest audited account of the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"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 Latest Practicable Date
"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 Latest Practicable Date
"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 purpose of this circular, unless otherwise indicated, conversions of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$1.2733. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

英達公路再生科技(集團)有限公司

Freetech Road Recycling Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

(stock code: 6888)

Executive Directors:
Mr. Sze Wai Pan *(Chairman and Chief Executive Officer)*
Ms. Sze Wan Nga
Mr. Zhang Yifu
Mr. Chan Kai King

Non-executive Directors:
Mr. Yeung Chin Chiu
Mr. Wang Lei

Independent Non-executive Directors:
Ms. Yeung Sum
Mr. Tang Koon Yiu, Thomas
Mr. Lau Ching Kwong

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178 Gloucester Road
Wanchai, Hong Kong

31 August 2015

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION CAPITAL INJECTION TO TIANJIN EXPRESSWAY MAINTENANCE COMPANY LIMITED*

INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2014 in relation to the formation of Freetech Smart Road and the Announcement in relation to the Capital Injection. 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

* *for identification purpose only*

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.

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.

The Company has obtained a written approval for the Transactions in accordance with Rule 14.44 of the Listing Rules from a closely allied group of the Shareholders comprising 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 and 630,313,780 Shares, representing approximately 58.84% and 58.42% of the existing issued share capital of the Company as at the date of the Announcement and as at the Latest Practicable Date respectively. 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.

The purpose of this circular is to provide you with, among other things, (i) further details on the Capital Injection Agreement, the Shareholders' Agreement and information on the Target Company and the Transactions; and (ii) such other information as required by the Listing Rules.

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).

Save for the Capital Injection, up to the Latest Practicable Date, the Company has not entered into, nor proposes to enter into any agreement, arrangement or understanding, whether formal or informal and whether express or implied, with an intention of additional investments in the Target Company or injections (whether in the form of capital investment or asset injection or loans) into the registered capital of the Target Company.

The Capital Injection will be conducted by way of listing-for-sale (掛牌出讓) on Tianjin Property Rights Exchange. Tianjin Property Rights Exchange is an institution appointed by State-owned Assets Supervision and Administration Commission of Tianjin Municipal People Government and Financial Bureau, to transact and provide national and international property rights transfer of all kinds, including real assets, equities, debts, and intellectual property rights for State-owned enterprises. The listing-for-sale carried out through Tianjin Property Rights Exchange was a public auction process through written submissions during the bidding period from 28 May 2015 to 26 June 2015 at which 55% equity interests in the Target Company was offered for sale. Tianjin Property Rights Exchange notified the Group that Freetech Smart Road is the successful bidder for the 55% equity interests in the Target Company on 29 June 2015. The Investment Consideration of RMB46,802,400 was the final bidding price offered by Freetech Smart Road as the successful bidder.

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:

	Before Completion		**After Completion**	
	Amount of the registered capital of the Target Company *(in RMB)*	*Percentage*	**Amount of the registered capital of the Target Company** *(in RMB)*	*Percentage*
Freetech Smart Road	—	—	24,444,400	55%
Tianjin Expressway Group	20,000,000	100%	20,000,000	45%
Total	20,000,000	100%	44,444,400	100%

(4) Conditions precedent

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.

As at the Latest Practicable Date, all of the above conditions precedent has been fulfilled. The Completion shall take place on 31 August 2015.

The Investment Consideration is not required to be paid if any of the conditions precedent as set out above has not been fulfilled.

(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. The Target Company has obtained the relevant approval from Tianjin Commission of Commerce of the Transactions on 5 August 2015 and the Investment Consideration has been paid by way of the Capital Injection into the Target Company in accordance with the Capital Injection Agreement on 12 August 2015.

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 Target Company maintains a stable source of revenue from Tianjin Expressway Group and its wholly-owned subsidiaries and associates, which in turn obtain a stable source of road management projects from the PRC government. The Target Company has achieved a compound annual growth rate (CAGR) of 32.5% on its revenue from the year ended 31 December 2012 to the year ended 31 December 2014. From 1994 to the Latest Practicable Date, Tianjin Expressway Group has completed more than 30 road, expressway and bridge construction projects in Tianjin with a total mileage of approximately 1,700 kilometers, 887 kilometers of which are currently managed by Tianjin Expressway Group. Tianjin Expressway Group then engages the Target Company in providing the road maintenance services for most of the expressways they manage. A contract for daily road maintenance services contract is entered into between Tianjin Expressway Group and the Target Company on an annual basis. The total mileages of daily maintenance service contracted out by Tianjin Expressway Group to the Target Company are approximately 620 kilometers per year. The renovation maintenance service contract is provided on an actual requirement basis determined by case-by-case.

There has been a progressive increase in the Target Company's revenue contributing from Tianjin Expressway Group and its wholly-owned subsidiaries and associates over the past years, demonstrating the support and confidence of Tianjin Expressway Group in the Target Company. The revenue of the Target Company contributed from Tianjin Expressway Group and its wholly-owned subsidiaries and associates for the years ended 31 December 2012, 2013 and 2014 were approximately HK$108 million, HK$139 million and HK$209 million respectively. The average total contract amount for daily maintenance service provided by the Target Company to Tianjin Expressway Group was approximately RMB90 million (equivalent to approximately HK$114 million) per year for the past 3 years from 2012 to 2014.

Furthermore, Tianjin Expressway Group, as a company managing most expressways in Tianjin, has engaged the Target Company in providing renovation maintenance services since 2013. Roads in Tianjin City are owned by the local Tianjin government. Some of expressways in Tianjin City are owned by the local Tianjin government and some of them are owned by both the local Tianjin government and other parties such as certain listed companies in Hong Kong. Being one of the key market players in the expressway industry in Tianjin, Tianjin Expressway Group manages approximately 80% of expressways in Tianjin City.

Under a normal circumstance, those roads and expressways require regular asphalt pavement maintenance every five years. Therefore, it is expected that there will be a continuous demand for asphalt pavement maintenance services that Tianjin Expressway Group may need for the roads and expressways they manage in Tianjin at a total amount of approximately RMB1.1 billion (equivalent to approximately HK$1.4 billion) every five years. This represents potentially huge revenue stream for the Target Company, which has a ready access to the massive Tianjin market through its connection with Tianjin Expressway Group.

The Directors believe that through the Transactions, by leveraging on the Target Company's strong business connection with the Tianjin Expressway Group, the Company can expand the scope of its road maintenance service and broaden the spectrum of its road maintenance technology into the PRC markets. In the event that after the completion of the Transactions, the Target Company is engaged to provide road maintenance services to Tianjin Expressway Group, the Company will issue an announcement to inform the Shareholders and potential investors in accordance with the relevant requirements under Chapter 14A of the Listing Rules. The recycling technology (including the Group's Hot-in-Place technology) for road maintenance and repair is a new concept in Tianjin and is not widely applied in the PRC. The Company considers that there is great potential for developing its recycling technology in Tianjin through the Target Company. After the completion of the Transactions, the Group will procure the Target Company to change its traditional road maintenance method and apply the new, modern and more efficient method, namely the Group's Hot-in-Place technology.

The Directors are of the view that the prospects of the Target Company is optimistic for the following bases:

(a) the Target Company has achieved a compound annual growth rate (CAGR) of 32.5% on its revenue from the year ended 31 December 2012 to the year ended 31 December 2014;

(b) Tianjin Expressway Group, one of the key market players in the road and expressway industry in Tianjin City, has supported the Target Company for the past 3 years and the revenue of the Target Company for the years ended 31 December 2012 to 2014 contributed from Tianjin Expressway Group and its wholly-owned subsidiaries and associates was HK107.8 million, HK$139.1 million and HK$208.8 million respectively. It is expected that Tianjin Expressway Group will continue to support the business of the Target Company as Tianjin Expressway Group has given its relevant undertaking as mentioned in paragraph (c) below; and

(c) Tianjin Expressway Group has provided its undertaking that it shall give priority to provide its road maintenance to the Target Company over other parties after the Completion, subject to the relevant regulatory requirement and provided that the conditions of offers are the same, for at least five years from the Completion Date and as long as Tianjin Expressway Group remain the shareholder of the Target Company.

The Board considers that Tianjin Expressway Group and its subsidiaries and associates are important for the road maintenance business of the Target Company as Tianjin Expressway Group and its subsidiaries contributed substantially to the revenue of the Target Company.

The risk arising from such reliance is that if Tianjin Expressway Group may not able to continue to support the business of the Target Company, it may affect the business of the Target Company. However, the Company considers that such risk is minimal on the basis that although most of the revenue of the Target Company is contributed from Tianjin Expressway Group and its wholly owned subsidiaries and associates, Tianjin Expressway Group heavily relies on the road maintenance services provided by the Target Company in order to ensure the operation and maintenance of the expressways without interruption. If Tianjin Expressway Group does not support the Target Company, it is also not beneficial to Tianjin Expressway Group as its management on the expressway will be adversely affected. Furthermore, upon Completion, Tianjin Expressway Group will own 45% equity interest in the Target Company and it is beneficial to Tianjin Expressway Group to engage the Target Company to provide the relevant road maintenance services and ensure that the business of the Target Company will not be affected. Taking also into account the undertakings given by the Tianjin Expressway Group as set out in the paragraph headed "(5) **Undertakings by Tianjin Expressway Group"**, it is unlikely that Tianjin Expressway Group will 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 to compete with the Target Company in the business of road maintenance services.

On 30 June 2015, upon signing of the Capital Injection Agreement, the parties to the Capital Injection Agreement and the representative from each of the Company, COSCO (H.K.) Industry & Trade and Tianjin Expressway Group agreed in Tianjin City that after the Completion Date, the measures to be adopted by the Company to avoid such risk is that after Completion, the Target Company will explore the opportunities of developing its road maintenance business into municipal roads, roads of ports, terminals and airports in Tianjin City with independent third parties.

The Company has appointed an experienced regional sales manager as a deputy general manager of the Target Company to develop and explore such opportunities with independent third parties by way of organizing recycling technology conferences and seminars, and on site demonstration of recycling technology for the Target Company to demonstrate the application of recycling technology and inviting the potential customers and media to attend such conferences, seminars and on-site demonstration. The Company will also provide technology support to the Target Company when organizing the above events. After the Completion, the Target Company plans to organize 2 conferences and 1 on-site demonstration in 2015, and plans to organize 5 conferences and 2 on site demonstrations in 2016. Based on the business negotiations with potential customers and the potential services agreements, the Target Company target to achieve RMB40 million revenue of road maintenance business from municipal roads, roads of ports, terminals and airports in Tianjin City in 2015 with annual 10%-15% growth rate onward. In addition, the Company will provide the marketing materials including leaflet, brochure and newsletter to the Target Company so that they can regularly send the marketing materials to potential customers and provide the information about the recycling technology to promote the application of such recycling technology.

The Investment Consideration 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 factors such as the possible enhanced competitiveness of the Company in the business of road maintenance in the PRC, the strengthened business cooperation between the Group and Tianjin Expressway Group and the improvement and expansion of the Company's road maintenance business in the Bohai Economic Rim as set out in the paragraph headed "REASONS AND BENEFITS FOR THE TRANSACTIONS" and factors such as strengthening the Company's market position and expanding its market share in the PRC road maintenance industry and promoting and developing its recycling technology as set out in the paragraph headed "FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP" below. In light of the above, the Investment Consideration is considered by the Board as fair and reasonable.

As disclosed above, part of the Investment Consideration in the sum of RMB22,358,000 will be contributed to the capital reserve of the Target Company which represents the premium paid by Freetech Smart Road to acquire 55% equity interests in the Target Company through the Capital Injection. The total Investment Consideration of RMB46,802,400 less 55% of the registered share capital of the Target Company in the amount of RMB44,444,400 after the Capital Injection, being RMB24,444,400, is RMB22,358,000. After the Completion, the remaining RMB22,358,000 will be allocated in the capital reserve. Such capital reserve is expected to be transferred to the registered capital of the Target Company and such transfer of the capital reserve will take place within 2015.

As at 31 December 2014, the total amount of the unutilized proceeds raised from the initial public offering of the Company which are allocated for acquisitions of other asphalt pavement maintenance service providers was approximately HK$87 million. The Company will fund 51% of the Investment Consideration, namely RMB23.9 million (equivalent to approximately HK$30.4 million) by such unutilized proceeds as a shareholder's loan ("Loan from Company") to Freetech Smart Road on 27 May 2015. After deducting such Investment Consideration, the remaining unutilized proceeds raised from the initial public offering of the Company will be HK$56.6 million. As mentioned above, up to the Latest Practicable Date, save for the Capital Injection, the Company has no intention to make additional investments in the Target Company or injections (whether in the form of capital investment or asset injection or loans) into the registered capital of the Target Company and as such, the Company has no intention to further allocate the remaining proceeds raised from the initial public offering for investment in the Target Company. The remaining 49% of the Investment Consideration will be funded by the shareholder's loan provided by COSCO (H.K.) Industry & Trade, which holds 49% of the entire issued share capital of Freetech Smart Road, to Freetech Smart Road on 29 May 2015 ("Loan from COSCO"). Both the Loan from COSCO and the Loan from Company ("Loans") were unsecured, interest-free and had no fixed terms of repayment. Cosco (H.K.) Industry & Trade is a connected person of the Company under Chapter 14A of the Listing Rules, the provision of the Loans from COSCO constitutes a connected transaction for the Company. As the Board considers that the provision of the Loan from COSCO is on terms better than normal commercial terms to Freetech Smart Road, where no security over assets of the Group was granted in respect of the Loan from COSCO, the provision of the Loan from COSCO is exempt from reputing, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. The Company is able to settle the Loan from COSCO in the event that the repayment of the Loan from COSCO is demanded as the Group has sufficient cash and cash equivalent and has unutilized banking facility of HK$132.9 million.

(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) the markets stated above which are located in certain areas in northern China to be determined by the Target Company and Shandong Province; and (iii) other nationwide cooperation construction projects including subcontracting construction projects, and leasing of machinery or labour in a particular construction project. Such businesses are within the business scope of the Target Company. The shareholder of the Target Company and the Target Company have the experience in developing such business as they have performed such businesses before. The Group has completed several subcontracting road maintenance projects since 2001 in Jiangsu Province. As at the Latest Practicable Date, the subcontracting road maintenance project have covered 20 provinces in the PRC. The Group has performed leasing of machinery since 2003 in Anhui Province. The Target Company has performed leasing of machinery since 2012 in Tianjin City.

(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 fails to make the payment of the Investment Consideration for more than three months, the non-defaulting party shall have the right to demand the penalty 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

Either party to the Shareholders' Agreement shall not have the right to transfer all or part of its equity interests in the Target Company within five years from the Completion Date. In the event that either party to the Shareholders' Agreement transfers all or part of its equity interests in the Target Company within five years from the Completion Date, 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.

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 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.

It also undertakes that upon Completion, subject to the relevant law, regulations or policies of the PRC, under the same conditions of an offer, the Target Company will be given priority over other companies for road maintenance projects from Tianjin Expressway Group.

So long as Tianjin Expressway Group holds the equity interests in the Target Company, it undertakes that Tianjin Expressway Group and its associated companies 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, namely Tianjin and, certain areas in northern China and Shandong province, the exact locations of which are to be determined the Target Company. in order to avoid competition with the Target Company. Otherwise, this shall be regarded as breach of the Shareholders' Agreement and Tianjin Expressway Group shall compensate Freetech Smart Road for all its losses.

