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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)*

### **CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

The Board is pleased to announce that on 26 June 2024, Tianjin Expressway Maintenance (an indirect non-wholly owned subsidiary of the Company) entered into certain service agreements with Tianjin Expressway Group in relation to the Connected Transactions conducted on a project basis and are one-off transactions.

#### **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 (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, Tianjin Expressway Group is a connected persons of the Company at the subsidiary level. Therefore, the Connected Transactions between Tianjin Expressway Maintenance and Tianjin Expressway Group constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Tianjin Expressway Group is a connected persons at the subsidiary level of the Company; (ii) the Connected Transactions are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Connected Transactions and confirmed that the terms of the 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 Connected Transactions are subject to the reporting and announcement 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 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 (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 26 June 2024, 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 Group entered into certain service agreements on a project basis and are one-off transaction (the “**Connected Transactions**”). The details of the Connected Transactions are set out below:

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
1.	Tianjin Expressway Group	27 June 2024 – 30 April 2025	125,476,623	<p>Provision of daily maintenance (i.e. including (1) highway facilities temporary maintenance; (2) greenery maintenance work; and (3) asphalt pavement and road base temporary maintenance work etc.) at Pingbao Expressway* (濱保高速公路), Tangchen Expressway* (塘承高速公路), Rongwu Expressway* (榮烏高速公路), Jinghu Expressway* (京滬高速公路) etc. by Tianjin Expressway Maintenance and the consideration shall be paid in the following manner:</p> <p>(a) 20% of the consideration as prepayment shall be paid upon commencement of the provision of the services; and</p> <p>(b) the prepayment shall net off against the quarterly settlement.</p>

No.	Transaction party	Services period	Consideration amount (RMB)	Terms of the relevant service agreement
2.	Tianjin Expressway Group	27 June 2024 – 31 August 2024	42,833,890	<p>Provision of renovation maintenance (i.e. large scale asphalt pavement maintenance) at Binbao Expressway* (濱保高速公路) by Tianjin Expressway Maintenance. The consideration shall be paid in the following manner:</p> <p>(a) 16% of the consideration as prepayment shall be paid upon commencement of the provision of the services;</p> <p>(b) 81% of the consideration shall be paid as progress payment and depending on the percentage of completion of the services; and</p> <p>(c) the remaining 3% of the consideration shall be paid after 1 year from completion of the provision of the services as warranty deposit.</p>

## BASIS FOR DETERMINING THE CONSIDERATIONS

The considerations of the Connected Transactions were 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 and no updated pricing guidelines have been published as at the date of this announcement, 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. The prevailing market prices of the raw materials were determined by the purchasing team of Tianjin Expressway Maintenance through conducting market research and obtaining 20 quotes from different raw material suppliers in Tianjin.

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. 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 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 Expressway Group	<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 2021, 2022 and 2023 were as follows:</p> <p>2021: RMB157,458,352 for the period from 17 May 2021 to 30 April 2022</p> <p>2022: RMB124,800,000 for the period from 13 June 2022 to 30 April 2023</p> <p>2023: RMB119,987,593 for the period from 29 September 2023 to 30 April 2024</p>
2	Tianjin Expressway Group	<p>The consideration for renovation maintenance was made with reference to the historical transactions which provided similar types of services (i.e. large scale asphalt pavement maintenance) for each of 2021, 2022 and 2023 were as follows:</p> <p>2021: five transactions with consideration of: (1) RMB10,249,020 for the period from 9 November 2021 to 30 November 2021; (2) RMB28,829,087 for the period from 10 November 2021 to 15 December 2021; (3) RMB7,477,382 for the period from 15 November 2021 to 30 December 2021; (4) RMB8,799,834 for the period from 10 November 2021 to 30 December 2021; and (5) RMB26,135,872 for the period from 15 November 2021 to 30 December 2021.</p> <p>2022: four transactions with consideration of: (1) RMB19,219,870 for the period from 13 June 2022 to 13 September 2022; (2) RMB7,265,850 for the period from 13 June 2022 to 13 September 2022; (3) RMB3,775,148</p>

		<p>for the period from 13 June 2022 to 13 September 2022; and (4) RMB25,412,510 for the period from 11 November 2022 to 31 December 2022.</p> <p>2023: three transactions with consideration of: (1) RMB25,592,843 for the period from 3 June 2023 to 31 August 2023; (2) RMB14,050,116 for the period from 3 June 2023 to 31 August 2023; and (3) RMB10,621,849 for the period from 3 June 2023 to 31 August 2023.</p>
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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 Connected Transactions based on the above pricing mechanism and negotiated the considerations with Tianjin Expressway Group. Before Tianjin Expressway Maintenance entered into the agreements in relation to the Connected Transactions with Tianjin Expressway Group, 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 CONNECTED TRANSACTIONS**

The Connected Transactions between Tianjin Expressway Maintenance and Tianjin Expressway Group are 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 Expressway Group, 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 (“**Freetech Smart Road**”) (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, Tianjin Expressway Group is connected persons of the Company at the subsidiary level. Therefore, the Connected Transactions between Tianjin Expressway Maintenance and Tianjin Expressway Group constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Tianjin Expressway Group is a connected persons at the subsidiary level of the Company; (ii) the Connected Transactions are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Connected Transactions and confirmed that the terms of the 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 Connected Transactions are subject to the reporting and announcement 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 Connected Transactions and they are not required to abstain from voting on the Board resolutions to approve the same.

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

The Group is principally engaged in manufacturing and sales of road maintenance equipment, provision of road maintenance services and development, sales and leasing of properties in the PRC.

Tianjin Expressway Maintenance is a company established in the PRC 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 PRC with limited liability. Its principal business is roads and bridges construction and management of expressways.

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

Hong Kong, 26 June 2024

*As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan and Mr. Chan Kai King; the non-executive Directors are Ms. Sze Wan Nga, Mr. Zhou Jichang, Prof. Tong Wai Cheung Timothy and Dr. Chan Yan Chong; and the independent non-executive Directors are Ms. Yeung Sum, Prof. Lau Chi Pang and Prof. Lai Kin Keung.*

*\* for identification purposes only*