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## **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)

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

The Board is pleased to announce that on 7 December 2017, Tianjin Expressway Maintenance, an indirect non-wholly owned subsidiary of the Company and Tianjin Subsidiary and the Associate finalised and entered into certain services agreements in relation to the Continuing Connected Transactions conducted on a regular and continuing basis.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Tianjin Expressway Maintenance is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, Tianjin Expressway Maintenance is owned as to 55% and 45% by Freetech Smart Road Recycling Engineering Investment Limited (an indirect non-wholly owned subsidiary of the Company) and Tianjin Expressway Group respectively. As Tianjin Expressway Group is a substantial shareholder of Tianjin Expressway Maintenance, Tianjin Expressway Group, Tianjin Subsidiary (a subsidiary of Tianjin Expressway Group) and the Associate (an associate of Tianjin Expressway Group) are connected persons of the Company at the subsidiary level. Therefore, the Continuing Connected Transactions between Tianjin Expressway Maintenance and Tianjin Subsidiary and the Associate constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Tianjin Expressway Group, Tianjin Subsidiary and the Associate are connected persons at the subsidiary level of the Company; (ii) the Continuing Connected Transactions are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the Continuing Connected Transactions and confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions are subject to the reporting, announcement and

annual review requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

## INTRODUCTION

Reference is made to the announcement of the Company dated 31 August 2015 in relation to, among others, the continuing connected transactions between the Group and Tianjin Expressway Group Company Limited\* (天津高速公路集團有限公司) (“**Tianjin Expressway Group**”). The board of directors (“**Board**”) of Freetech Road Recycling Technology (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 7 December 2017, Tianjin Expressway Maintenance Company Limited\* (天津市高速公路養護有限公司) (“**Tianjin Expressway Maintenance**”), an indirect non-wholly owned subsidiary of the Company, and Tianjin Expressway Management and Development Co. Ltd. \* (天津市高速公路經營開發有限公司) (a subsidiary of Tianjin Expressway Group) (the “**Tianjin Subsidiary**”) and Tianjin Xinzan Expressway Co. Ltd.\* (天津新展高速公路有限公司) (an associate of Tianjin Expressway Group) (the “**Associate**”) finalised and entered into certain services agreements in relation to the renewal of the ongoing transactions of the Group conducted on a regular and continuing basis (the “**Continuing Connected Transactions**”). The details of the Continuing Connected Transactions are as set out below:

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
1.	天津市高速公路經營開發有限公司  Tianjin Expressway Management and Development Co. Ltd. * (a subsidiary of Tianjin Expressway Group)	8 December 2017 – 30 April 2018	12,052,480	Provision of renovation maintenance (dismantling of advertisement boards) by Tianjin Expressway Maintenance and the consideration shall be paid in the following manner:  10% of the consideration as prepayment shall be paid upon signing the agreement; 70% of the consideration shall be paid upon completion of the services rendered; and the remaining 20% of the consideration shall be paid after 2 years as warranty deposit.

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
2.	天津市高速公路經營開發有限公司  Tianjin Expressway Management and Development Co. Ltd. * (a subsidiary of Tianjin Expressway Group)	8 December 2017 – 31 January 2018	1,307,973	Provision of renovation maintenance (replacement of advertisement board) by Tianjin Expressway Maintenance and the consideration shall be paid in the following manner:  95% of the consideration shall be paid upon completion of the services rendered and remaining 5% of the consideration shall be paid after 2 years as warranty deposit.
3.	天津新展高速公路有限公司  Tianjin Xinzan Expressway Co. Ltd.* (an associate of Tianjin Expressway Group)	11 December 2017 – 14 March 2018	1,772,861	Provision of daily maintenance by Tianjin Expressway Maintenance and the consideration shall be paid by monthly settlement.

*\* for identification purpose only*

## **BASIS FOR DETERMINING THE CONSIDERATIONS**

The considerations of the Continuing Connected Transactions were determined with reference to the pricing guidelines issued by the local government of Tianjin, the considerations of the historical transactions, the market price of raw materials costs and similar services rendered, and the duration and location of the projects. The details of the pricing mechanism are set out below:

The pricing guidelines issued by the local government of Tianjin set out the price references for labour, certain raw materials and machine used in maintenance services projects similar to the projects under the Continuing Connected Transactions. Although the pricing guidelines are not

mandatory and there is no requirement for Tianjin Expressway Maintenance to follow the pricing guidelines, Tianjin Expressway Maintenance uses the pricing guidelines for reference only. Furthermore, Tianjin Expressway Maintenance would adjust the labour costs and estimate the raw material costs set out in the pricing guidelines by comparing them with the prevailing market prices of labour costs and raw materials and subject to any recent or anticipated changes in the market that are of the Group's knowledge.