(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. The above undertakings are only applicable to Freetech Smart Road and not applicable to the Company and other members of the Group.

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, namely Tianjin and, certain areas in Northern China and Shandong province, the exact locations of which are to be determined by the Target Company, 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.

Having considered that in the course of providing the relevant training, guidance and services to the Target Company, Freetech Smart Road can promote and introduce the recycling technology of the Company to the Target Company; and that Tianjin Expressway Group gives similar undertakings in relation to non-competition, the Directors are of the view that the undertakings given by Freetech Smart Road are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

(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. Two of the four directors of the Target Company to be nominated by Freetech Smart Road are to be directly appointed by the Company. 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.

The following businesses of the Target Company requires unanimous vote of all directors of the Target Company:

— amendment of articles of association of the Target Company;

— implementation of policies for offsetting the retained losses of the Target Company;

— the winding-up and liquidation of the Target Company;

— change of the registered capital of the Target Company; and

— merger, spin-off and change of business operations of the Target Company.

(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. Each of Freetech Smart Road and Tianjin Expressway Group can nominate one member of the supervisory board. The remaining one member of the supervisory board will be nominated by all the employees 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 on 1 September 2009 by Tianjin Expressway Group. It has registered and paid-up capital of RMB20,000,000 and was wholly owned by Tianjin Expressway Group prior to the Completion. 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.

As at the Latest Practicable Date, the Target Company is engaged in 13 projects relating to road maintenance services for expressways in the PRC, most of which are undertaken for its key customers, namely Tianjin Expressway Group and its wholly-owned subsidiaries and associates.

The revenue percentage of the Target Company contributed by the key customers, namely Tianjin Expressway Group, for the years ended 31 December 2012 to 2014 are 87.2%, 91.1% and 81.1%, respectively. The number of the external customers of the Target Company for the years ended 31 December 2012 to 2014 are 9, 10 and 11, respectively. Part of the external customers are recurring customers. The number of such external customers was 1, 4 and 5 respectively for the years 2012 to 2014.

Set out below is the audited financial information of the Target Company for the two years ended 31 December 2013 and 2014 and two months ended 28 February 2015 prepared in accordance with Hong Kong Financial Reporting Standards, which is the same as that of the Company:

	For the year ended		**For two months ended**
	31 December 2013	**31 December 2014**	**28 February 2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	147,936	216,956	14,903
Net (loss)/profit before tax	(7,985)	12,286	1,031
Net (loss)/profit after tax	(6,029)	9,206	772

The audited net assets value of the Target Company as at 28 February 2015 was HK$38,115,000.

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 to 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 which is the economic hinterland surrounding Beijing and Tianjin and includes Shandong which surrounds the Bohai Sea.

In particular, through the Transactions, the Company will expand the Company's existing business into its road maintenance industry in the PRC as (i) the Company will be able to leverage the Target Company's strong experience, expertise, resources and business connection with Tianjin Expressway Group, as it is a reputable state-owned enterprise in the road construction industry in Tianjin; (ii) the Company will also be able to leverage the established connections of the Target Company with Tianjin Expressway Group, and they will cooperate with one another to develop municipal roads, roads of ports, terminals and airports in Tianjin City; (iii) the road maintenance services to be provided by the Company and the Target Group will complement to each other and as such following the completion of the Transactions, it is expected that in the event that the Target Company does not have additional capacity to render its road maintenance services for the roads and expressways that Tianjin Expressway Group and its subsidiaries manage, the Company may substitute for the Target Company and provide its road maintenance for Tianjin Expressway Group and its subsidiaries; and (iv) the Company and the Target Company can improve operational efficiencies through sharing of resources and expenses (such as technology, labour and machinery-related expenses). The Group envisages that it will not only be able to expand its business in the PRC road maintenance industry but also enhance the Group's overall market position as well as its competitiveness within the PRC road maintenance industry.

In view of the above, the Directors consider that the Transactions are in line with the business plans of the Company and the terms of the Capital Injection Agreement and the Shareholders' 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, a State-owned enterprise is a company established in the PRC with limited liability. Its principal business is roads and bridges construction and management of expressways. As at 31 December 2014, its registered capital of Tianjin Expressway Group was RMB770 million and has total assets more than RMB85 billion.

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.

POSSIBLE CONTINUING CONNECTED TRANSACTIONS BETWEEN TARGET COMPANY AND TIANJIN EXPRESSWAY GROUP

The Board has noted that Tianjin Expressway Group and its subsidiaries are currently and are expected to be a major customer of the Target Company after the Completion and Tianjin Expressway Group and/or its associates have entered into several agreements with the Target

Company pursuant to which the Target Company agreed to provide its road maintenance services to Tianjin Expressway Group and/or its subsidiaries and associates before the date of the Capital Injection Agreement (the "Possible Continuing Connected Transactions"). The details of the Possible Continuing Connected Transactions are as follows:

Name of related company	Relationship with the Target Company	Type of services rendered by the Target Company	Consideration amount *(RMB)*	Date of the relevant service agreement	Services period
天津鑫宇高速公路有限責任公司 Tianjin Xinyu Expressway Co. Ltd.*	Fellow subsidiary	Daily and damages maintenance	163,994	29 December 2014	1 January 2015– 31 December 2015
Tianjin Expressway Group	Immediate holding company	Daily and damages maintenance	97,809,019	30 December 2014	1 January 2015– 31 December 2015
天津新展高速公路有限公司 Tianjin Xinzhan Expressway Co. Ltd.*	An associate of the holding company	Daily and damages maintenance	1,641,845	15 March 2015	15 March 2015– 14 March 2016
Tianjin Expressway Group	Immediate holding company	Renovation maintenance	23,809,030	26 May 2015	119 days
Tianjin Expressway Group	Immediate holding company	Renovation maintenance	24,694,553	21 May 2015	119 days
Tianjin Expressway Group	Immediate holding company	Renovation maintenance	30,232,497	23 May 2015	119 days
Tianjin Expressway Group	Immediate holding company	Renovation maintenance	25,432,368	23 May 2015	112 days
天津天永高速公路有限公司 Tianjin Tianyong Expressway Co. Ltd.*	An associate of the holding company	Renovation maintenance	1,815,888	25 June 2015	68 days
天津津富高速公路有限公司 Tianjin Jinfu Expressway Co. Ltd.*	An associate of the holding company	Renovation maintenance	2,329,167	24 July 2015	26 July 2015– 26 September 2016

* *for identification purpose only*

If the Completion takes place, the provision of services above between the Target Company and Tianjin Expressway Group and/or its subsidiaries and associates will constitute continuing connected transactions of the Company as upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and Tianjin Expressway Group will become a connected person of the Company at subsidiary level by virtue of being a substantial shareholder of the Target Company and hence, the Possible Continuing Connected Transactions will constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will issue an announcement to inform the Shareholders and potential investors in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Appendix III to this circular presents the unaudited pro forma financial information of the Enlarged Group and describes the basis of preparation thereof.

As set out in Appendix III to this circular, the unaudited pro forma consolidated statement of financial position of the Enlarged Group illustrates the effect of the completion of the Transactions on the Group, and the total assets of the Enlarged Group as at 31 December 2014 would have been increased from approximately HK$1,363.8 million to approximately HK$1,581.3 million primarily attributable to the net effect of (i) increase in property, plant and equipment by HK$21.3 million, increase in bills, trade and other receivables by HK$166.1 million, increase in bank balances and cash by HK$12.3 million after consolidating the assets of Target Company into the Enlarged Group, (ii) goodwill of HK$6.1 million arising from the Transactions, and (iii) settlement of estimated acquisition-related cost of HK$2.1 million.

The total liabilities of the Enlarged Group as at 31 December 2014 would have been increased from approximately HK$149.6 million to approximately HK$325.3 million primarily attributable to increase in trade and other payables by HK$137.3 million and increase in amount due to the non-controlling shareholder i.e. the immediate holding company of the Target Company by HK$37.6 million after consolidating the liabilities of Target Company into the Enlarged Group.

As at 31 July 2015, the Enlarged Group had amounts due to non-controlling shareholder of Freetech Smart Road and amounts due to the existing shareholder of the Target Company of HK$29,609,000 and HK$37,775,000, respectively, which were unsecured and unguaranteed. The amount due to non-controlling shareholder of Freetech Smart Road represents an advance to pay the 49% of the totaled consideration of RMB46,802,400 to acquire 55% equity interest in the Target Company. The amount due to the existing shareholder of the Target Company represents an advance for general working capital purpose.

Shareholders should note that since the fair value of the assets and liabilities of the Target Company may be different at completion of the Transactions as compared to their respective values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of assets and liabilities and the goodwill to be recorded in the financial statements of the Group may be different from the estimated amounts shown in Appendix III to this circular. As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial period or dates.

The Directors of the Company have considered the goodwill associated with the Transaction in accordance with HKAS 36 "Impairment of Assets" and are of the view that there are no indication of impairment of goodwill arising from the Capital Injection.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In 2015, a report on the government work of the State Council reiterated its desire to promote the green economy and support environmental protection. The development of recycling technology has become the mainstream in the road maintenance industry. Based on our current project information, we have seen an increase in demand for recycling technologies, equipment and services. Furthermore, the National Highway System will commence road inspections in the fourth quarter of 2015 and we anticipate that the overall market demand for our services will increase. Under these circumstances, the Group aims to continuously develop new series equipment, upgrade "Hot-in-Place" technology, strengthen its market position and expand its market share by using its advanced technology and brand influence.

As a "four-in-one" integrated solution provider (asphalt pavement maintenance ("APM") technology research and development, APM equipment manufacturing, APM servicing contracting and setting up the "Road Doctor Training Institute" to train high end talent in the road maintenance industry), the Group seeks to innovate on the existing business model. The Group has entered into cooperation agreements with Nanjing Lishui Economy Technology Development Company (南京溧水經濟技術開發總公司) and Jurong City Housing and Urban Rural Development Bureau in the Jiangsu Province (江蘇省句容市住房和城鄉建設局) to actively participate in the major infrastructure and maintenance management work of that area and city, including road maintenance and road expansion and reconstruction projects. Meanwhile, local governments in the PRC are implementing city construction public-private partnership ("PPP") models which will be a template for the Group to develop more PPP projects in the field of city road maintenance and reconstruction projects. In addition, the Group has signed strategic cooperation agreements with various provincial highway departments and has gradually implemented those agreements with a view to promoting and developing new APM technology. Further, the Group has, in cooperation with a well-known institute, started to perform research into energy saving, environmental protection and cyclical economy in road maintenance and construction areas. This cooperation will provide education support at the "Road Doctor Training Institute".

In respect of the Target Company, its future development plan is to enhance the efficiency of its existing operational system with a view to minimizing its costs and maximizing the profits. Furthermore, the Target Company intends to expand its road maintenance services in Tianjin and then across northern China and Shandong Province and continue to explore fully the potential opportunities of expansion in other parts of China.

The Group aims at strengthening its market position and expanding its market share in the PRC road maintenance industry through the acquisition of the Target Company. As the market penetration of the recycling technology for road maintenance (for example, the Group's Hot-in-Place technology) is low in the PRC, the Company considers that there is great potential for developing and promoting the application of its recycling technology in Tianjin through the Target Company. After the completion of the Transactions, the Group will procure the Target Company to change its traditional road maintenance method and apply the new, modern and more efficient method, namely the Group's Hot-in-Place technology.

Upon completion of the Transactions, the board of the Target Company shall comprise of seven directors, four of whom shall be nominated by Freetech Smart Road. The chairman of the Target Company, who shall be the legal representative, shall be nominated by Freetech

Smart Road. As such, the Company shall have control over the management and operation of the Target Company and will promote the application of its recycling technology through the Target Company when such opportunities arises.

As explained above, 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. The Company will take such opportunity to promote and introduce the recycling technology of the Company to the Target Company in the course of providing the relevant training, guidance and services to the Target Company, Freetech Smart Road.

The Target Company will leverage its established connection in Tianjin city, gradually widen the application of the Group's recycling technology from expressway to other areas such as municipal roads, all roads of ports, terminals and airports. Furthermore, the road maintenance services to be provided by the Company and the Target Group will complement to each other and as such following the completion of the Transactions, it is expected that in the event that the Target Company does not have additional capacity to render its road maintenance services for the roads and expressways that Tianjin Expressway Group and its subsidiaries manage, the Company may substitute for the Target Company and provide its road maintenance using its recycling technology for Tianjin Expressway Group.

In future, the Group will use model innovation, look for new business growth points and development platforms based on its existing business foundations, make contributions to society and enhance shareholder returns.

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 would 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 a closely allied group of Shareholders comprising 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 and 630,313,780 Shares, representing approximately 58.84% and 58.42% of the existing issued share capital of the Company as at the date of the Announcement and as at the Latest Practicable Date respectively. Freetech (Cayman) Ltd., Smart Executive Group Limited, Intelligent Executive Limited and Smart Vision Partner Limited which individually holds 524,965,260 Shares, 51,820,520 Shares, 29,640,000 Shares and 23,888,000 Shares respectively, representing approximately 48.65%, 4.81%, 2.75% and 2.21% respectively of the existing issued share capital of the Company, as at the Latest

Practicable Date. 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.

The purpose of this circular is to provide you with, among other things, (i) further details on the Capital Injection Agreement, the Shareholders' Agreement and information on the Target Company and the Transactions; and (ii) such other information as required by the Listing Rules.

RECOMMENDATION

In light of the aforesaid, in particular, the benefits of entering into of the Capital Injection Agreement and the Shareholders' Agreement as discussed, the Board considers that their respective terms and conditions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
the Board of Directors of
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman

A. SUMMARY OF FINANCIAL INFORMATION

(i) The consolidated financial statements of the Group for the financial year ended 31 December 2014 is disclosed in the 2014 annual report of the Company from pages 44 to 133 dated 28 April 2015, the website hyperlink of which is as follows:

http://183.91.33.13/cache/www.freetech-holdings.hk/UploadFile/pdf/E_ANNUAL%20REPORT%202014.pdf?ich_args=1c558cbaba12d2248820bf57e2bf9e73_1_0_0_8_0fb1f77d3e086ac33324735f3c1b032db6bc5824cf3bba0a6d227ec0050ec587_48ef57845c5e5e0a154ae3dec8f1aa58_1_0&ich_ip=33-7

(ii) The consolidated financial statements of the Group for the financial year ended 31 December 2013 is disclosed in the 2013 annual report of the Company from pages 38 to 111 dated 28 April 2014, the website hyperlink of which is as follows:

http://183.91.33.14/cache/www.freetech-holdings.hk/UploadFile/pdf/E_ANNUAL%20REPORT%202013.pdf?ich_args=4cb4443ead6a60b69a99f206c9a75605_1_0_0_6_0fb1f77d3e086ac33324735f3c1b032dfdcd7e677385ab5c6f87f03bdcd216ab_8f470d6faf418ad1de702425bdc87bc1_1_0&ich_ip=33-7;

(iii) The consolidated financial statements of the Group for the financial year ended 31 December 2012 is disclosed in the Accountant's Report in the Appendix I of the prospectus of the Company dated 14 June 2013 from pages I-3 to I-74, the website hyperlink of which is as follows:

http://183.91.33.14/cache/www.freetech-holdings.hk/UploadFile/pdf/E6888IPO.pdf?ich_args=7f77e8e9b28186606a8256701a46d541_1_0_0_2_0fb1f77d3e086ac33324735f3c1b032d54549a804b82609ccb50960a0b3ba8fb_72eab0ad7cfc9a25d594315cbf4ec6e5_1_0&ich_ip=33-7,

All of the above consolidated financial statements have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.freetech-holdings.hk/).

