

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)*

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

The Board is pleased to announce that on 28 October 2019, Tianjin Expressway Maintenance (an indirect non-wholly owned subsidiary of the Company) entered into certain service agreements with the Contract Parties 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 Freotech 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 Listing Rules) of Tianjin Expressway Maintenance, the Contract Parties are connected persons of the Company at the subsidiary level. Therefore, the Continuing Connected Transactions between Tianjin Expressway Maintenance and each of the Contract Parties constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the Contract Parties are connected persons at the subsidiary level of the Company; (ii) the Continuing Connected Transactions are on normal commercial terms; and (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 Freetech Road Recycling Technology (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 (“**Board**”) of directors (“**Directors**”) of the Company is pleased to announce that on 28 October 2019, 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 each of (1) Tianjin Tianlang Expressway Co. Ltd.\* (天津天朗高速公路有限公司) (a subsidiary of Tianjin Expressway Group), (2) Tianjin Jinfu Expressway Co. Ltd.\* (天津津富高速公路有限公司) (an associate of Tianjin Expressway Group), (3) Tianjin Tian’ang Expressway Co. Ltd.\* (天津天昂高速公路有限公司) (an associate of Tianjin Expressway Group), (4) Tianjin Xinzan Expressway Co. Ltd.\* (天津新展高速公路有限公司) (an associate of Tianjin Expressway Group), (5) Tianjin Xinyu Expressway Co. Ltd.\* (天津鑫宇高速公路有限責任公司) (a subsidiary of Tianjin Expressway Group) and (6) Tianjin Tianyong Expressway Co. Ltd.\* (天津天永高速公路有限公司) (an associate of Tianjin Expressway Group) (collectively, the “**Contract Parties**”) entered into certain service 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 set out below:

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
1.	Tianjin Tianlang Expressway Co. Ltd.*  (天津天朗高速公路有限公司) (a subsidiary of Tianjin Expressway Group)	1 November 2019 – 31 March 2020	890,570	Provision of daily maintenance at Jinchang Expressway (Northern Section)* (津滄(北段)高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  (a) 30% of the consideration as prepayment shall be paid upon commencement of the provision of the services; and thereafter quarterly settlement based on the actual volume; and  (b) the prepayment shall net off against the quarterly settlement.

<b>No.</b>	<b>Transaction party</b>	<b>Services period</b>	<b>Consideration amount (RMB)</b>	<b>Terms of the relevant service agreement</b>
2.	Tianjin Jinfu Expressway Co. Ltd.* (天津津富高速公路有限公司) (an associate of Tianjin Expressway Group)	1 November 2019 – 31 December 2021	10,103,327.36	<p>Provision of daily maintenance at Jinbao and Rongwu Expressway* (津保、榮烏高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:</p> <p>(a) 30% of the consideration as prepayment shall be paid upon commencement of the provision of the services; and thereafter quarterly settlement based on the actual volume; and</p> <p>(b) the prepayment shall net off against the quarterly settlement.</p>
3.	Tianjin Tian'ang Expressway Co. Ltd.* (天津天昂高速公路有限公司) (an associate of Tianjin Expressway Group)	29 October 2019 – 31 December 2019	3,170,496	<p>Provision of daily maintenance at Jingha Expressway* (京哈高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:</p> <p>(a) 30% of the consideration as prepayment shall be paid upon commencement of the provision of the services; and thereafter quarterly settlement based on the actual volume; and</p> <p>(b) the prepayment shall net off against the quarterly settlement.</p>