Under the Continuing Connected Transactions, based on the Group's knowledge and extensive experience in the road maintenance and construction sector, the Group was of the view that there were no changes or anticipated changes that could have significantly affected the relevant considerations. Furthermore, the purchasing team of Tianjin Expressway Maintenance conducted market research on the prevailing market prices of raw materials and obtained 12 quotes from other raw materials suppliers in Tianjin in determining the considerations.

The considerations were further determined on a cost-plus basis with certain percentage of the profit margin depending on the types of the services provided. Such percentage of the profit margin was determined based on the historical transaction experience of Tianjin Expressway Maintenance which included the recent 20 transactions of renovation maintenance works performed by the Group.

The head of renovation maintenance department and the head of operation management department of Tianjin Expressway Maintenance jointly determined the relevant considerations based on the above pricing mechanism and negotiated the considerations with Tianjin Subsidiary and the Associate. Before Tianjin Expressway Maintenance entered into the agreements in relation to the Continuing Connected Transactions with Tianjin Subsidiary and the Associate respectively, the deputy general manager of Tianjin Expressway Maintenance appointed by the Company obtained approval from the Company through the director of Tianjin Expressway Maintenance appointed by the Company ("**Tianjin Director**"). Tianjin Director sought final approval from both the Chief Financial Officer of the Company and an executive director of the Company to ensure that the basis for determining the considerations was effectively implemented.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Continuing Connected Transactions between Tianjin Expressway Maintenance and Tianjin Subsidiary and the Associate were entered into in the ordinary and usual course of business of the Group. Taking into account of the long term and stable business relationship between Tianjin Expressway Maintenance and Tianjin Subsidiary and the Associate, the aforementioned transactions can provide a stable business environment and operating instruments for Tianjin Expressway Maintenance as a whole so as to bring stable and contributions to the Company and its shareholders.

The directors of the Company (including independent non-executive Directors) are of the view that the transactions under the aforesaid agreements are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Tianjin Expressway Maintenance is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, Tianjin Expressway Maintenance is owned as to 55% and 45% by Freetech Smart Road Recycling Engineering Investment Limited (an indirect non-wholly owned subsidiary of the Company) and Tianjin Expressway Group respectively. As Tianjin Expressway Group is a substantial shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of Tianjin Expressway Maintenance, Tianjin Expressway Group, Tianjin Subsidiary and the Associate are connected persons of the Company at the subsidiary level. Therefore, the Continuing Connected Transactions between Tianjin Expressway Maintenance and Tianjin Subsidiary and the Associate constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Tianjin Expressway Group, Tianjin Subsidiary and the Associate are connected persons at the subsidiary level of the Company; (ii) the Continuing Connected Transactions are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the Continuing Connected Transactions and confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and shareholders’ approval requirements.

None of the Directors has any material interest in any of the Continuing Connected Transactions and they are not required to abstain from voting on the Board resolutions to approve the same.

## **INFORMATION ON THE PARTIES TO CONTINUING CONNECTED TRANSACTIONS**

The Company is principally engaged in manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People’s Republic of China.

Tianjin Expressway Maintenance is a company established in the People’s Republic of China with limited liability on 1 September 2009 by Tianjin Expressway Group. On 31 August 2015, Tianjin Expressway Maintenance became an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, its registered capital is RMB44,444,400. The principal activities of Tianjin Expressway Maintenance 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.

Tianjin Expressway Group, a State-owned enterprise, is a company established in the People’s Republic of China with limited liability. Its principal business is roads and bridges construction and management of expressways.

Tianjin Subsidiary, a subsidiary of Tianjin Expressway Group, is principally engaged in management of expressways.

The Associate, an associate of Tianjin Expressway Group, is principally engaged in investment and management of expressways.

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

Hong Kong, 8 December 2017

*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 Dr. Chan Yan Chong 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*