B. INDEBTEDNESS STATEMENT

As at 31 July 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group comprise the following:

(1) Secured bank borrowings

The Enlarged Group had bank borrowings of HK$43,325,000 which are unguaranteed and secured by pledged bank deposits of HK$195,254,000. There are secured banking facility of approximately HK$176,200,000, of which HK$43,325,000 had been utilised as at 31 July 2015.

(2) Amounts due to related parties

The Enlarged Group had amounts due to non-controlling shareholder of Freetech Smart Road and amounts due to the existing shareholder of the Target Company of HK$29,609,000 and HK$37,775,000, respectively, which were unsecured and unguaranteed.

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts payables in the ordinary course of business, as at 31 July 2015, the Enlarged Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

D. WORKING CAPITAL STATEMENT

The Directors are of the opinion that taking into account of the Group's internal resources, cash flow from operations, the effect of the Transactions and also other facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirement for the next 12 months from the date of this circular.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

31 August 2015

The Board of Directors
Freetech Road Recycling Technology (Holdings) Limited

Dear Sirs,

We set out below our report on financial information relating to Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (the "Target Company") for each of the three years ended 31 December 2014 and the two months ended 28 February 2015 (the "Relevant Periods") (the "Target Company Financial Information") for inclusion in the circular of Freetech Road Recycling Technology (Holdings) Limited (the "Company") dated 31 August 2015 (the "Circular") in connection with the proposed capital injection in the Target Company to acquire 55% equity interests in the Target Company pursuant to the Capital Injection Agreement as defined in the Circular.

The Target Company is a limited liability company established in the People's Republic of China (the "PRC"). The Target Company is principally engaged in provision of road maintenance services.

The Target Company adopted 31 December as its financial year end date. The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of the Target Company for each of the three years ended 31 December 2014 were audited by 天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Co., Ltd.).

For the purpose of the preparation of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA and examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Target Company Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was considered necessary to the Underlying Financial Statements in preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Target Company Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Target Company Financial Information and to report our opinion to you.

In our opinion, the Target Company Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of financial position of the Target Company as at 31 December 2012, 2013, 2014 and 28 February 2015, and of its financial performance and cash flows of the Target Company for the Relevant Periods.

The comparative statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Target Company for the two months ended 28 February 2014 together with the notes thereon (the "February 2014 Target Company Financial Information") have been extracted from the Target Company's unaudited financial statements for the same period, which were prepared by the directors of the Target Company solely for the purpose of this report. We have reviewed the February 2014 Target Company Financial Information in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the February 2014 Target Company Financial Information consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the February 2014 Target Company Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the February 2014 Target Company Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Target Company Financial Information which confirm with HKFRSs.

A. TARGET COMPANY FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Two months ended 28 February	
		2012	2013	2014	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*5*	123,545	147,936	216,956	15,281	14,903
Cost of services		(103,600)	(140,414)	(192,308)	(12,756)	(12,102)
Gross profit		19,945	7,522	24,648	2,525	2,801
Other income	*6*	221	118	373	—	5
Other gains and losses	*7*	—	13	25	—	—
Administrative expenses		(11,061)	(12,847)	(12,758)	(1,796)	(1,767)
Other expenses		(29)	(114)	(2)	—	(8)
Finance costs	*8*	(2,222)	(2,677)	—	—	—
Profit (loss) before taxation	*9*	6,854	(7,985)	12,286	729	1,031
Taxation	*10*	(1,813)	1,956	(3,080)	(182)	(259)
Profit (loss) for the year/period		5,041	(6,029)	9,206	547	772
Other comprehensive income (expense) for the year/period						
Item that will not be reclassified to profit or loss:						
Exchange differences arising from translation		290	914	(308)	(295)	(341)
Other comprehensive income (expense) for the year/period		290	914	(308)	(295)	(341)
Total comprehensive income (expense) for the year/period		5,331	(5,115)	8,898	252	431

Statements of Financial Position

		As at 31 December			As at 28 February
		2012	**2013**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Plant and equipment	*13*	41,446	33,203	21,276	19,118
Prepayments for acquisition of land use right		—	—	4,980	4,980
Deferred tax assets	*14*	—	1,986	—	—
		41,446	35,189	26,256	24,098
CURRENT ASSETS					
Inventories	*15*	6,397	1,208	8,875	6,324
Trade and other receivables	*16*	50,321	128,181	166,078	80,933
Taxation recoverable		1,364	65	—	434
Bank balances and cash	*17*	21,180	43,740	12,260	34,405
		79,262	173,194	187,213	122,096
CURRENT LIABILITIES					
Trade and other payables	*18*	50,800	101,386	137,322	70,473
Amount due to the immediate holding company	*19*	36,007	78,211	37,606	37,606
Taxation payable		—	—	857	—
		86,807	179,597	175,785	108,079
NET CURRENT (LIABILITIES) ASSETS		(7,545)	(6,403)	11,428	14,017
TOTAL ASSETS LESS CURRENT LIABILITIES		33,901	28,786	37,684	38,115
CAPITAL AND RESERVES					
Registered capital	*20*	24,678	24,678	24,678	24,678
Reserves		9,223	4,108	13,006	13,437
TOTAL EQUITY		33,901	28,786	37,684	38,115

Statements of Changes in Equity

	Equity attributable to owners of the Target Company					
	Registered capital HK$'000	Capital reserve HK$'000 (note a)	Reserve funds HK$'000 (note b)	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2012	24,678	1,073	282	30	2,507	28,570
Profit for the year	—	—	—	—	5,041	5,041
Other comprehensive income for the year	—	—	—	290	—	290
Transfer from retained profits *(note b)*	—	—	510	—	(510)	—
At 31 December 2012	24,678	1,073	792	320	7,038	33,901
Loss for the year	—	—	—	—	(6,029)	(6,029)
Other comprehensive income for the year	—	—	—	914	—	914
At 31 December 2013	24,678	1,073	792	1,234	1,009	28,786
Profit for the year	—	—	—	—	9,206	9,206
Other comprehensive expense for the year	—	—	—	(308)	—	(308)
Transfer from retained profits *(note b)*	—	—	313	—	(313)	—
At 31 December 2014	24,678	1,073	1,105	926	9,902	37,684
Profit for the period	—	—	—	—	772	772
Other comprehensive expense for the period	—	—	—	(341)	—	(341)
At 28 February 2015	24,678	1,073	1,105	585	10,674	38,115
Unaudited						
At 1 January 2014	24,678	1,073	792	1,234	1,009	28,786
Profit for the period	—	—	—	—	547	547
Other comprehensive expense for the period	—	—	—	(295)	—	(295)
At 28 February 2014	24,678	1,073	792	939	1,556	29,038

Notes:

(a) The balance of capital reserve represented the aggregated capital injection to the Target Company by its equity holders in addition to registered capital prior to the Relevant Periods.

(b) According to the PRC Company Law and the Articles of Association of the Target Company, the Target Company is required to transfer 10% of its respective after-tax profits, calculated in accordance with PRC accounting standard, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The reserve funds can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the Target Company, provided that such fund is maintained at a minimum of 25% of the registered capital.

Statements of Cash Flows

	Year ended 31 December			Two months ended 28 February	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Profit (loss) before taxation	6,854	(7,985)	12,286	729	1,031
Adjustments for:					
Interest income	(122)	(103)	(331)	—	—
Finance costs	2,222	2,677	—	—	—
Gain on disposal of plant and equipment	—	(13)	(25)	—	—
Depreciation	11,940	13,159	14,213	2,268	2,164
Unrealised exchange differences	153	(201)	31	(686)	(244)
Operating cash flows before movements in working capital	21,047	7,534	26,174	2,311	2,951
(Increase)/decrease in inventories	(6,122)	5,189	(7,667)	(498)	2,551
Decrease/(increase) in trade and other receivables	21,690	(77,860)	(37,897)	11,466	85,145
(Decrease)/increase in trade and other payables	(14,970)	50,586	35,936	(36,624)	(66,849)
Cash generated from (used in) operations	21,645	(14,551)	16,546	(23,345)	23,798
Income tax (paid) refunded	(2,324)	1,299	(189)	(147)	(1,550)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	19,321	(13,252)	16,357	(23,492)	22,248
INVESTING ACTIVITIES					
Interest received	122	103	331	—	—
Purchase of plant and equipment	(5,553)	(3,845)	(2,692)	(1,792)	(103)
Proceeds from disposal of plant and equipment	—	27	109	—	—
Payments for acquisition of land use rights	—	—	(4,980)	—	—
NET CASH USED IN INVESTING ACTIVITIES	(5,431)	(3,715)	(7,232)	(1,792)	(103)

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Advance from the immediate holding company	—	39,527	—	—	—
Repayment to the immediate holding company	—	—	(40,605)	—	—
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	—	39,527	(40,605)	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,890	22,560	(31,480)	(25,284)	22,145
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	7,290	21,180	43,740	43,740	12,260
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	21,180	43,740	12,260	18,456	34,405

Notes to Target Company Financial Information

1. GENERAL

The Target Company is a company established in the PRC with limited liability. The address of the registered office and the principal place of business of the Target Company is 5 Ziyuan Road, Huayuan Industrial Zone, Tianjin, PRC.

The Target Company is principally engaged in provision of road maintenance services in the PRC.

The Target Company's functional currency is Renminbi ("RMB"). The Target Company Financial Information is presented in Hong Kong dollars ("HK$"). The directors of the Target Company consider that the presentation of the Financial Information in HK$ is more appropriate for the convenience of the shareholders of the Company, as a listed company in Hong Kong.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Target Company Financial Information of the Relevant Periods, the Target Company has consistently applied all the HKFRSs which are effective for the Target Company's accounting periods beginning on 1 January 2015 throughout the Relevant Periods.

At the date of this report, the Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective during the Relevant Periods:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Target Company anticipate that the adoption of HKFRS 9 in the future may affect the amounts reported in respect of the Target Company's financial assets, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Company anticipate that the application of HKFRS 15 in the future may impact the amounts reported and/or disclosures made in the Target Company Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Company performs a detailed review.

Except for the above, the directors of the Target Company reviewed and assessed that the application of other new or revised HKFRSs in the Relevant Periods has had no material effect on the amounts reported and disclosures set out in the Target Company Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Target Company Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs. These policies have been consistently applied throughout the Relevant Periods. In addition, the Target Company Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Target Company Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out as follows:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from services is recognised in the period in which the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

For the purposes of presenting the Target Company Financial Information, the assets and liabilities of the Target Company are translated into the presentation currency (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Company as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before taxation" as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Target Company Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Cost of inventories are determined on a weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets are all loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables' original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and amount due to the immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Target Company derecognises financial liabilities when the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost or net realisable value. Management of the Target Company periodically reviews inventories for slow moving, obsolescence or declines in market value.

This review requires the management of the Target Company to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventory, the Target Company will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales.

The carrying amounts of the Target Company's inventories as at 31 December 2012, 2013, 2014 and 28 February 2015 were HK$6,397,000, HK$1,208,000, HK$8,875,000 and HK$6,324,000, respectively.

Useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. If the actual or expected useful lives of plant and equipment is less than the original estimated useful lives or revision of estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2012, 2013, 2014 and 28 February 2015, the carrying amounts of plant and equipment are HK$41,446,000, HK$33,203,000, HK$21,276,000 and HK$19,118,000, respectively.

Details of the estimated useful lives of the Target Company's plant and equipment are disclosed in note 13.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Target Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, 2013, 2014 and 28 February 2015, the carrying amounts of trade receivables are HK$49,905,000, HK$113,034,000, HK$159,500,000 and HK$67,200,000, respectively.

5. REVENUE AND SEGMENTAL INFORMATION

For the purposes of resources allocation and performance assessment, the directors of the Target Company, regularly review revenue for major services and market segments. However, the Target Company Financial Information provided to the directors of the Target Company does not contain profit or loss information of each service line or each market segment and the directors of the Target Company review the operating results of the Target Company as a whole. Therefore, the operation of the Target Company constitutes one single reportable segment, being the provision of road maintenance services.

Segment revenues and results

The Target Company Financial Information presented to the directors of the Target Company is consistent with the statements of profit or loss and other comprehensive income.

The directors of the Target Company consider the Target Company's profit or loss for the Relevant Periods as the measurement of segment's results.

Entity-wide disclosures

All non-current assets and sales are located and generated in the PRC.

The principal activity of the Target Company is the provision of road maintenance services. An analysis of the Target Company's revenue for the Relevant Periods is as follows:

	Year ended 31 December			Two months ended 28 February	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Provision of road maintenance services	123,545	147,936	216,956	15,281	14,903

Information about a major customer

Revenue from a major customer which accounts for 10% or more of the Target Company's revenue for the Relevant Periods is as follows:

	Year ended 31 December			Two months ended 28 February	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	107,732	134,817	175,911	15,281	14,903

6. OTHER INCOME

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest income	122	103	331	—	—
Others	99	15	42	—	5
	221	118	373	—	5

7. OTHER GAINS AND LOSSES

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Gains on disposals of plant and equipment	—	13	25	—	—

8. FINANCE COSTS

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on amount due to the immediate holding company wholly repayable within five years	2,222	2,677	—	—	—

9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:					
Directors' emoluments *(see note 11)*	421	476	536	68	72
Other staff retirement benefit scheme contributions	972	1,241	1,573	141	271
Other staff costs	19,238	26,010	26,990	3,676	4,647
Total staff costs	20,631	27,727	29,099	3,885	4,990
Auditors' remuneration	21	24	25	—	—
Depreciation of plant and equipment	11,940	13,159	14,213	2,268	2,164
Cost of inventories recognised as expenses	78,476	108,342	152,754	7,903	6,154

10. TAXATION

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
PRC Enterprise Income Tax	1,813	—	1,111	—	259
Deferred tax (credit) charge *(note 14)*	—	(1,956)	1,969	182	—
Income tax expenses	1,813	(1,956)	3,080	182	259

Pursuant to the Enterprise Income Tax Law of PRC, the statutory tax rate applicable to the Target Company is 25%.

The PRC Enterprise Income Tax for the year ended 31 December 2014 and for the two months ended 28 February 2014 (unaudited) has been relieved by approximately HK$1,969,000 and HK$182,000, respectively, as a result of tax loss brought forward from the year ended 31 December 2013.