<b>No.</b>	<b>Transaction party</b>	<b>Services period</b>	<b>Consideration amount (RMB)</b>	<b>Terms of the relevant service agreement</b>
4.	Tianjin Tian'ang Expressway Co. Ltd.*  (天津天昂高速公路有限公司) (an associate of Tianjin Expressway Group)	1 November 2019 – 15 December 2019	3,241,490	Provision of renovation maintenance at Jingha Expressway* (京哈高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  20% of the consideration as prepayment shall be paid upon commencement of the provision of the services; 75% of the consideration shall be paid upon completion of the provision of the services; and the remaining 5% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.
5.	Tianjin Xinzan Expressway Co. Ltd.*  (天津新展高速公路有限公司) (an associate of Tianjin Expressway Group)	1 November 2019 – 31 December 2019	14,807,518	Provision of renovation maintenance at Changshen Expressway* (長深高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  20% of the consideration as prepayment shall be paid upon commencement of the provision of the services; 75% of the consideration shall be paid upon completion of the provision of the services; and the remaining 5% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
6.	Tianjin Xinyu Expressway Co. Ltd.*  (天津鑫宇高速公路有限公司) (a subsidiary of Tianjin Expressway Group)	1 November 2019 – 15 December 2019	6,831,891	Provision of renovation maintenance at Jingjun Expressway* (津晉高速公路) and Rongwu Expressway* (榮烏高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  20% of the consideration as prepayment shall be paid upon commencement of the provision of the services; 75% of the consideration shall be paid upon completion of the provision of the services; and the remaining 5% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.
7.	Tianjin Xinyu Expressway Co. Ltd.*  (天津鑫宇高速公路有限公司) (a subsidiary of Tianjin Expressway Group)	1 November 2019 – 31 March 2020	6,239,858	Provision of daily maintenance at Jingjun Expressway* (津晉高速公路) and Rongwu Expressway* (榮烏高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  (a) 30% of the consideration as prepayment shall be paid upon commencement of the provision of the services; and thereafter quarterly settlement based on the actual volume; and  (b) the prepayment shall net off against the quarterly settlement.

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
8.	Tianjin Tianyong Expressway Co. Ltd.*  (天津天永高速公路有限公司) (an associate of Tianjin Expressway Group)	29 October 2019 – 31 December 2019	4,072,057	Provision of renovation maintenance (from the expressway section k12+500 to k54-128) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:  20% of the consideration as prepayment shall be paid upon commencement of the provision of the services; 75% of the consideration shall be paid upon completion of the provision of the services; and the remaining 5% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.

*\* 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 People's Republic of China, 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 machines 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 material costs and taking into account of 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 significantly affect the relevant considerations. Furthermore, the purchasing team of Tianjin Expressway Maintenance conducted market research on the prevailing market prices of raw materials and obtained 15 fee quotes from other suppliers for raw materials in Tianjin as references in determining the considerations.

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

The head of renovation maintenance department, the head of daily maintenance department and the head of operation management department of Tianjin Expressway Maintenance jointly determined the relevant considerations of the Continuing Connected Transactions based on the above pricing mechanism and negotiated the considerations with the Contract Parties. Before Tianjin Expressway Maintenance entered into the agreements in relation to the Continuing Connected Transactions with the Contract Parties, 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 has sought final approval from both the Chief Financial Officer of the Company and an executive Director 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 the Contract Parties 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 the Contract Parties, the aforementioned transactions can provide a stable business environment and operating instruments for Tianjin Expressway Maintenance as a whole so as to bring stable contributions to the Company and its shareholders.

The Directors (including independent non-executive Directors) are of the view that the transactions under the aforesaid agreements are on normal commercial terms, in the ordinary and usual course of business of the Group, 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 (a 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, the Contract Parties are connected persons of the Company at the subsidiary level. Therefore, the Continuing Connected



Transactions between Tianjin Expressway Maintenance and each of the Contract Parties constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the Contract Parties are connected persons at the subsidiary level of the Company; (ii) the Continuing Connected Transactions are on normal commercial terms; and (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 Tianlang Expressway Co. Ltd., a subsidiary of Tianjin Expressway Group, is principally engaged in investment and management of expressway.

Tianjin Jinfu Expressway Co. Ltd. an associate of Tianjin Expressway Group, is principally engaged in investment and management of expressway.

Tianjin Tian'ang Expressway Co. Ltd. an associate of Tianjin Expressway Group, is principally engaged in investment and management of expressway.

Tianjin Xinzan Expressway Co. Ltd. an associate of Tianjin Expressway Group, is principally engaged in investment and management of expressway.

Tianjin Xinyu Expressway Co. Ltd. a wholly-owned subsidiary of Tianjin Expressway Group, is principally engaged in investment and management of expressway.

Tianjin Tianyong Expressway Co. Ltd. an associate of Tianjin Expressway Group, is principally engaged in investment and management of expressway.



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

Hong Kong, 28 October 2019

*As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan, Ms. Sze Wan Nga, and Mr. Chan Kai King; the non-executive Directors are Prof. Tong Wai Cheung Timothy, Dr. Chan Yan Chong and Mr. Wang Lei; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong.*

*\*for identification purposes only*