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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)*

### **SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of Freotech Road Recycling Technology (Holdings) Limited dated 28 October 2019 in relation to the continuing connected transactions involving certain service agreements entered into between Tianjin Expressway Maintenance (an indirect non-wholly owned subsidiary of the Company) and the Contract Parties (the “**Announcement**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company wishes to provide its shareholders and public with additional information in relation to the Continuing Connected Transactions.

### **BASIS FOR DETERMINING THE CONSIDERATION**

As mentioned in the Announcement, the consideration of the Continuing Connected Transactions (including both daily maintenance and renovation maintenance services) was determined with reference to (i) the pricing guidelines issued by the local government of Tianjin, the People’s Republic of China (the “**PRC**”); (ii) the consideration of historical transactions; (iii) the market price of raw materials costs; (iv) similar services rendered by Tianjin Expressway Maintenance, and (v) the duration and location of the projects. Further details relating to the pricing guidelines and the amount of the historical transactions are set out below:

The Company referred to the supplemental requirement on budget preparation and estimate for highway construction projects (天津市執行交通部《公路基本建設工程概算、預算編制辦法》的補充規定) issued by Tianjin local government and the budget for highway construction (公路工程預算定額) issued by the Ministry of Transport of the PRC on 1 December 2018 (with effect from 1 May 2019) (the “**Pricing Guidelines**”). The Pricing Guidelines apply to all highway construction and maintenance projects in the PRC and provide price reference for highway construction and maintenance contracts, including the range of labour costs per day, the range of the cost per meter for

certain raw materials and the range of the cost per machines used. The Pricing Guidelines are for reference purpose only and there is no requirement for Tianjin Expressway Maintenance to strictly follow these Pricing Guidelines. As the price references set out in the Pricing Guidelines are not up-to-date, Tianjin Expressway Maintenance would adjust the labour costs and estimate the raw material costs set out in the Pricing Guidelines upward or downward by comparing them with the prevailing market prices of labour costs and raw material costs and taking into account any recent or anticipated changes in the market based on the Group's knowledge. As mentioned in the Announcement, the prevailing market prices of the raw materials were determined by the purchasing team of Tianjin Expressway Maintenance through conducting market research and obtaining 15 quotes from different raw material suppliers in Tianjin.

Tianjin Expressway Maintenance has entered into transactions with Tianjin Expressway Group (including its subsidiaries and associated companies) from time to time since August 2015. Tianjin Expressway Maintenance has made reference to the consideration of certain historical transactions for similar services provided to Tianjin Expressway Group (including its subsidiaries and associated companies) as set out below when determining the consideration of the Continuing Connected Transactions. Tianjin Expressway Maintenance used the aggregate consideration, the consideration per kilometres and per square meters as reference point and made appropriate adjustments based on the factors mentioned above, including the prices set out in the Pricing Guidelines, the prevailing market prices of relevant raw materials, the duration and location of the projects.

No	Transaction party	Historical consideration
1	Tianjin Tianlang Expressway Co. Ltd.*	<p>The consideration for the historical transactions which provided similar types of services (i.e. daily maintenance including (1) highway facilities temporary maintenance; (2) greenery maintenance work; and (3) asphalt pavement and road base temporary maintenance work) for each of 2016 and 2018 were as follows:</p> <p>2016: RMB644,507 for the period from 1 January 2016 to 31 May 2016</p> <p>2018: RMB1,632,495 for the period from 5 November 2018 to 31 March 2019</p>
2	Tianjin Jinfu Expressway Co. Ltd.* (“ <b>Tianjin Jinfu</b> ”)	<p>As Tianjin Expressway Maintenance has not entered into similar transactions with Tianjin Jinfu, it has referred to daily maintenance projects with Tianjin Xinzan Expressway Co., Ltd.* (“<b>Tianjin Xinzan</b>”) (an associated company of Tianjin Expressway Group) when determining the consideration because the contacts provided similar type of services including (1) highway facilities routine inspection, cleaning and temporary maintenance; (2) greenery maintenance work; and (3) asphalt pavement and road base temporary maintenance work which required similar level of skills, costs and resources. The consideration</p>