The taxation for the Relevant Periods can be reconciled to profit before taxation as follows:

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit (loss) before taxation	6,854	(7,985)	12,286	729	1,031
Taxation at PRC Enterprise Income Tax rate of 25%	1,713	(1,996)	3,072	182	258
Tax effect of expenses not deductible for tax purpose	100	40	8	—	1
Taxation charge (credit) for the year/period	1,813	(1,956)	3,080	182	259

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors of the Target Company during the Relevant Periods are as follows:

	Salaries and other benefits	Discretionary performance related bonuses	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012				
Mr. Liang Zhi Lin *(note)*	—	—	—	—
Mr. Gao Ye Qiang *(note)*	—	—	—	—
Mr. Wang Tao *(note)*	—	—	—	—
Mr. Gao Bo Xiang *(note)*	—	—	—	—
Mr. Su Hui Li	271	119	31	421
	271	119	31	421
Year ended 31 December 2013				
Mr. Liang Zhi Lin *(note)*	—	—	—	—
Mr. Gao Ye Qiang *(note)*	—	—	—	—
Mr. Wang Tao *(note)*	—	—	—	—
Mr. Gao Bo Xiang *(note)*	—	—	—	—
Mr. Su Hui Li	374	68	34	476
	374	68	34	476
Year ended 31 December 2014				
Mr. Liang Zhi Lin *(note)*	—	—	—	—
Mr. Gao Ye Qiang *(note)*	—	—	—	—
Mr. Wang Tao *(note)*	—	—	—	—
Mr. Gao Bo Xiang *(note)*	—	—	—	—
Mr. Su Hui Li	428	69	39	536
	428	69	39	536

	Salaries and other benefits	Discretionary performance related bonuses	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Period ended 28 February 2014 (unaudited)				
Mr. Liang Zhi Lin *(note)*	—	—	—	—
Mr. Gao Ye Qiang *(note)*	—	—	—	—
Mr. Wang Tao *(note)*	—	—	—	—
Mr. Gao Bo Xiang *(note)*	—	—	—	—
Mr. Su Hui Li	62	—	6	68
	62	—	6	68
Period ended 28 February 2015				
Mr. Liang Zhi Lin *(note)*	—	—	—	—
Mr. Gao Ye Qiang *(note)*	—	—	—	—
Mr. Wang Tao *(note)*	—	—	—	—
Mr. Gao Bo Xiang *(note)*	—	—	—	—
Mr. Su Hui Li	65	—	7	72
	65	—	7	72

Note: The remunerations of the directors were borne by 天津高速公路集團有限公司 (Tianjin Expressway Group Co., Ltd., the "Tianjin Expressway Group") for the Relevant Periods.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Target Company, one was Director for each of the years ended 31 December 2012, 2013, 2014 and for each of the two months ended 28 February 2014 (unaudited) and 2015, respectively, whose emoluments is included in the disclosures above. The emoluments of the remaining four individuals for the Relevant Periods are as follows:

	Year ended 31 December			Two months ended 28 February	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other benefits	804	1,254	1,394	208	218
Discretionary performance related bonuses	344	272	274	—	—
Retirement benefit schemes contributions	125	137	156	26	28
	1,273	1,663	1,824	234	246

The number of highest paid employees who were not directors of the Target Company and whose remuneration fell within the following band is as follows:

	Year ended 31 December			Two months ended 28 February	
	2012	2013	2014	2014 (Unaudited)	2015
Nil to HK$1,000,000	4	4	4	4	4

During the Relevant Periods, no remuneration was paid by the Target Company to any of the five individuals with the highest emoluments in the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office.

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST					
At 1 January 2012	56,622	5,122	485	103	62,332
Additions	4,503	667	345	38	5,553
Effect of foreign currency exchange differences	513	50	8	1	572
At 31 December 2012	61,638	5,839	838	142	68,457
Additions	2,792	—	541	512	3,845
Disposal/write-off	(472)	—	—	—	(472)
Effect of foreign currency exchange differences	1,859	172	34	11	2,076
At 31 December 2013	65,817	6,011	1,413	665	73,906
Additions	569	—	352	1,771	2,692
Disposal/write-off	(974)	—	(10)	—	(984)
Effect of foreign currency exchange differences	(674)	(62)	(15)	(9)	(760)
At 31 December 2014	64,738	5,949	1,740	2,427	74,854
Additions	103	—	—	—	103
Effect of foreign currency exchange differences	(312)	(28)	(9)	(12)	(361)
At 28 February 2015	64,529	5,921	1,731	2,415	74,596

	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
ACCUMULATED DEPRECIATION					
At 1 January 2012	13,488	1,146	166	10	14,810
Provided for the year	10,626	1,109	183	22	11,940
Effect of foreign currency exchange differences	235	22	3	1	261
At 31 December 2012	24,349	2,277	352	33	27,011
Provided for the year	11,674	1,149	305	31	13,159
Disposal/write-off	(458)	—	—	—	(458)
Effect of foreign currency exchange differences	891	84	15	1	991
At 31 December 2013	36,456	3,510	672	65	40,703
Provided for the year	12,093	1,156	373	591	14,213
Disposal/write-off	(890)	—	(10)	—	(900)
Effect of foreign currency exchange differences	(391)	(38)	(7)	(2)	(438)
At 31 December 2014	47,268	4,628	1,028	654	53,578
Provided for the period	1,997	96	34	37	2,164
Effect of foreign currency exchange differences	(232)	(22)	(6)	(4)	(264)
At 28 February 2015	49,033	4,702	1,056	687	55,478
CARRYING VALUES					
At 31 December 2012	37,289	3,562	486	109	41,446
At 31 December 2013	29,361	2,501	741	600	33,203
At 31 December 2014	17,470	1,321	712	1,773	21,276
At 28 February 2015	15,496	1,219	675	1,728	19,118

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual value based on the following estimated useful lives:

Plant and machinery	5 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	5 years

14. DEFERRED TAX ASSET

The following is the deferred tax asset recognised and movements thereon during the Relevant Periods:

	Tax loss
	HK$'000
At 1 January 2012 and 2013	—
Credit to profit or loss	1,956
Effect of foreign currency exchange differences	30
At 31 December 2013 and 1 January 2014	1,986
Charge to profit or loss	(1,969)
Effect of foreign currency exchange differences	(17)
At 31 December 2014 and 28 February 2015	—

15. INVENTORIES

	As at 31 December			**As at 28 February**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	6,397	1,208	8,875	6,324

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			**As at 28 February**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	49,905	113,034	159,500	67,200
Less: allowance for doubtful debts	—	—	—	—
	49,905	113,034	159,500	67,200
Other receivables	413	14,293	5,823	12,901
Prepayments and deposits	3	854	755	832
	50,321	128,181	166,078	80,933

The Target Company has a policy of allowing an average credit period of 30 to 120 days from the invoice date to its trade customers except for retention money, which represents 5% to 10% of the gross contract amount, which will be settled 2 years after the completion of projects.

The following is an aged analysis of trade receivables presented based on the invoice dates, at the end of the Relevant Periods:

	As at 31 December			As at 28 February
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	49,905	111,091	123,111	27,784
3 to 12 months	—	—	27,217	36,340
1 to 2 years	—	1,943	7,248	1,786
Over 2 years	—	—	1,924	1,290
Total	49,905	113,034	159,500	67,200

Before accepting any new customer, the Target Company assesses the potential customer's credit quality and defines credit limits by customer.

At 31 December 2012, 2013, 2014 and 28 February 2015, included in the trade and other receivables are amounts due from the related parties of HK$43,688,000, HK$121,321,000, HK$155,427,000 and HK$76,031,000, respectively, which are repayable on credit terms similar to those offered to the major customers of the Target Company, details of which are set out in note 25.

At 31 December 2014 and 28 February 2015, included in the Target Company's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,924,000 and HK$1,290,000, respectively, which are past due at the end of the reporting period for which the Target Company has not provided for impairment loss. There is no such balance at 31 December 2012 and 2013.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Target Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered by the directors of the Target Company to be recoverable.

Ageing of trade receivables which are past due but not impaired

	As at 31 December			As at 28 February
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month past due	—	—	—	—
1 to 3 months past due	—	—	1,924	1,290
Total	—	—	1,924	1,290

In determining the recoverability of a trade receivable, the Target Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank balances carry interest at market rates at 0.35% per annum at 31 December 2012, 2013, 2014 and 28 February 2015.

Bank balances and cash of the Target Company are all denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is controlled by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

18. TRADE AND OTHER PAYABLES

	As at 31 December			As at 28 February
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	44,567	93,386	127,605	65,602
Other payables	339	252	104	190
Other tax payables	3,149	4,350	7,085	4,681
Payroll and welfare payables	2,745	3,398	2,528	—
	50,800	101,386	137,322	70,473

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at 31 December			As at 28 February
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	39,363	85,439	107,861	58,217
3 to 12 months	5,191	5,159	13,987	3,983
1 to 2 years	13	2,775	5,735	3,380
Over 2 years	—	13	22	22
	44,567	93,386	127,605	65,602

Trade payables are non-interest bearing and are normally granted a credit term ranging from 30 to 180 days.

19. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

At 31 December 2012 and 2013, the balance with the immediate holding company was unsecured and had no fixed terms of repayment, bore interest at a rate of 6.55% and 6.35% per annum, respectively. Details are set out in note 25.

At 31 December 2014 and 28 February 2015, the balance with the immediate holding company was unsecured, interest-free and had no fixed terms of repayment. Details are set out in note 25.

20. REGISTERED CAPITAL

	Registered capital	Paid-up capital
	HK$'000	*HK$'000*
At 1 January 2012, 31 December 2012, 2013, 2014 and 28 February 2015	24,678	24,678

The Target Company's registered capital is RMB20,000,000 (equivalent to approximately HK$24,678,000), which had been fully paid.

21. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December			As at 28 February
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalent)	71,498	171,067	177,583	114,506
Financial liabilities				
Amortised cost	80,913	171,849	165,315	103,398

b. Financial risk management objectives and policies

The Target Company's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and amount due to the immediate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Company's activities expose primarily to the market risks of changes in interest rates and foreign currency exchange rates.

There has been no significant change to the Target Company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Target Company has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the Target Company.

(ii) Interest rate risk

The Target Company's cash flow interest rate risk relates primarily to their variable-rate bank balances which carry at prevailing market interest rates. Currently, the Target Company does not have an interest rate hedging policy. No sensitivity analysis is provided as the directors of the Target Company considers the risk is minimal.

Credit risk

The Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the statements of financial position are net of allowances for doubtful receivables, if any, estimated by the Target Company's management based on prior experience and the current economic environment. The Target Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Company considers that the Target Company's credit risk is significantly reduced.

The management of the Target Company considered that credit risk on liquid funds and other financial assets are limited because the counterparties are authorised banks in the PRC.

There is concentration of credit risk as the top five largest customers accounted for approximately 96%, 97%, 96% and 94% of the carrying amounts of trade receivables as at 31 December 2012, 2013, 2014 and 28 February 2015, respectively. The directors of the Target Company generally grants credit only to customers with sound historical trading records and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivable is reviewed at the end of each Relevant Period.

Other than those described above, the Target Company has no significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The following table sets out the Target Company's remaining contractual maturity for its non-derivative financial liabilities as at the end of each reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay.

Liquidity table

	Weighted average interest rate	**On demand or within 3 months**	**Carrying amounts**
	%	*HK$'000*	*HK$'000*
As at 31 December 2012			
Non-interest bearing	—	44,906	44,906
Fixed rate instruments	6.55%	36,007	36,007
		80,913	80,913
As at 31 December 2013			
Non-interest bearing	—	93,638	93,638
Fixed rate instruments	6.35%	78,211	78,211
		171,849	171,849
As at 31 December 2014			
Non-interest bearing	—	165,315	165,315
		165,315	165,315
As at 28 February 2015			
Non-interest bearing	—	103,398	103,398
		103,398	103,398

c. Fair value of financial instruments

The management of the Target Company considers that the carrying amounts of financial assets and financial liabilities recognised in the statements of financial position at amortised cost approximate their fair values at the end of the Relevant Periods.

22. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of equity attributable to owners of the Target Company, comprising registered/paid-in capital and reserves.

The management of the Target Company reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt or the redemption of existing debt.

23. OPERATING LEASES

The Target Company as lessee

Minimum lease payments under operating leases during the Relevant Periods:

	Year ended 31 December			Two months ended 28 February	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Machineries *(note)*	432	386	4,306	—	—

Note: During the years ended 31 December 2012, 2013, 2014 and the two months ended 28 February 2014 (unaudited) and 2015, the Target Company entered into lease agreements with independent third parties for rental of machineries for 1 year.

24. RETIREMENT BENEFITS SCHEMES

The employees of the Target Company are members of state-managed retirement benefit Schemes operated by the PRC government. The Target Company is required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefit. The only obligation of the Target Company with respect to the retirement benefit schemes is to make the specific contributions.

The total expense recognised in profit or loss of HK$1,003,000, HK$1,275,000 and HK$1,612,000, HK$147,000 and HK$278,000 for the years ended 31 December 2012, 2013, 2014 and two months ended 28 February 2014 (unaudited) and 2015, respectively, represents contributions payable to these plans by the Target Company at rates specified in the rules of the plans. As at 31 December 2012, 2013, 2014 and 28 February 2015, the Target Company had paid all the contributions to the retirement benefit schemes.

25. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Target Company had the following transactions with its related companies:

Name of related company	Relationship	Nature of transaction	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	Two months ended 28 February 2014 HK$'000 (Unaudited)	2015 HK$'000
Tianjin Expressway Group	Immediate holding company	Provision of road maintenance services	104,900	128,196	172,607	15,281	14,903
天津新展高速公路有限公司 Tianjin Xinzhan Expressway Co. Ltd.# ("Xinzhan Expressway")	An associate of holding company	Provision of road maintenance services	—	—	18,207	—	—
天津天昂高速公路有限公司 Tianjin Tian'ang Expressway Co. Ltd.# ("Tian'ang Expressway")	An associate of holding company	Provision of road maintenance services	—	4,267	8,908	—	—
天津津富高速公路有限公司 Tianjin Jinfu Expressway Co. Ltd.# ("Jinfu Expressway")	An associate of holding company	Provision of road maintenance services	—	—	4,165	—	—
天津天朗高速公路有限公司 Tianjin Tianlang Expressway Co. Ltd.# ("Tianlang Expressway")	Fellow subsidiary	Provision of road maintenance services	2,832	2,643	2,609	—	—
天津天永高速公路有限公司 Tianjin Tianyong Expressway Co. Ltd.# ("Tianyong Expressway")	An associate of holding company	Provision of road maintenance services	—	—	1,610	—	—
天津市高速公路經營開發有限公司 Tianjin Expressway Management and Development Co., Ltd.# ("Management Company")	Fellow subsidiary	Provision of road maintenance services	—	3,807	493	—	—
天津鑫宇高速公路有限責任公司 Tianjin Xinyu Expressway Co. Ltd.# ("Xinyu Expressway")	Fellow subsidiary	Provision of road maintenance services	—	171	202	—	—
天津京津高速公路有限公司 Tianjin Jingjin Expressway Co. Ltd.#	An associate of holding company	Provision of road maintenance services	42	—	—	—	—
Tianjin Expressway Group	Immediate holding company	Interest expense	2,222	2,677	—	—	—

The English name is for identification purpose only.

(b) Details of the remuneration of directors and other members of key management during the Relevant Periods are set out in note 11.

(c) Details of the trade receivables and other receivables from related parties are as follows:

Name of related parties	Relationship	As at 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	As at 28 February 2015 HK$'000
Tianjin Expressway Group	Immediate holding company	42,018	113,983	120,026	56,997
Xinzhan Expressway	An associate of holding company	—	—	14,692	5,836
Tian'ang Expressway	An associate of holding company	—	4,267	13,175	7,647
Jinfu Expressway	An associate of holding company	—	—	4,165	2,253
Tianlang Expressway	Fellow subsidiary	1,670	2,766	2,777	2,763
Tianyong Expressway	An associate of holding company	—	—	471	468
Management Company	Fellow subsidiary	—	260	67	67
Xinyu Expressway	Fellow subsidiary	—	45	54	—
		43,688	121,321	155,427	76,031

Details of the amounts due to related parties are as follows:

Name of related parties	Relationship	As at 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	As at 28 February 2015 HK$'000
Tianjin Expressway Group	Immediate holding company	36,007	78,211	37,606	37,606

(d) The Tianjin Expressway Group leased 4 office buildings, 9 operating areas and 179 sets of machineries to the Target Company during the Relevant Periods for free. The Target Company is in the process of negotiating and entering into relevant lease agreements in relation to assets leased with the Tianjin Expressway Group.

B. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the companies comprising the Target Company subsequent to 28 February 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report on the Target Company from Deloitte Touche Tohmatsu, the reporting accountants of the Target Company, as set out in "Appendix II — Accountants' Report on the Target Company", and is included herein for information only. The pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix II — Accountants' Report on the Target Company".

A. INTRODUCTION

The following unaudited pro forma financial information of the Group ("Unaudited Pro Forma Financial Information") have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the proposed capital injection in the Target Company to acquire 55% equity interests in the Target Company. The Unaudited Pro Forma Financial Information has been prepared as if the Transactions had taken place on 31 December 2014.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the acquisition of 55% equity interest of the Target Company been completed as at 31 December 2014 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 31 December 2014	The Target Company as at 31 December 2014	Pro forma adjustments: Goodwill arising from acquisition	Pro forma adjustments: Transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets:					
Property, plant and equipment	250,908	21,276	—	—	272,184
Goodwill	4,907	—	6,091	—	10,998
Prepaid lease payments	6,506	—	—	—	6,506
Other intangible assets	433	—	—	—	433
Prepayments for acquisition of land use rights	44,366	4,980	—	—	49,346
Interests in joint ventures	34,282	—	—	—	34,282
Deferred tax assets	10,044	—	—	—	10,044
Total Non-current Assets	**351,446**	**26,256**	**6,091**	**—**	**383,793**
Current Assets:					
Inventories	58,713	8,875	—	—	67,588
Bills, trade and other receivables	599,525	166,078	—	—	765,603
Prepaid lease payments	205	—	—	—	205
Time deposits	236,240	—	—	—	236,240
Pledged bank deposits	6,880	—	—	—	6,880
Bank balances and cash	110,783	12,260	—	(2,065)	120,978
Total Current Assets	**1,012,346**	**187,213**	**—**	**(2,065)**	**1,197,494**
Current Liabilities:					
Trade and other payables	128,221	137,322	—	—	265,543
Amount due to the non-controlling shareholder	—	37,606	—	—	37,606
Taxation payable	6,809	857	—	—	7,666
Bank borrowings — current portion	634	—	—	—	634
Total Current Liabilities	**135,664**	**175,785**	**—**	**—**	**311,449**

	The Group as at 31 December 2014	The Target Company as at 31 December 2014	Pro forma adjustments: Goodwill arising from acquisition	Pro forma adjustments: Transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
NET CURRENT ASSETS	**876,682**	**11,428**	**—**	**(2,065)**	**886,045**
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,228,128**	**37,684**	**6,091**	**(2,065)**	**1,269,838**
Non-current Liabilities:					
Deferred tax liabilities	13,888	—	—	—	13,888
Total Non-current Liabilities	**13,888**	**—**	**—**	**—**	**13,888**
NET ASSETS	**1,214,240**	**37,684**	**6,091**	**(2,065)**	**1,255,950**

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The financial information of the Group as at 31 December 2014 is based on the audited consolidated statement of financial position of the Company as at 31 December 2014, which has been extracted from audited consolidated financial statements of the Group for the year ended 31 December 2014 included in the annual report of the Company for the year ended 31 December 2014 as published on 28 April 2015.

2. The financial information of the Target Company as at 31 December 2014 is extracted from the accountants' report of the Target Company as set out in Appendix II to this circular.

3. The acquisition of the Target Company is accounted for as a business combination in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants and will be accounted for using the acquisition method of accounting.

   Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the amount of the non-controlling interests over the net fair value of the Target Company's identifiable assets and liabilities measured at the date of acquisition.

   For the purpose of determining goodwill arising from the acquisition in the Unaudited Pro Forma Financial Information, the fair value of the identifiable assets and liabilities of the Target Company at the date of acquisition is assumed to be the same as the carrying amount of the assets and liabilities of the Target Company as at 31 December 2014 as set out in the accountants' report of the Target Company.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company have assessed whether the goodwill may be impaired as at 31 December 2014 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and concluded that there is no impairment on the goodwill arising from the acquisition as at 31 December 2014.

Pursuant to the Capital Injection Agreement, the total consideration for the proposed Capital Injection is approximately RMB46,802,000 (equivalent to approximately HK$59,593,000), which is to be satisfied fully by cash. The conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$1.2733. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate or at all.

Goodwill is estimated as follows:

	HK$'000
Consideration transferred (A)	59,593
Add: Net identifiable assets of the Target Company attributable to the non-controlling interest of the Target Company (B = (C+D)×45%)	43,775
Less:	
(i) Carrying amount of the Target Company's net assets (C)	37,684
(ii) Capital injection to be made by the Group (D)	59,593
Goodwill (E = A+B-C-D)	6,091

The amount of goodwill of the Target Company and the fair value of the identifiable assets and liabilities are subject to change upon the completion of the valuation of the fair value of the identifiable assets and liabilities including contingent liabilities of the Target Company as at date of actual completion and the carrying amounts of the identifiable assets and liabilities including contingent liabilities of the Target Company on the actual date of completion. Therefore, the amount of goodwill and of other assets and liabilities of the Target Company may be different from the estimates used in the preparation of the unaudited pro forma financial information presented above.

4. The adjustment represents estimated acquisition-related costs of approximately HK$2,065,000 which would be expensed in profit or loss as if the Transactions had taken place on 31 December 2014.

5. No adjustments have been made to reflect any trading results or other transaction of the Group or the Target Company entered into subsequent to 31 December 2014.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF FREETECH ROAD RECYCLING TECHNOLOGY (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Freetech Road Recycling Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2014 and related notes as set out on pages 1 to 4 in Appendix III of the circular issued by the Company dated 31 August 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 1 to 4 in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance") on the Group's financial position as at 31 December 2014 as if the proposed acquisition of Tianjin Expressway Maintenance had taken place on 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2014, on which an audit report dated 30 March 2015 has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of the Unaudited Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2015

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the two financial years ended 31 December 2014 (the "Management Discussion and Analysis"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis.

FOR THE YEAR ENDED 31 DECEMBER 2013

Business Review

In 2013, while continuing to maintain stable economic growth, the PRC government actively promoted the green economy and environmental protection industry. Environmental protection has become a core priority for Mainland China's future economic reforms and long-term development.

Following the PRC's 12th Five-Year Plan which ranked energy consumption and environmental protection first among the seven Strategic Emerging Industries in 2013, the PRC government has issued a series of guidelines and policies on environmental restoration.

We believe that: 1. the PRC government will further step up its policy in support of environmental restoration; and 2. Mainland China will continue to invest in highway construction and there will be an increasing need to replace old roads. As a result of the above, the demand for using recycling technology in the asphalt pavement industry will continue to grow, providing the Group with enormous market and development opportunities.

During the year under review, the Group continued its market expansion strategy through establishing new joint ventures and associates with local APM service providers and persons to provide APM services. In 2013, the Group established three (2012: four) new joint ventures and associates, and as at 31 December 2013, had in total nine (as at 31 December 2012: six) joint ventures and associates engage in provision of APM services. In the fourth quarter of 2013, the Group also formed a new market expansion strategy and appointed some local experienced APM service providers as our franchisees to promote our "Hot-in-Place" recycling technology in particular cities. According to the franchise agreement, every franchisee has a minimum yearly production volume target. As at 31 December 2013, we had appointed six local APM service providers as our franchisees. As of the latest practicable date, we have appointed additional four local APM service providers as our franchisees and we have in total ten franchisees.

In 2013, the road recycling technology industry maintained a satisfactory development trend and the existing businesses of the Group recorded year-on-year growth. The Group's operating revenue was approximately HK$628.7 million, representing an increase of approximately 29.4% as against 2012. Total profit attributable to owners of the parent and total profit attributable to owners of the parent before extraordinary items were approximately HK$182.5 million and HK$198.8 million, respectively, representing an increase of approximately 24.5% and 35.3%, respectively, as against 2012. The Group remains a leading and fast-growing service provider using "Hot-in-Place" recycling technology in the asphalt pavement maintenance industry in Mainland China.

APM Services

During the year under review, we remained a leading and fast-growing service provider in the PRC market using"Hot-in-Place" recycling technology in the provision of APM services. In the municipal road market, we are the key player performing APM services. In addition, we have set up a new sales office in Xinjiang Autonomous Region and generate new revenue from our city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝). The city excavation rapid backfilling restoration process uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process which uses new sand and aggregates as filling materials and often requires lengthy road closures, this process is more environmentally friendly, lowers the cost of raw materials used and lessens the length of time for road closures and traffic diversions.

In 2013, Inner Mongolia Freetech Dongfang Road Recycling Engineering Co., Ltd* (內蒙古英達東方道路再生工程有限公司) ("Freetech Ordos"), a subsidiary of the Company, and Ordos Dongfang Road & Bridge Group Co., Ltd* (鄂爾多斯市東方路橋集團股份有限公司) entered into a contract, pursuant to which Freetech Ordos agreed to provide APM services by using "Hot-in-Place" recycling technology on a road expansion and reconstruction project at Dongkang expressway* (東康線快速路), Ordos, in the Inner Mongolia Autonomous Region of the PRC. The contract widens the application of "Hot-in-Place" technology from road maintenance projects into a new area of road expansion and reconstruction projects. The Company believes that this breakthrough could potentially lead to more business opportunities for the Group in the future.

As a result of the above, our APM services segment recorded revenue of approximately HK$345.5 million, representing an increase of 19.8% as against 2012.

APM Equipment

During the year under review, we maintained our position as the leading APM equipment providers in the PRC market through establishing three new joint ventures in Guangdong Province, Fujian Province and Jiangsu Province with local service providers or investors and selling four sets of modular series products to four joint ventures. In addition, due to the anticipated demand of modular series products from our franchisee, we have established a joint venture with a third party investor to become involved in the leasing business. We have sold three sets of modular series products to this joint venture. During the year, our APM equipment segment generated revenue of HK$283.2 million, representing an increase of 43.3% as against 2012.

Research and Development

To maintain our leading position in the use of "Hot-in-Place" recycling technology in the APM industry, the Group continues to invest in technological innovation.

New Patents

In addition, we continue to invest significant resources in our research and development efforts. As at 31 December 2013, we had registered 87 patents (31 December 2012: 79), of which 7 were invention patents (31 December 2012: 7), 70 were utility model patents (31 December 2012: 64) and 10 were design patents (31 December 2012: 8), and we had 18 patent pending applications (31 December 2012: 17), of which 12 were invention patents (31 December 2012: 13), 4 were utility model patents (31 December 2012: 4) and 2 were design patents (31 December 2012: nil).

New Product Series

As disclosed in the Company's prospectus dated 14 June 2013, during the year, we continued to further strengthen our research and development capabilities, and focus our efforts on overcoming certain technological limitations in the APM service industry. Recently, in the equipment research and development sector, we have developed a new and unique piece of equipment named HiPav 5, which integrates the functions of a "Hot-in-Place" recycling unit and a traditional asphalt paver. HiPav 5 incorporates 5 patented technologies and provides greater flexibility, reliability and efficiency. It will enable us to further explore new markets, including secondary or narrow asphalt roads where traditional recycling trains cannot gain access. The success of HiPav 5's technology represented a significant breakthrough in the worldwide APM industry. We believe that this equipment will provide a favourable return to the Group in the near future.

In the maintenance technology research sector, we have successfully developed our own rejuvenating agents so that they can best meet the needs of specific roads in order to optimize the performance of the recycled materials. We also invested in a multi-purposed road surveying vehicle. This will enable us to collect, analyse and generate all road quality indexes in a more accurate and much faster manner. In addition, we successfully expanded the application of "Hot-in-Place" technology from road maintenance projects into a new area of road expansion and reconstruction projects. The Company believes that this breakthrough could potentially lead to more business opportunities for the Group in the future. Also, we have successfully developed a new pavement method — thermal bonding overlay, this method has a significant quality advantage when compared with traditional method. We believe this is our Group's another new advantage in 2014.

Other Matters

We have also recently undergone a stringent mid-year inspection conducted by the experts of Jiangsu Science and Technology Bureau (江蘇省科技廳) in connection with funding from the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) granted to us in October 2012.

With strong research and development capabilities, we believe that our Group is able to adopt the most advanced technologies in the APM industry, provide customised solutions to our clients and maintain our competitive and leading status in the APM industry by using recycling technology.

Production Capacity

With the introduction of certain favourable policies by the PRC government to encourage the use of recycling technology in the APM market, we anticipate an increase in sales of our APM equipment to joint ventures and franchisees, and an increase in demand for our own services. In February 2013 we commenced the construction of a new plant to increase our APM equipment production capacity. Construction progress was slightly behind our schedule and we expect that the new production facility will become operational by the second quarter of 2014 upon partial completion. The new facility is expected to increase our production output capacity by more than double when construction is complete (due to be at the end of 2014).

Outlook

The Twelfth Five-Year Plan for Transport (交通運輸"十二五"發展規劃) issued by the Ministry of Transport of the PRC (the "Ministry of Transport") in 2011 actively promotes recycling APM technologies to reduce emissions from and the environmental impact of providing road maintenance services. The Ministry of Transport released Guidance on Promoting Road Pavement Material Recycling (關於加快推進公路路面材料循環利用工作的指導意見) in 2012 which stipulates that the average rate of recycling of damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020. At the end of the Twelfth Five-Year Plan ("十二五"發展規劃), the Ministry of Transport will conduct road inspections on highways in the second half of 2015 to check the quality and condition of the road maintenance work and the appropriateness of the usage of funds. These policies have provided tremendous market opportunities for the Group.

As a leading service provider of "Hot-in-Place" recycling technology in the APM industry, the Group intends to build on its competitive advantages to benefit from the current favourable policies. The Group intends to strengthen its market position from "3 in 1" integrated solution provider, i.e. integrating APM technology research and development, APM equipment manufacturing and APM service contracting, extends to "4 in 1", by setting up Road Recycling Training Institute (公路醫生學院) to develop new professional personnel of APM industry and provide a research and development interflow platform. The Group has appointed more than 30 top industry expert professors as full time or part time professors at the Road Recycling Training Institute. The Group aims to continuously strengthen its market position and increase its market share through: (i) investing more resources to maintain our leading role in providing APM services through establishing more sales offices and appointing more salesmen in different cities; (ii) increasing market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (iii) establishing new joint ventures; (iv) appointing more local APM service providers as our franchisees; and (v) further strengthening our research and development capabilities and increasing our equipment production and service capacities.

Looking ahead, the Group remains optimistic about the business outlook. The Group is committed to upholding its development principle — "Efficient use of technology to create multi-win situations" ("善用科技,共創多贏"), and generating better returns for its shareholders.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark "公路醫生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the year, with comparisons against 2012.

1. Revenue

a. APM services

Revenue and gross profit for this segment both grew compared to 2012. Revenue increased by 19.8%, primarily because the use of recycling technology is encouraged by recent policies issued by the PRC government. In addition, increase in revenue was also due to: (i) increase in the total APM area we serviced; (ii) increase in our average selling price of using "Hot-in-place" technology; and (iii) new revenue generated from our city excavation rapid backfilling restoration process, which has a higher average selling price than "Hot-in-Place" technology.

During the year under review, our Group continued to maintain a high gross profit margin in this segment.

b. APM Equipment

Revenue for the APM equipment segment for the year increased by 43.3% as compared to 2012. This increase was primarily due to strong demand of our more expensive standard series products and our business strategy of establishing joint ventures, more expensive and different combination of modular series products we sold. Thus, revenue generated from sales of standard series and modular series products during the year increased by 54.6% and 39.7% respectively, as against to 2012.

