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英達公路再生科技(集團)有限公司

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

DISCLOSABLE TRANSACTION FORMATION OF THE PPP COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 27 March 2015 in relation to the entering into of a cooperation agreement between the Company and Jurong City Housing and Urban Rural Development Bureau* (江蘇省句容市住房和城鄉建設局) in Jiangsu Province. The Board is pleased to announce that, on 23 August 2016, Freotech Road Recycling, an indirect wholly-owned subsidiary of the Company, and the JV Partner entered into the Joint Venture Contract, pursuant to which the parties to the Joint Venture Contract agreed to establish the PPP Company in Jurong City, Jiangsu Province, the PRC with a registered capital of RMB 100,000,000. Pursuant to the terms of the Joint Venture Contract, the PPP Company shall be owned as to 80% and 20% by Freotech Road Recycling and the JV Partner, respectively, and the PPP Company will be a platform for the Project.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios of the capital contribution by Freotech Road Recycling for the formation of the PPP Company is more than 5% but less than 25%, the transaction contemplated under the Joint Venture Contract constitutes a disclosable transaction of the Company and therefore is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

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JOINT VENTURE CONTRACT

The principal terms of the Joint Venture Contract are set out below:

(1) Date

23 August 2016

(2) Parties

- (i) Freetech Road Recycling; and
- (ii) the JV Partner

(3) Scope of business

The scope of business of the PPP Company includes investment, construction, operation and maintenance of the municipal infrastructure, road construction and maintenance project, project management, and leasing of construction engineering equipment. The PPP Company will be responsible for the Project.

(4) Registered capital and capital contribution

The total amount of the registered capital of the PPP Company shall be RMB 100,000,000, which will be contributed by the parties to the Joint Venture Contract in cash based on their respective proportion of equity interest in the PPP Company. The details are as follows:

	Amount of contribution (RMB)	Shareholding Percentage (%)
Freotech Road Recycling	80,000,000	80%
The JV Partner	20,000,000	20%
Total	100,000,000	100%

Freotech Road Recycling and the JV Partner shall make their capital contribution, based on their respective proportion of equity interest in the PPP Company, in an aggregate amount of RMB100,000,000 to the registered capital of the PPP Company by five equal instalments in August 2016, December 2016, June 2017, December 2017 and June 2018, respectively.

The capital contributed by Freotech Road Recycling will be funded by debt financing and/or internal resources of the Group. The amount of capital contribution to be made by Freotech Road Recycling was determined by Freotech Road Recycling and the JV Partner through arm's length negotiation after considering the structure of the public road, average labour, material costs and expected working capital required for the Project.

(5) The board composition and management structure of the PPP Company

The board of directors of the PPP Company will comprise five members. Freotech Road Recycling is entitled to nominate three directors and the JV Partner is entitled to nominate two directors. The chairman of the board, who will also act as the legal representative of the PPP Company, shall be one of the directors nominated by the JV Partner. The composition of the senior management of the PPP Company includes one general manager (to be nominated by Freotech Road Recycling), and two deputy general managers (each to be nominated by Freotech Road Recycling and the JV Partner respectively) and one financial manager (to be nominated by Freotech Road Recycling). All members of senior management shall be appointed by the board of directors of the PPP Company upon their nomination.

THE PROJECT

The Project to be carried out by the PPP Company involves the management and supervision of the construction and development of a new public road (the “**New Road**”) and its construction cost settlement in Jurong City (句容市) for the PRC government. The Project also includes the management and operation for a period of six years after the completion of its construction of the New Road.

After the construction of the New Road has been completed for one year, Jurong Municipal City Public Facilities Service Centre* (句容市市政公用事業服務中心), the relevant authority of the PRC local government, will pay 20% of the total construction cost (including construction materials cost, road maintenance cost, design and surveying costs, etc) settled by the PPP Company in respect of the New Road plus the agreed rate of return to the PPP Company each year thereafter until the total construction cost is fully settled.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE CONTRACT

As part of the Group's business strategy, the Group continues to explore business opportunities in the road maintenance and construction industry. The Company considers that the Group, through the application of the Group's technology and its participation in the Project, not only can expand its business in the road maintenance and construction industry but also can promote the Group's technology in the PRC. As such, the Company believes that the formation of the PPP Company will enable the Group to enhance its financial performance and have more long-term and stable returns, while ensuring the growth of its principal activities.

The formation of the PPP Company is also in line with the notion of public-private partnership recently encouraged and promoted by the PRC government. Such PPP model is supported by the PRC government as a preferred method for new municipal/town projects. Therefore, the Group's participation in the Project enhances the Group's experience in PPP projects where the Group will continue to seek other PPP opportunities in the future.

In view of the above, the Directors consider that the transactions contemplated under the Joint Venture Contract are in line with the business plans of the Company and the terms of the Joint Venture Contract are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE JV PARTNER

The JV Partner is a limited liability company established in the PRC as a wholly state-owned enterprise held by the Jurong Municipal People's Government. It is principally engaged in operation and management of state-owned assets authorized by the municipal government, and undertaken the construction of municipal public facilities offered by the PRC government and funded by the relevant financial bureau.

The Company confirms, to the best knowledge, information, and belief of the Directors after making all reasonable enquiries, the JV Partner and its ultimate beneficial owners (where applicable) are all third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ON COMPANY AND FREETECH ROAD RECYCLING

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

Freotech Road Recycling is principally engaged in provision of road maintenance services in the PRC.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Freotech 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;
“Director(s)”	the director(s) of the Company;
“Freotech Road Recycling”	Freotech Road Recycling Corporation, a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Joint Venture Contract”	the joint venture contract entered into between Freotech Road Recycling and the JV Partner on 23 August 2016 in relation to the formation of the PPP Company;
“JV Partner”	Jurong Municipal Construction Investment Co., Ltd.* (句容市城市投資建設有限責任公司), a limited liability company established in the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP”	Public-Private-Partnership, being a model of cooperation between the public sector and private sector to work together;
“PPP Company”	a limited liability company to be established under the laws of the PRC in Jurong City, pursuant to the Joint Venture Contract;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of Shares;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

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

Hong Kong, 23 August 2016

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

** For identification purposes only*