		<p>for the historical transactions for each of 2015, 2017 and 2018 were as follows:</p> <p>2015: RMB1,641,845 for the period from 15 March 2015 to 14 March 2016</p> <p>2017: two transactions with consideration of RMB1,739,147 for the period from 15 March 2016 to 14 March 2017 and RMB1,772,861 for the period from 11 December 2017 to 14 March 2018</p> <p>2018: RMB1,971,607 for the period from 15 March 2018 to 14 March 2019</p>
3	Tianjin Tian'ang Expressway Co. Ltd.* (“ <b>Tianjin Tian'ang</b> ”)	<p>The consideration for the historical transactions which provided similar types of services (i.e. daily maintenance including (1) highway facilities painting maintenance; (2) greenery maintenance work; and (3) garbage cleaning work) for each of 2016, 2017 and 2018 were as follows:</p> <p>2016: RMB850,000 for the period from 8 September 2016 to 25 October 2016</p> <p>2017: RMB414,033 for one month in July 2017 and RMB940,753 for the period from May 2017 to October 2017</p> <p>2018: RMB1,243,003 for the period from April 2018 to October 2018</p>
4	Tianjin Xinzan Expressway Co. Ltd.*	<p>As Tianjin Expressway Maintenance has not entered into similar transactions with Tianjin Xinzan, it has referred to a historical renovation maintenance project with Tianjin Tian'ang with the historical transaction amount of RMB12,896,748 for the period from 7 June 2018 to 31 August 2018 when determining the consideration because both contracts provided similar type of services (i.e. large scale asphalt pavement maintenance) which required similar level skills, costs and resources.</p>
5	Tianjin Xinyu Expressway Co. Ltd.*	<p>As Tianjin Expressway Maintenance has not entered into similar transactions with Tianjin Xinyu Expressway Co. Ltd.*, it has referred to historical transactions with Tianjin Tian'ang and Tianjin Xinzan .</p>

		<p>For renovation maintenance project, Tianjin Expressway Maintenance has referred to a historical transaction with Tianjin Tian'ang with historical transaction amount of RMB12,896,748 for the period from 7 June 2018 to 31 August 2018 because both contracts provided similar type of services (i.e. large scale asphalt pavement maintenance) which required similar level of skills, costs and resources.</p> <p>For daily maintenance project, Tianjin Expressway Maintenance has referred to historical transactions with Tianjin Xinzan because the contracts provided similar type of services including (1) highway facilities routine temporary maintenance; (2) greenery maintenance work; and (3) asphalt pavement and road base temporary maintenance work which required similar level of skills, costs and resources. The consideration for the historical transactions for each of 2015, 2017 and 2018 were as follows:</p> <p>2015: RMB1,641,845 for the period from 15 March 2015 to 14 March 2016</p> <p>2017: two transactions with consideration of RMB1,739,147 for the period from 15 March 2016 to 14 March 2017 and RMB1,772,861 for the period from 11 December 2017 to 14 March 2018</p> <p>2018: RMB1,971,607 for the period from 15 March 2018 to 14 March 2019</p>
6	Tianjin Tianyong Expressway Co. Ltd.*	<p>The consideration for the historical transactions which provided similar types of services (i.e. large scale asphalt pavement maintenance) for each of 2015 and 2018 were as follows:</p> <p>2015: RMB1,815,888 for the period from 1 July 2015 to 6 September 2015</p> <p>2018: RMB4,675,251 for the period from 5 November 2018 to 20 December 2018</p>

## **ANNUAL CAP FOR TRANSACTION NO. 2 IN THE ANNOUNCEMENT**

For transactions between Tianjin Expressway Maintenance and Tianjin Jinfu (i.e. transaction no.2 in the Announcement), the Company estimates that the annual cap for the relevant transaction for the year ending 31 December 2019, 2020 and 2021 will be RMB3,377,800.78, RMB3,362,763.29 and RMB3,362,763.29, respectively. The annual caps were determined based on a cost-plus basis after taken into account the following factors:

- (a) the historical consideration of transactions between Tianjin Expressway Maintenance and Tianjin Xinzan as mentioned above;
- (b) the pricing mechanism as mentioned above; and
- (c) estimated level of services to be provided to Tianjin Jinfu for each of the year ending 31 December 2019, 2020 and 2021, including additional maintenance works required (including replacing of guard rail and maintenance of retaining wall) for the period from 1 November 2019 to 31 December 2019.

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

Hong Kong, 28 November 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*