Gross profit margin improved from 68.7% in 2012 to 69.2% in 2013, primarily due to increases in sales of higher margin products, i.e. modular series products.

2. Selling and Distribution Expenses

Selling and distribution expenses for the year increased by 28.0% as against 2012, primarily due to the penetration rate of recycling technology on road maintenance is still very low in Mainland China, more APM services demonstration works were conducted to promote our technology and to cater for foreseeable huge demand of road maintenance service before the road inspection to be conducted by the Ministry of Transport in the second half of 2015.

3. *Administrative Expenses*

Administrative expenses increased by approximately HK$24.0 million, or approximately 53.7%, from HK$44.7 million in 2012 to HK$68.7 million in 2013, primarily due to increases in listing expenses from approximately HK$9.1 million in 2012 to approximately HK$16.2 million in 2013, representing an increase of approximately 78.0%.

4. *Other Expenses*

Other expenses increased significantly by HK$21.7 million, or approximately 150.7%, from approximately HK$14.4 million in 2012 to approximately HK$36.1 million in 2013, primarily as a result of more research and development costs incurred for the development of certain new APM products and technology.

5. *Finance Costs*

Finance costs increased by approximately HK$2.9 million, or approximately 72.5%, from HK$4.0 million in 2012 to HK$6.9 million in 2013, primarily due to the Group's average bank loan level during the year is higher than 2012. Part of the Group's bank loan was settled by the proceeds from the Company's Initial Public Offering ("IPO") in second half of 2013.

6. *Share of Profits and Losses of Joint Ventures and Associates*

The Group's share of profits from joint ventures was approximately HK$3.2 million in 2013, decreased by approximately HK$0.4 million, or approximately 11.1%, as compared to 2012.

The Group's share of losses from associates was approximately HK$426,000 in 2012. In 2013, the Group's share of profits from associates was approximately HK$331,000.

We believe that the contribution from these joint ventures and associates was not significant and are primarily due to the early stage nature of the joint ventures and associates businesses.

7. *Income Tax Expenses*

Income tax expenses decreased by approximately HK$2.7 million, or approximately 6.3%, from approximately HK$42.6 million in 2012 to approximately HK$39.9 million 2013, primarily as a result of decrease in deferred tax charged on withholding taxes on dividends distributed by those subsidiaries established in Mainland China.

8. *Profit*

Profit attributable to owners of the parent increased by approximately HK$35.9 million, or approximately 24.5%, from approximately HK$146.6 million in 2012 to approximately HK$182.5 million in 2013, primarily due to the net effect of increased revenue over higher costs such as selling and distribution expenses, administrative expenses and other expenses.

Excluding extraordinary items, profit attributable to owners of the parent increased by approximately HK$51.9 million, or approximately 35.3%, from approximately HK$146.9 million in 2012 to approximately HK$198.8 million in 2013.

9. Financial Position

As at 31 December 2013, total equity of the Group amounted to approximately HK$1,214.2 million (2012: HK$242.7 million). The increase was mainly due to (i) net profit for the year of 2013, (ii) increase in cash and cash equivalents due to net proceeds received from the Company's IPO in June 2013, (iii) increase in trade and bills receivables due to increase in revenue generated from the fourth quarter in 2013 when compared with the corresponding period in 2012 and (iv) decrease in amount due to the immediate holding company after capitalisation of the balance prior to the Company's listing.

The Group's net current assets as at 31 December 2013 amounted to approximately HK$1,020.4 million (2012: HK$242.7 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2013 was 5.7 (2012: 2.1). The increases in both the Group's net current assets and current ratio were mainly due to increase in cash and bank balances due to net proceeds received from the Company's IPO in June 2013 and increase in trade and bills receivables due to increase in revenue generated from the fourth quarter in 2013 when compared with the corresponding period in 2012.

10. Liquidity and Financial Resources and Capital Structure

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately HK$614.7 million (31 December 2012: HK$130.9 million). The increase was primarily due to the net cash proceeds of HK$687.0 million raised from the Company's IPO. As at 31 December 2013, the bank borrowings of the Group amounted to HK$71.4 million (31 December 2012: HK$85.7 million). As at 31 December 2013, the Group was in a net cash position due to net cash proceeds received from the Company's IPO (31 December 2012: gearing ratio, which is calculated by the Group's net debts divided by equity attributable to owners of the parent plus net debts was 51.7%).

Due to the restrictions on cash flow at the local government level in China has slowed down receivables collection, the completed APM area serviced in the fourth quarter of 2013 was approximately 20% higher than the corresponding period in 2012 and the modular series products sold in fourth quarter of 2013, as a result the trade receivables balance increased accordingly from HK$268.2 million as of 31 December 2012 to HK$548.8 million as of 31 December 2013. As at latest practicable date, third party customers had subsequently settled trade receivables amounting to HK$51.2 million (equivalent to approximately RMB39.9 million) and joint ventures and associates had subsequently settled trade receivables amounting to HK$69.2 million (equivalent to approximately RMB54.1 million).

Though the Group did not have any collateral over the receivables, the management considered that there is no recoverability problem as to its receivables as the remaining amounts are due from local PRC government. In order to minimise the risk of placing heavy reliance on entering into collaboration with local PRC government projects and to further diversify the overall credit risk, the Group will widening its customer base to healthy liquidity local PRC government.

Following the listing of the shares of the Company on 26 June 2013 on Main Board of the Stock Exchange, the Group's liquidity position has strengthened and the Directors believe that this will enable the Group to expand in accordance with their plans.

The Group strives to efficiently use its financial resources and adopt a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

11. Interest-Bearing Bank Borrowings

As at 31 December 2013, the Group had total debt of HK$71.4 million (2012: HK$85.7 million), which comprised:

— secured interest-bearing bank borrowings of HK$27.9 million (2012: HK$73.3 million); and

— unsecured interest-bearing bank borrowings of HK$43.5 million (2012: HK$12.4 million).

As at 31 December 2013, the secured interest-bearing bank borrowings were secured by:

(i) Mortgages over the Group's buildings and plant and machinery with an aggregate carrying amount of approximately HK$45.2 million (2012: HK$39.5 million);

(ii) Mortgages over the Group's leasehold land with an aggregate carrying amount of approximately HK$7.0 million (2012: HK$4.3 million); and

(iii) Mortgages over the Group's receivables with an aggregate carrying amount of nil (2012: HK$47.8 million).

12. Use of Proceeds Raised from Initial Public Offering ("IPO")

The Group received approximately HK$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company's IPO. These net proceeds were applied in the year ended 31 December 2013 in the manner as stated in the prospectus of the Company dated 14 June 2013. The unutilised net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

13. Material Acquisitions and Disposals

Save as disclosed in the Company's prospectus dated 14 June 2013, during the year, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

14. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2013 are set out in note 37 to the financial statements. As at 31 December 2013, the Group did not have any material contingent liabilities.

15. Financial Risk Management

The Group's business is exposed to a variety of financial risks, such as interest rate risk, foreign currency risk and credit risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The business of the Group is principally conducted in the PRC and most of the transactions are denominated in RMB, except for certain bank deposits which are denominated in United States dollars and Hong Kong dollars. The Group has not hedged its foreign currency risk.

The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

16. Employees and Remuneration

As at 31 December 2013, the Group had a total of 558 full time employees (as at 31 December 2012: 506). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

FOR THE YEAR ENDED 31 DECEMBER 2014

Business Review

2014 was a challenging year for the Group. Despite the PRC government actively promoting the green economy and the road recycling technology industry maintaining a satisfactory development trend, the tightening of the domestic credit market has somewhat dragged on the otherwise positive momentum.

During the year under review, the existing businesses of the Group recorded a significant decline in revenue and profit mainly due to the adjustment of the Group's business strategies to control the number of new joint ventures set up and as a result, the number of modular series sold and the sale of Asphalt Pavement Maintenance ("APM") equipment decreased significantly. There was also a decrease in the gross profit margin of the APM services segment as the APM services projects were carried out in lower selling price areas and the Group performed more non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects. The Group also experienced an increase in impairment of trade receivables. As at 31 December 2014, the Group had a total of ten (2013: nine) joint ventures and associates engaging in the provision of APM services. During the year under review, the Group appointed an additional six local APM service providers as its franchisees to promote the Group's "Hot-in-Place" recycling technology in particular cities and as at 31 December 2014, it had total of twelve franchisees (2013: six).

In 2014, the Group's operating revenue was approximately HK$390.4 million, representing a decrease of approximately 37.9% against 2013. Total profit attributable to owners of the Company was approximately HK$58.5 million, representing a decrease of approximately 68.0%, against 2013. Notwithstanding the above, the Group remains a leading service provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

APM Services

During the year under review, we remained a leading service provider in the PRC market using "Hot-in-Place" recycling technology in the provision of APM services. Especially in the municipal road market, the Group remained the key player performing APM services. The Group successfully completed two trial APM maintenance contract using its "Hot-in-Place" recycling technology at the runway of the Changsa Huanghua International Airport (長沙黃花國際機場), Hunan Province of the PRC and Zhanjiang Airport* (湛江機場), Guangdong Province of the PRC. In addition, the Group performed other non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects. In 2014, the total APM areas serviced remained stable, and the Group completed 3.11 million square meters (2013: 3.06 million square meters). During the year under review, as part of the APM services projects were performed in lower selling price areas and the Group performed more non-"Hot-in-Place" technology APM services projects, and the corresponding period of 2013 included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other "Hot-in- Place" road maintenance projects, the APM services segment recorded revenue of approximately HK$335.7 million, representing a decrease of 2.8% against the corresponding period of 2013.

APM Equipment

During the year under review, as a result of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company focusing on managing the existing joint ventures and assisting them to seize the business opportunity of road inspection which will be conducted in the second half of 2015, no modular series equipment was sold to new joint ventures and associates. During the year, our APM equipment segment generated revenue of HK$54.7 million, representing a decrease of 80.7% against 2013. Notwithstanding this, the Board considers that the Group has maintained its position as the leading APM equipment provider in PRC market.

Research and Development

To maintain our leading position in the use of "Hot-in-Place" recycling technology in the APM industry, the Group continues to invest in technological innovation.

New Patents

The Group continued to invest significant resources in our research and development efforts. As at 31 December 2014, we had registered 97 patents (31 December 2013: 87), of which 11 were invention patents (31 December 2013: seven), 74 were utility model patents (31 December 2013: 70) and 12 were design patents (31 December 2013: 10), and we had 14 patent pending applications (31 December 2013: 18), of which five were invention patents (31 December 2013: 12), eight were utility model patents (31 December 2013: four) and one was design patent (31 December 2013: two).

New Product Series

During the year under review, the Group continued to further strengthen its research and development capabilities, and focused its efforts on overcoming certain technological limitations in the APM service industry. In the equipment research and development sector, the Group introduced new standard series equipment under "Hot-in-Place" patching vehicles ("PM series") and traditional patching vehicles ("TM series") into the market. The new PM and TM series products did not only enrich our product line, they are also competitive in terms of performance and price, and are favourable particularly to those customers with limited budget. These new PM and TM series models are embedded with energy saving technologies and designed to adopt various kinds of optional features to meet different customer needs. The Company believes that this equipment will provide a favourable return to the Group in the near future.

In addition, we have developed a new piece of equipment named RM8800, which works with the existing modular series by using "Hot-in-Place" recycling technology to repair deeper layers of damaged asphalt road. The development of RM8800 enables the Group to further explore new markets, but also broaden the application of Group's "Hot-in-Place" recycling technology to echo the PRC government's guidelines on environmental restoration.

In the maintenance technology research sector, the Group successfully completed two trial APM maintenance contracts using its "Hot-in-Place" technology at the runway of the Changsha Huanghua International Airport (長沙黃花國際機場), Hunan Province of the PRC and Zhanjiang Airport* (湛江機場), Guangdong Province of the PRC ("Trial Projects"). The successful application of the Group's "Hot-in-Place" recycling technology in this new market demonstrated the high flexibility and efficiency of the Group's advanced technology. In addition, a qualified independent third party testing institution issued a report stating that the test results for the maintenance services provided under the Trial Projects satisfied the requirements of the Specifications for Asphalt Concrete Pavement Construction of Civil Airports (民用機場瀝青混凝土道面施工技術規範).

The Group also had developed "Optimized Cold-in-Place" technology for asphalt surface and road base layers, which substantially shorten the curing time and traffic closures period compared to traditional Cold-in-Place recycling. The Company believes that these breakthroughs and developments could potentially lead to more business opportunities for the Group in the future.

Others

With strong research and development capabilities, we believe that our Group is able to adopt the most advanced technologies in the APM industry, provide customised solutions to our clients and maintain our competitive and leading status in the APM industry by using recycling technology.

Production Capacity

In February 2013, the Group commenced the construction of a new plant to increase its APM equipment production capacity. The new production facility was completed at the second quarter of 2014 and had increased the production output capacity of the Group by more than double.

Outlook

The management of the Company believes that there will be tremendous market opportunities for the Group, in view of (i) the overall sustained growth of the APM industry in the PRC and the current low existing penetration rate of recycling technology; (ii) the Ministry of Transport conducting road inspections on highways in the second half of 2015 to check the quality and condition of the road maintenance work; (iii) the Group having research and development capabilities which widen the application of "Hot-in-Place" technology from road maintenance projects to airport runway project and road expansion and reconstruction project and having diversified its APM services to include "Optimized Cold-in-Place" and road base maintenance projects; (iv) the Group having set up a joint venture company (a 51% owned subsidiary) with COSCO (H.K.) Industry & Trade Holdings Limited to promote the application of the Group's "Hot-in-Place" recycling technology in the agreed region; (v) the Group having signed a strategic cooperation agreement with Jiangsu Provincial Communication Highway Department* (江蘇省交通運輸廳公路局) to cooperate in the development of new maintenance materials, technology, machinery products, marketing, promotion, industrialization and research and development in areas including recycling technology in asphalt pavement maintenance and the production of road maintenance equipment; and (vi) the Group having signed a cooperation agreement with Nanjing Lishui Economy Technology Development Company* (南京溧水經濟技術開發總公司) and Jurong City Housing and Urban Rural Development Bureau* (江蘇省句容市住房和城鄉建設局) to assist them to launch asphalt pavement projects with a total contract amount of approximately RMB90 million and RMB500 million, respectively.

As a leading service provider of "Hot-in-Place" recycling technology in the APM industry, the Group continues to build on its competitive advantages in order to capture opportunities from the current favourable government policies. The Group aims to continuously strengthen its market position and expand its market share through: (i) investing more resources to maintain our leading role in providing APM services through establishing more sales offices and appointing more salesman in different cities; (ii) increasing market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (iii) appointing more local APM service providers as our franchisees; (iv) establishing new joint ventures; (v) further strengthening our research and development capabilities; (vi) cooperating with local highway departments and well known research institutions to develop and promote new recycling technology in the APM industry;

(vii) cooperating with local cities and regions to assist them to launch asphalt pavement project; and (viii) actively developing the international market by the provision of APM services and selling APM equipment overseas.

Looking ahead, the Group remains optimistic about the business outlook. The Group is committed to upholding its development principle — "Efficient use of technology to create multi-win situations" ("善用科技,共創多赢"), and generating better returns for its shareholders.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark "公路醫生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the year, with comparisons against 2013.

1. Revenue

a. APM Services

Revenue and gross profit for this segment both decreased as compared to 2013. Although the total area serviced remained stable against 2013 due to part of the APM services projects being performed in lower selling price areas and the Group performing more non "Hot-in-Place" technology APM service projects during the year under review. In addition, our 2013 results included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other "Hot-in-Place" road maintenance projects, revenue in 2014 decreased by 2.8% as compared to 2013.

The gross profit margin in this segment decreased from 42.0% in 2013 to 39.6% in 2014. This was mainly due to part of the APM services projects being conducted in lower selling price areas and the Group performing more non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects which has lower gross profit margin.

b. APM Equipment

Revenue for the APM equipment segment for 2014 decreased by 80.7% as compared to 2013. This decrease was primarily due to the adjustment of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company focusing on managing the existing joint ventures and assisting them to seize the business opportunity of road inspections which will be conducted in the second half of 2015. Thus, although one new joint venture was set up, no modular series equipment was sold during the year under review (2013: four new joint ventures set up and seven sets of modular series sold). The revenue generated from sales of modular series equipment in

2014 decreased significantly as against in 2013. In addition, due to the tightened cash flow at the local government level in the PRC and most of the standard series sold in 2014 being lower selling price models, revenue generated from sales of standard series products for the year decreased by 45.5% as compared to 2013.

Gross profit margin decreased from 69.2% in 2013 to 53.3% in 2014, primarily due to significant decreases in sales of higher margin products, i.e. modular series products.

2. *Other Gains and Losses*

Other gains and losses for the year decreased by approximately HK$7.3 million, or approximately 96.1%, from HK$7.6 million in 2013 to HK$0.3 million in 2014, primarily due to the net effect of (i) increase in impairment of trade receivables; (ii) exchange losses were recorded in 2014 as a result of devaluation of RMB; and (iii) fair value gain from measurement of equity interest previously held in acquired subsidiaries to fair value.

3. *Selling and Distribution Costs*

Selling and distribution costs for the year decreased by 10.9% as against 2013, primarily due to the net effect of the increase in the number of employees in the sales department and the decrease in demonstration expenses as more APM services demonstration work was conducted in 2013 to promote our "Hot-in-Place" technology and to cater for the huge demand of road maintenance services before the road inspection to be conducted by the Ministry of Transport in the second half of 2015.

4. *Administrative Expenses*

Administrative expenses decreased by 5.5% as against 2013, primarily due to the net effect of (i) the administrative expenses in 2013 including one-off listing expenses of approximately HK$16.2 million; (ii) increase in the number of staff and salary level during the year under review; and (iii) increase in professional expenses after the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

5. *Share of (Losses) Profits of Joint Ventures and Associates*

The Group's share of profits from joint ventures was approximately HK$3.2 million in 2013. In 2014, the Group's share of losses from joint ventures was approximately HK$5.4 million.

The Group's share of profits from associates was approximately HK$331,000 in 2013. In 2014, the Group's share of losses from associates was approximately HK$1.4 million.

We believe that the relatively small contribution from these joint ventures and associates is primarily due to the early stage nature of the joint ventures and associated businesses.

6. Finance Costs

Finance costs decreased by approximately HK$4.3 million, or approximately 62.3%, from HK$6.9 million in 2013 to HK$2.6 million in 2014, primarily due to the Group's bank loans being settled by the proceeds from the Company's initial public offerings in the second half of 2013.

7. Taxation

Taxation decreased by approximately HK$28.4 million, or approximately 71.2%, from approximately HK$39.9 million in 2013 to approximately HK$11.5 million in 2014, which is in line with the trend in the profit before taxation for the year under review.

8. Profit

Profit attributable to owners of the Company decreased by approximately HK$124.0 million, or approximately 68.0%, from approximately HK$182.5 million in 2013 to approximately HK$58.5 million in 2014, primarily due to the net effect of (i) the decrease in revenue from the APM equipment segment due to the number of new joint ventures being set up and number of modular series being sold significantly declining; (ii) the decrease in gross profit margin of the APM services segment due to the part of the APM services project being performed in lower selling price areas and performing more non-"Hot-in-Place" technology APM services projects; and (iii) the share of losses of joint ventures and associates.

9. Financial Position

As at 31 December 2014, total equity of the Group amounted to approximately HK$1,214.2 million (2013: HK$1,214.2 million). This remained stable due to the net effect of (i) decreased in net profit for the year of 2014; (ii) distribution of dividend; and (iii) acquisition of subsidiaries.

The Group's net current assets as at 31 December 2014 amounted to approximately HK$876.7 million (2013: HK$1,020.4 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2014 was 7.5x (31 December 2013: 5.7x). The decrease in net current assets was mainly due to the net effect of distribution of dividend, prepayment for acquisition of land use rights and repayment of bank loans. The increase in current ratio was as a result of total current liabilities as at 31 December 2014 decreasing by approximately HK$80.5 million, or approximately 37.2%, after repayment of bank loan, whereas total current assets decreased by approximately HK$224.2 million, or approximately 18.1% only, compared with the equivalent amounts as at 31 December 2013.

10. Liquidity and Financial Resources and Capital Structure

As at 31 December 2014, the Group's bank balances and cash and time deposits amounted to approximately HK$347.0 million (31 December 2013: HK$614.7 million). The decrease was primarily due to the purchase of property, plant and equipment, acquisition of subsidiaries, prepayment for acquisition of land use rights, repayment of bank loans and distribution of dividends. As at 31 December 2014, the bank borrowings of the Group amounted to HK$0.6

million (31 December 2013: HK$71.4 million). As at 31 December 2013 and 2014, the Group was in a net cash position (time deposits, bank balances and cash less trade and other payables and bank borrowings) due to net cash proceeds received from the Company's initial public offering.

Tightened cash flow at the local government level in the PRC has slowed down receivables collection and revenue with shorter turnover days (APM equipment) decreased by 80.7% in 2014, as a result the trade receivables balance increased accordingly from HK$584.9 million as of 31 December 2013 to HK$602.9 million as of 31 December 2014. As at latest practicable date, third party customers had settled trade receivables amounting to HK$120.1 million (RMB94.8 million).

Though the Group does not have any collateral over most of the receivables, the management considers that there is no recoverability problem as the remaining amounts are due from local PRC government authorities. In order to minimize the risk of placing heavy reliance on entering into collaboration with local PRC government projects and to further diversify the overall credit risk, the Group will widen its customer base.

As at 31 December 2014, the Group's liquidity position remained strong and the Directors believe that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

11. Interest-Bearing Bank Borrowings

As at 31 December 2014, the Group had total debt of HK$0.6 million which was unsecured interest-bearing bank borrowing. As at 31 December 2013, the Group had total debt of HK$71.4 million, which comprised of secured and unsecured interest-bearing bank borrowings of HK$27.9 million and HK$43.5 million, respectively.

As at 31 December 2013, the secured interest-bearing bank borrowings were secured by:

(i) Mortgages over the Group's buildings and plant and machinery with an aggregate carrying amount of approximately HK$45.2 million; and

(ii) Mortgages over the Group's leasehold land with an aggregate carrying amount of approximately HK$7.0 million.

12. Use of Proceeds Raised from Initial Public Offerings ("IPO")

The Group received approximately HK$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company's IPO. These net proceeds were applied in the year ended 31 December 2014 in the manner as stated in the prospectus of the Company dated 14 June 2013. The unutilised net proceeds have been deposited into short term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

13. Material Acquisitions and Disposals

In July 2014, the Group entered into a share purchase agreement with its joint venture partner, 岳陽市通衢興路公司 (Yueyang Tongqu Road Maintenance Corporation), to acquire a 4% equity interest in 湖南英達通衢道路再生工程有限公司 Hunan Freetech Tongqu Road Recycling Engineering Co., Ltd. ("Hunan Freetech Tongqu"), which was previously a 55% owned joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB1,680,000 (equivalent to approximately of HK$2,125,000) paid at the acquisition date. Together with the 55% equity interest held before the acquisition, the Group's interest in Hunan Freetech Tongqu increased to 59% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Hunan Freetech Tongqu, and the Group obtained the control in Hunan Freetech Tongqu, and Hunan Freetech Tongqu became a subsidiary of the Group. The acquisition was completed on 25 August 2014. Hunan Freetech Tongqu is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Hunan, PRC.

In October 2014, the Group entered into a share purchase agreement with its associate partner, 新疆交建宏升公路養護工程有限公司 (Xinjiang Jiaojian Hongshen Road Maintenance Co., Ltd.), to acquire a 40% equity interest in 新疆建達道路工程有限公司 Xinjiang Jianda Road Engineering Co., Ltd. ("Xinjiang Jianda"), which was previously a 49% owned associate of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB4,000,000 (equivalent to approximately of HK$5,074,000) paid at the acquisition date. In addition, the Group is committed to contribute a further RMB4,000,000 (equivalent to approximately HK$5,074,000) on or before 31 December 2015. Together with the 49% equity interest held before the acquisition, the Group's interest in Xinjiang Jianda increased to 89% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Xinjiang Jianda, and the Group obtained the control in Xinjiang Jianda, and Xinjiang Jianda became a subsidiary of the Group. The acquisition was completed on 3 November 2014. Xinjiang Jianda is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Xinjiang, PRC.

In November 2014, the Group entered into two share purchase agreements with its associate partners, 宿遷市交通投資有限公司 (Suqian Transportation Investment Co., Ltd.) and 城投(中國)資產管理有限公司 (City Investment (China) management Co., Ltd.), to acquire 16% and 14% equity interests in 宿遷恒通道路再生工程有限公司 Suqian Hengtong Road Recycling Constructions Co., Ltd. ("Suqian Hengtong") respectively, which was previously a 35% owned associate of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB5,600,000 and RMB4,900,000 (equivalent to approximately of HK$7,069,000 and HK$6,199,000) paid at the acquisition date respectively. Together with the 35% equity interest held before the acquisition, the Group's interest in Suqian Hengtong increased to 65% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Suqian Hengtong, and the Group obtained the control in Suqian Hengtong, and Suqian Hengtong became a subsidiary of the Group. The acquisition was completed on 27 November 2014. Suqian Hengtong is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Suqian, PRC.

Saved as disclosed above, during the year, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

14. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2014 are set out in note 33 to the financial statements. As at 31 December 2014, the Group did not have any material contingent liabilities.

15. Financial Risk Management

The Group's business is exposed to a variety of financial risks, such as interest rate risk, foreign currency risk and credit risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposure to foreign currency risk arises mainly from certain bank deposits denominated in foreign currency of the relevant group entities. The Group has not hedged its foreign currency risk.

The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

16. Employees and Remuneration

As at 31 December 2014, the Group had a total of 550 full time employees (as at 31 December 2013: 558). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 December 2014 and the two months ended 28 February 2015 based on the financial information of the Target Company as set out in Appendix II to this circular.

FOR THE YEAR ENDED 31 DECEMBER 2012

Financial Review of Operations

Revenue

For the year ended 31 December 2012, the Target Company achieved a turnover of approximately HK$123.5 million, a gross profit of approximately HK$19.9 million and a net profit of approximately HK$5.0 million. Revenue was mainly derived from the provision of road maintenance services.

Cost of sales

The Target Company incurred approximately HK$103.6 million of cost of sales for the year ended 31 December 2012, which mainly comprised cost of services provided including staff costs, machinery and material costs, subcontracting fees and other overheads.

Administrative expenses

The Target Company incurred approximately HK$11.1 million of administrative expenses for the year ended 31 December 2012, which mainly comprised staff costs, depreciation and amortisation, rental expenses, office and utility expenses, other tax surcharges, travel and transportation expenses, legal and professional fees, and others.

Finance costs

The Target Company incurred approximately HK$2.2 million of finance costs for the year ended 31 December 2012, which mainly comprised interest expenses for amount due to the immediate holding company, Tianjin Expressway Group.

Taxation

The Target Company incurred approximately HK$1.8 million of income tax expenses for the year ended 31 December 2012.

Liquidity and financial resources

As at 31 December 2012, the Target Company's net assets amounted to HK$33.9 million and net current liabilities amounted to approximately HK$7.5 million. The current ratio, representing current assets divided by current liabilities was 0.9.

As at 31 December 2012, included in the trade and other receivables of HK$50.3 million are amounts due from the related parties of HK$43.7 million. The nature of the trade receivables balance due from the related parties represents the outstanding balance of provision of road maintenance services. The nature of the amounts due from the related parties in other receivables balance represents the payment of the purchase of the raw materials on behalf of the immediate holding company. As some of the road maintenance contract price did not include the costs of raw materials and the immediate holding company did not provide the raw materials for which they were supposed to provide, the Target Company had to purchase the raw materials on behalf of the immediate holding company. The related parties refer to the immediate holding company of the Target Company, Tianjin Expressway Group, its wholly-owned subsidiaries and its associates. The related parties would become connected persons of the Company under Chapter 14A of the Listing Rules.

The nature of the trade payables of the Target Company as at 31 December 2012 was mainly represented outstanding balances of subcontracting charges and raw materials costs. The nature of the other payables represents other tax payables, and staff and welfare payables.

Total indebtedness of the Target Company as at 31 December 2012 consisted of amount due to the immediate holding company, the Tianjin Expressway Group, amounted to HK$36.0 million, which was an advance for general working capital purpose, unsecured, bore interest at a rate of 6.55% per annum, which were all denominated in RMB. The cash and bank balances of the Target Company amounted to approximately HK$21.2 million, which was denominated in RMB. The gearing ratio, which was calculated by net debts divided by total equity plus net debts, was 65.9%.

During the year, the Target Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow, and amount due to the immediate holding company.

Charges of assets

As of 31 December 2012, none of the Target Company's assets was pledged.

Contingent liabilities

The Target Company did not have any material contingent liability as at 31 December 2012.

Capital commitments

The Target Company did not have any material capital commitments as at 31 December 2012.

Employees

The Target Company had 75 employees as at 31 December 2012. Apart from state-managed retirement benefit, the Target Company provides training and other opportunities to improve their skills and knowledge. In general, the Target Company determines employee compensation based on each employee's performance, qualifications, position and seniority. The total remunerations paid to the Target Company's employees for the year ended 31 December 2012 was approximately HK$20.6 million.

Foreign currency exposure

During the year, the revenue and operating cost were mainly denominated in Renminbi. Amount due to the immediate holding company was also denominated in Renminbi.

The Target Company has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate.

Significant investments, material acquisition and disposal

During the year, the Target Company did not have any significant investment, material acquisition and disposal.

FOR THE YEAR ENDED 31 DECEMBER 2013

Financial Review of Operations

Revenue

The Target Company generated turnover of approximately HK$147.9 million for the year ended 31 December 2013, representing an increase of approximately 19.8% from HK$123.5 million in the previous year. The increase in turnover was mainly due to the commencement of provision of renovation maintenance services in 2013 and was partially offset by the decrease in revenue from provision of daily and damage maintenance services. A gross profit of approximately HK$7.5 million and a net loss of approximately HK$6.0 million were recorded for the year ended 31 December 2013. The net loss was mainly due to inexperience in renovation maintenance services provision which commenced in 2013, resulting in minimal losses on those projects.

Cost of sales

The Target Company incurred cost of sales of approximately HK$140.4 million for the year ended 31 December 2013, representing an increase of approximately 35.5% from HK$103.6 million in the previous year. The increase in cost of sales was mainly resulted from the commencement of provision of renovation maintenance services in 2013.

Administrative expenses

The Target Company incurred administrative expenses of approximately HK$12.8 million for the year ended 31 December 2013, representing an increase of approximately 15.3% from HK$11.1 million in the previous year. The increase was mainly due to the increase in staff costs primarily resulting from the increase in number of headcount and the increase in rental expenses and building management expenses as the Target Company moved into new office premises in 2013.

Finance costs

The Target Company incurred finance costs of approximately HK$2.7 million for the year ended 31 December 2013, representing an increase of approximately 22.7% from approximately HK$2.2 million in the previous year. The increase was mainly due to the increase in the amount due to the immediate holding company in 2013.

Taxation

The Target Company incurred tax credit of approximately HK$2.0 million for the year ended 31 December 2013, changed from taxation expenses of approximately HK$1.8 million in the previous year, which was mainly due to the deferred tax credit recognised on tax losses brought forward for the year ended 31 December 2013.

Liquidity and financial resources

As at 31 December 2013, the Target Company's net assets amounted to approximately HK$28.8 million and net current liabilities amounted to approximately HK$6.4 million. The current ratio, representing current assets divided by current liabilities was 1.0.

As at 31 December 2013, included in the trade and other receivables of HK$128.2 million are amounts due from the related parties of HK$121.3 million. The nature of the trade receivables balance due from the related parties represents the outstanding balance of provision of road maintenance services. The nature of the amounts due from the related parties in other receivables balance represents the payment of the purchase of the raw materials on behalf of the immediate holding company. The related parties refer to the immediate holding company of the Target Company, Tianjin Expressway Group, its wholly-owned subsidiaries and its associates. The related parties would become connected persons of the Company under Chapter 14A of the Listing Rules.

The nature of the trade payables of the Target Company as at 31 December 2013 was mainly represented outstanding balances of subcontracting charges and raw materials costs. The nature of the other payables represents other tax payables, and staff and welfare payables.

Total indebtedness of the Target Company as at 31 December 2013 consisted of amount due to the immediate holding company, Tianjin Expressway Group, amounted to HK$78.2 million, which was an advance for general working capital purpose, unsecured, bore interest at a rate of 6.35% per annum, which were all denominated in RMB. The cash and bank balances of the Target Company amounted to approximately HK$43.7 million, which was denominated in RMB. The gearing ratio, which was calculated by net debts divided by total equity plus net debts, was 82.5%.

During the year, the Target Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and amount due to the immediate holding company.

Charges of assets

As of 31 December 2013, none of the Target Company's assets was pledged.

Contingent liabilities

The Target Company did not have any material contingent liability as at 31 December 2013.

Capital commitments

The Target Company did not have any material capital commitments as at 31 December 2013.

Employees

The Target Company had 77 employees as at 31 December 2013. Apart from state-managed retirement benefit, the Target Company provides training and other opportunities to improve their skills and knowledge. In general, the Target Company determines employee compensation based on each employee's performance, qualifications, position and seniority. The total remunerations paid to the Target Company's employees for the year ended 31 December 2013 was approximately HK$27.7 million.

Foreign currency exposure

During the year, the revenue and operating cost were mainly denominated in Renminbi. Amount due to the immediate holding company was also denominated in Renminbi.

The Target Company has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate.

Significant investments, material acquisition and disposal

During the year, the Target Company did not have any significant investment, material acquisition and disposal.

FOR THE YEAR ENDED 31 DECEMBER 2014

Financial Review of Operations

Revenue

The Target Company generated turnover of approximately HK$217.0 million for the year ended 31 December 2014, representing an increase of approximately 46.7% from HK$147.9 million in the previous year. The increase in turnover was mainly due to (i) the increase in revenue from daily and damage maintenance services provision as more expressways started to enter maintenance period; and (ii) the increase in revenue from provision of renovation maintenance services as the Target Company engaged in more projects during the year ended 31 December 2014.

Cost of sales

The Target Company incurred cost of sales of approximately HK$192.3 million for the year ended 31 December 2014, representing an increase of approximately 37.0% from HK$140.4 million in the previous year. The increase in cost of sales mainly resulted from the increase in revenue for the year ended 31 December 2014.

Administrative expenses

The Target Company incurred administrative expenses of approximately HK$12.8 million for the year ended 31 December 2014, which was relatively stable when compared with that of HK$12.8 million in the previous year.

Finance costs

The Target Company incurred nil finance costs for the year ended 31 December 2014, representing a decrease of 100% from HK$2.7 million in the previous year. The decrease was mainly due to part of the balances of amount due to the immediate holding company was settled and the remaining balances in 2014 were interest free, unsecured and have no fixed terms of repayment.

Taxation

The Target Company incurred income tax expenses of approximately HK$3.1 million for the year ended 31 December 2014, changed from income tax credit of approximately HK$2.0 million in the previous year, which mainly resulted from the tax charged on the profit before tax for the year ended 31 December 2014.

Liquidity and financial resources

As at 31 December 2014, the Target Company's net assets amounted to approximately HK$37.7 million and net current assets amounted to approximately HK$11.4 million. The current ratio, representing current assets divided by current liabilities was 1.1.

As at 31 December 2014, included in the trade and other receivables of HK$166.1 million are amounts due from the related parties of HK$155.4 million. The nature of the trade receivables balance due from the related parties represents the outstanding balance of provision of road maintenance services. The nature of the amounts due from the related parties in other receivables balance represents the payment of the purchase of the raw materials on behalf of the immediate holding company. The related parties refer to the immediate holding company of the Target Company, Tianjin Expressway Group, its wholly-owned subsidiaries and its associates. The related parties would become connected persons of the Company under Chapter 14A of the Listing Rules.

The nature of the trade payables of the Target Company as at 31 December 2014 was mainly represented outstanding balances of subcontracting charges and raw materials costs. The nature of the other payables represents other tax payables, and staff and welfare payables.

Total indebtedness of the Target Company as at 31 December 2014 was approximately HK$37.6 million which consisted of amount due to the immediate holding company, Tianjin Expressway Group, which was an advance for general working capital purpose, unsecured, interest-free and have no fixed terms of repayment, which was all denominated in RMB. The cash and bank balances of the Target Company amounted to approximately HK$12.3 million, which were denominated in RMB. The gearing ratio, which was calculated by net debts divided by total equity plus net debts, was 81.3%.

During the year, the Target Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and amount due to the immediate holding company.

Charges of assets

As of 31 December 2014, none of the Target Company's assets was pledged.

Contingent liabilities

The Target Company did not have any material contingent liability as at 31 December 2014.

Capital commitments

The Target Company did not have any material capital commitments as at 31 December 2014.

Employees

The Target Company had 93 employees as at 31 December 2014. Apart from state-managed retirement benefit, the Target Company provides training and other opportunities to improve their skills and knowledge. In general, the Target Company determines employee compensation based on each employee's performance, qualifications, position and seniority. The total remunerations paid to the Target Company's employees for the year ended 31 December 2014 was approximately HK$29.1 million.

Foreign currency exposure

During the year, the revenue and operating cost were mainly denominated in Renminbi. Amount due to the immediate holding company was also denominated in Renminbi.

The Target Company has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate.

Significant investments, material acquisition and disposal

During the year, the Target Company did not have any significant investment, material acquisition and disposal.

FOR THE PERIOD ENDED 28 FEBRUARY 2015

Financial Review of Operations

Revenue

The Target Company generated turnover of approximately HK$14.9 million for the two months ended 28 February 2015, which was relatively stable when compared with that of HK$15.3 million in the previous period.

Cost of sales

The Target Company incurred cost of sales of approximately HK$12.1 million for the two months ended 28 February 2015, no material change from HK$12.8 million in the previous period.

Administrative expenses

The Target Company incurred administrative expenses of approximately HK$1.8 million for the two months ended 28 February 2015, which was relatively stable when compared with that of HK$1.8 million in the previous period.

Finance costs

The Target Company incurred nil amount of finance costs for the two months ended 28 February 2014 and 2015 respectively.

Taxation

The Target Company incurred income tax expenses of approximately HK$0.3 million for the two months ended 28 February 2015, increased from HK$0.2 million in the previous period, which mainly resulted from the increase in the profit before tax for the two months ended 28 February 2015.

Liquidity and financial resources

As at 28 February 2015, the Target Company's net assets amounted to approximately HK$38.1 million and net current assets amounted to approximately HK$14.0 million. The current ratio, representing current assets divided by current liabilities was 1.1.

As at 28 February 2015, included in the trade and other receivables of HK$80.9 million are amounts due from the related parties of HK$76.0 million. The nature of the trade receivables balance due from the related parties represents the outstanding balance of provision of road maintenance services. The nature of the amounts due from the related parties in other receivables balance represents the payment of the purchase of the raw materials on behalf of the immediate holding company. The related parties refer to the immediate holding company of the Target Company, Tianjin Expressway Group, its wholly-owned subsidiaries and its associates. The related parties would become connected persons of the Company under Chapter 14A of the Listing Rules.

The nature of the trade payables of the Target Company as at 28 February 2015 was mainly represented outstanding balances of subcontracting charges and raw material. The nature of the other payables represents other tax payables.

Total indebtedness of the Target Company as at 28 February 2015 was approximately HK$37.6 million which consisted of amount due to the immediate holding company, Tianjin Expressway Group, which was an advance for general working capital purpose, unsecured, interest-free and have no fixed terms of repayment, which was all denominated in RMB. The cash and bank balances of the Target Company amounted to approximately HK$34.4 million, which were denominated in RMB. The gearing ratio, which was calculated by net debts divided by total equity plus net debts, was 65.9%. The amount due to the immediate holding company of the Target Company would be set off against the amounts receivable from the immediate holding company in October 2015. Freetech Smart Road had a discussion with Tianjin Expressway Group in August 2015 as Tianjin Expressway Group has not yet completed its internal verification process (including verification of the total service area, amount of service performed per unit and aggregate amount of all work performed for the projects) before the payment may be made to settle the trade and other receivables balance of the Target Company. It is expected that the internal verification process will complete in October 2015. The deputy general manager and financial controller of the Target Company appointed by Freetech Smart Road will monitor the internal verification process of Tianjin Expressway Group to ensure the relevant set-off will be made in October 2015. It is not foreseeable for the Company that there will be a delay in setting off such amounts.

During the two months ended 28 February 2015, the Target Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and amount due to the immediate holding company.

Charges of assets

As of 28 February 2015, none of the Target Company's assets was pledged.

Contingent liabilities

The Target Company did not have any material contingent liability as at 28 February 2015.

Capital commitments

The Target Company did not have any material capital commitments as at 28 February 2015.

Employees

The Target Company had 92 employees as at 28 February 2015. Apart from state-managed retirement benefit, the Target Company provides training and other opportunities to improve their skills and knowledge. In general, the Target Company determines employee compensation based on each employee's performance, qualifications, position and seniority. The total remunerations paid to the Target Company's employees for the two months ended 28 February 2015 was approximately HK$5.0 million.

Foreign currency exposure

During the year, the revenue and operating cost were mainly denominated in Renminbi. Amount due to the immediate holding company was also denominated in Renminbi.

The Target Company has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate.

Significant investments, material acquisition and disposal

During the two months ended 28 February 2015, the Target Company did not have any significant investment, material acquisition and disposal.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Shares and underlying Shares of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the shares, or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

	Personal Interests					
Name of Director	**Number of shares held**	**Number of awarded shares held**	**Number of underlying shares held under equity derivatives**	**Corporate Interests**	**Total**	**Approximate percentage of existing issued share capital of the Company**
Mr. Sze Wai Pan ("Mr. Sze")	—	—	—	524,965,260 *(Note 1)*	524,965,260	48.65%
Ms. Sze Wan Nga ("Ms. Sze")	—	—	200,000	29,640,000 *(Note 2)*	29,840,000	2.77%
Mr. Zhang Yifu	2,300,000	166,667	200,000	—	2,666,667	0.25%
Mr. Chan Kai King	2,300,000	166,667	200,000	—	2,666,667	0.25%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Note:

1. Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 524,965,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology.

2. Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") and therefore is deemed to be interested in 29,640,000 shares of the Company held by Intelligent Executive.

(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, so far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have interests or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or any other member of the Enlarged Group:

Name of Shareholders	Capacity	Number of Shares or underlying Shares held	Total number of Shares and underlying Shares	Approximate Percentage of existing issued share capital of the Company
Freetech Technology *(Note 1)*	Interest of controlled corporation	524,965,260	524,965,260	48.65%
Sze BVI *(Note 1)*	Interest in controlled corporation	524,965,260	524,965,260	48.65%
Freetech Cayman *(Note 1)*	Beneficial owner	524,965,260	524,965,260	48.65%
China International Capital Corporation Limited *(Note 2)*	Interest in controlled corporation	58,219,200	58,219,200	5.40%
CICC Growth Capital Fund GP, L.P. *(Note 2)*	Interest in controlled corporation	58,219,200	58,219,200	5.40%
CICC Growth Capital Fund I, L.P. *(Note 2)*	Interest in controlled corporation	58,219,200	58,219,200	5.40%
Future Blossom Investment Limited *(Note 2)*	Beneficial owner	58,219,200	58,219,200	5.40%

Notes:

1. The relationship between Freetech Technology, Sze BVI, Freetech Cayman and Mr. Sze is disclosed under the heading "Interests and short positions of the Directors in the Shares, and underlying Shares of the Company and its associated corporations" above.

2. Future Blossom Investment Limited is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the shares held by Future Blossom Investment Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2014, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was materially interested in any asset, contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

4. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Enlarged Group or have or may have any other conflicts of interest with the Enlarged Group pursuant to the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) having been entered into by the Group within two years immediately preceding the date of this circular and are or may be material:

(a) the cooperation agreement entered into between the Company and the School of Management of University of Chinese Academy of Sciences (中國科學院大學管理學院) ("Management School UCAS") in March 2015, pursuant to which the Company and Management School UCAS will jointly establish the UCAS Freetech Ecological Science and Technology Research Centre ("UCAS Freetech Centre");

(b) the Capital Injection Agreement; and

(c) the Shareholders' Agreement.

8. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this circular ("Experts"):

Name	**Qualifications**
Deloitte Touche Tohmatsu	Certified Public Accountants

The Experts have given and have not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, the experts above were not beneficially interested in the share capital of any member of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Company have been made up) nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, the experts above did not, directly or indirectly, had any interest in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Company have been made up), or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Company have been made up).

9. MISCELLANEOUS

As at the Latest Practicable Date:

(a) The registered office of the Company was situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's head office and principal place of business in Hong Kong was situated at 29/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

(b) The company secretary of the Company was Mr. Lim Eng Sun ("Mr. Lim"). Mr. Lim is a certified public accountant in Hong Kong, an associate member of the Hong Kong Institute of Certified Public Accountants

(c) The Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, was situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In the event of inconsistency, the English texts of this circular shall prevail over its respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (9 a.m. to 5 p.m.) on any weekday (public holidays excepted) at the office of the Company at 29/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to 14 days thereafter:

(a) the memorandum and articles of association of the Company;

(b) the prospectus of the Company dated 14 June 2013;

(c) the annual reports of the Company for each of the two financial years ended 31 December 2013 and 31 December 2014, respectively;

(d) the accountants' report from Deloitte Touche Tohmatsu on the financial information of the Target Company for the three years ended 31 December 2014 and two months ended 28 February 2015, the text of which is set out in Appendix II of this circular;

(e) the report from Deloitte Touche Tohmatsu on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;

(f) the letters of consent referred to under the paragraph headed "Consents and Qualifications" in this Appendix; and

(g) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix.